

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Internal Audit of the Blue Gap/Tachee Chapter

**Report No. 23-13
June 2023**

**Performed by:
Heinfeld, Meech & Co. P.C.**





June 30, 2023

Marcus Tulley, President
BLUE GAP/TACHEE CHAPTER
P.O. Box 4427
Blue Gap, AZ 86520

Dear Mr. Tulley:

The Office of the Auditor General, in conjunction with Heinfeld, Meech & Co., P.C., herewith transmits Audit Report No. 23-13, an Internal Audit of the Blue Gap/Tachee 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 December 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 Senior Center was operating a bank account utilizing the Chapter's employer identification number.
- Finding II: The Chapter's filing system was inadequate, resulting in unsupported transactions.
- Finding III: Chapter cash disbursement and payroll transactions lacked proper authorization.
- Finding IV: Asset balances reported in MIP are not accurate and inventories are not being performed timely.
- Finding V: Chapter vehicle mileage logs do not account for all miles driven.
- Finding VI: Cash receipt policies and procedures were not adhered to.
- Finding VII: Procurement policies were not followed.
- Finding VIII: Bank reconciliations were not performed timely and checks were outstanding greater than 90 days.
- Finding IX: Financial reporting at monthly Chapter meetings is inadequate.
- Finding X: Scholarship assistance of \$200 was provided to a student who did not meet the application deadline.
- Finding XI: Cash receipts and disbursements were not coded in accordance with the chart of accounts.
- Finding XII: Confidential personnel records are not maintained in a secure location.

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,

Handwritten signature of Helen Brown in cursive.

Helen Brown, CFE, Principal Auditor
Delegated Auditor General

xc: Marcinda Lameman, Vice President
Betty V. Askie, Secretary/Treasurer
Harrison Blie, Community Services Coordinator
Crystalyne Curley, Council Delegate
BLUE GAP/TACHEE CHAPTER
James Adakai, Delegated Department Manager II
Edgerton Gene, 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
Blue Gap/Tachee Chapter

The internal audit of Blue Gap/Tachee Chapter for the 12-month period ended December 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.
Scottsdale, Arizona
June 30, 2023

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Findings and Recommendations

Finding I: The Senior Center was operating a bank account utilizing the Chapter's employer identification number.

Criteria

The Fiscal Policies and Procedures, section VII D 1 (a, d, f, and g) states the Chapter shall maintain only one checking account and one savings account at a federally insured depository institution. All bank records shall be sent directly to the Blue Gap/Tachee Chapter mailing address at: Blue Gap/Tachee Chapter, P.O. Box 4427, Blue Gap, Arizona 86520. All bank accounts shall be held in the name of the Chapter. The Chapter shall have its own employer identification number for its bank account. The Chapter shall prohibit unauthorized direct cash withdrawals.

Condition

The Senior Center was operating a bank account utilizing the Chapter's employee identification number. The bank statements for this account are addressed to P.O. Box 4592, Blue Gap, Arizona 86520. The authorized signors on the bank account are not employed by the Chapter and the financial activities of the account are not recorded in the Chapter's financial statements. The bank statements reflected cash withdrawals were made in the amount of \$3,940 during the audit year.

Effect

Financial information reported to internal and external stakeholders of the Chapter may be incomplete. Chapter officials and management cannot effectively oversee the Senior Center account funds and their use in accordance with Chapter policies and procedures. The likelihood of the misappropriation of funds significantly increases when cash withdrawals are made.

Cause

A lack of action by Chapter officials and personnel to bring the Senior Center account under the oversight of the Chapter.

Recommendation

1. The Community Services Coordinator should review all accounts opened under their employer identification number on a periodic basis to determine appropriate.
2. The Community Services Coordinator should work with Senior Center personnel to determine if the bank account should be reestablished under the Senior Center's employer identification number or if the Chapter will approve a resolution to oversee the funding. The Community Services Coordinator should obtain Department of Justice review and community approval for amended policies.
3. The withdrawal of cash from the account, other than for items allowable per policy (ex. medicine man) should be put to a stop immediately.

Finding II: The Chapter’s filing system was inadequate, resulting in unsupported transactions.

Criteria

The Fiscal Policies and Procedures, section V D 4 states the Chapter will maintain all account records in accordance with the Chapter Records Management Policy and Procedures Manual. Further, the Fiscal Policies and Procedures V D 3 indicate the Chapter’s accounting records provide the documentary support for account balances and must be properly maintained to provide fiscal accountability for the chapter. Accounting records include source documents, journals, registers, ledgers, and other supplementary records.

Condition

Supporting documentation for numerous audit requests were not provided and could not be located at the Chapter as follows:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	Missing Documentation	Associated amount, if applicable
Disbursements coded to capital (68xx) totaling \$7,313	4	Invoices were not on file for 3 disbursements.	1,820.00
Banking	12	General checking account bank reconciliations were not on file for review for 8 months during the audit year.	n/a
	12	General checking account bank statements were not on file for review for 6 months during the audit year.	n/a
	n/a	Signature authorization cards were not on file at the Chapter.	n/a
Minutes	n/a	Contract, FAFs, and other approval documentation was not on file for outstanding invoices from a vendor asserting work was performed in 2019 and 2020 for the Chapter.	12,545.00
Cash receipts totaling \$3,372	33	Either the Daily Cash Count Form or bank deposit receipt were missing for 6 and 19 were missing both. Additionally, some months within the receipt binder were missing the log document cross walking the Daily Cash Count Forms to the deposit slips.	852.95
Cash disbursements totaling \$42,000	16	No documentation was on file for 4 cash disbursements.	307.90
		Partial documentation was missing for 3 cash disbursements.	10,441.84
		A copy of the check was not on file for 1 cash disbursement.	914.07
Scholarship Assistance disbursements totaling \$800	5	The Student Financial Assistance Application or transcripts were not on file for 1 student assistance disbursement.	200.00
		Transcripts or a voter registration card were not on file for 1 student assistance disbursement.	200.00
		Transcripts were not on file for 1 student assistance disbursement.	200.00

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	Missing Documentation	Associated amount, if applicable
Financial Assistance disbursements totaling \$700	3	Invoices, proof of identification, Chapter registration cards and Certification of Indian Blood (CIB) not on file for 3 financial assistance transactions.	700.00
Housing Discretionary disbursements totaling \$2,000	2	Required documentation to accompany application was not on file for 1 transaction.	1,000.00
Travel disbursements totaling \$2,351	9	No supporting documentation was on file for 4 travel reimbursements. The payee was the Accounts Maintenance Specialist.	980.01
		Five travel disbursements had a FAF and a copy of the check, but no other supporting documentation.	1,371.40
		Current vehicle insurance information was not on file for the GMC Sierra truck.	n/a
Payroll disbursements totaling \$5,551.	10	Gross pay could not be recalculated for 4 employees due to lack of PAF and timesheets on file.	1,740.85
Personnel files for the employees related to the payroll disbursements above.	10	Personnel files were not maintained for 4 employees reviewed.	n/a
		The remaining 6 personnel files were missing several of the required items.	n/a
PEP employee hiring documentation.	19	Supporting documentation was not on file to support 7 applications.	n/a
		Three PEP employee files did not include a completed PAF.	n/a
		One PEP employee PAF did not include the number of work hours.	n/a
Form 941 - Employer's Quarterly Federal T	4 quarters	Form 941 for the quarters ended June 30, 2022, September 30, 2022, and December 31, 2022 were not on file at the Chapter.	n/a
TOTAL			<u>33,274.02</u>

Effect

When the Chapter does not have source documentation on file, the use of Chapter funds cannot be supported. Expenditures in the amount of \$33,274 were unsupported. The Chapter was unable to provide documentation as requested for the audit.

Cause

The Chapter did not have an organized and effective filing system. The Chapter did not have a Community Services Coordinator from January 8, 2022 to April 10, 2023. On July 20, 2022, due to concerns regarding Chapter recordkeeping, the Administrative Services Center (ASC) issued a memorandum to the Chapter requiring ASC review of Fund Approval Forms (FAF) as well as other requirements. This was not adhered to by the Chapter. Due to further concerns, the Chapter President requested the ASC office to take over the Chapter's MIP system. This was effective with the November 23, 2022 check processing. Overall, there was a lack of oversight by Chapter officials. Lastly, the Community Service Coordinator indicated there was confusion as to which version of the Chapter's policies are the correct ones to follow, as multiple versions were circulating at the Chapter.

Recommendation

1. The Accounts Maintenance Specialist and Community Services Coordinator should verify all documentation is on file before an employee is hired or a disbursement of Chapter funds is made.
2. The Secretary/Treasurer should verify documentation prior to signing checks.
3. The Community Services Coordinator should instruct the Accounts Maintenance Specialist to organize the filing system according to the Records Management Policies and Procedures so documents are easy to retrieve.
4. The Community Services Coordinator should implement checklists within personnel and vendor file to verify all supporting documentation is included. Chapter personnel should perform periodic spot checks to review for compliance with checklist requirements.
5. The Community Services Coordinator should identify the correct version of the Chapter's policies to be followed and train employees on the policies.

Finding III: Chapter cash disbursement and payroll transactions lacked proper authorization.

Criteria

The Fiscal Policies and Procedures, section VII B 2 a-d indicates the Administrative Assistant shall prepare a FAF indicating the date, amount, check number, account number and fund availability. The Administrative Assistant shall ensure that the FAF 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. The Administrative Assistant shall upon receipt of the goods review all invoices to ensure completeness of the transaction and that those particular goods and services have been received. He/she shall then submit the payment authorization form to the Chapter Manager for payment approval or disapproval. The Chapter Manager shall review each fund disbursement for necessity, reasonableness, and budgetary authorization. He/she shall ensure that each fund disbursement (check) is payable to the vendor. The Chapter Manager and Secretary-Treasurer shall review the completed check with all supporting documentation before co-signing the check.

The Fiscal Policies and Procedures Manual Section VII H 1 g states 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) 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 and (J) cope of Voter Registration. Further, the Fiscal Policies and Procedures, section VII H 2 b states the immediate supervisor is responsible to maintain an attendance sheet on all Chapter employees. The attendance sheet shall be signed by chapter employees each day to record employees' time of arrival and departure, including for public employment projects and student employment personnel. These records shall be provided weekly to the Administrative Assistant who shall forward these documents to the Chapter Manager for review.

Condition

- Seven FAFs totaling \$13,836 did not contain required approvals. Either one or both approval lines were not completed for the following disbursements:

Date	Vendor	Cost
2/8/2022	Walmart	220.00
4/6/2022	Navajo Oil & Gas Co Inc	600.00
4/6/2022	Navajo Oil & Gas Co Inc	1,000.00
3/22/2022	Samuel Marquez	9,772.00
2/17/2022	Nathan Tsosie	175.03
3/22/2022	TP Pump	1,868.65
9/13/2022	Ryan M. Gilbert	200.00
TOTAL		13,835.68

- One FAF for a purchase to Home Depot in the amount of \$1,188 was not prepared until after the purchase date.
- Both housing discretionary applications reviewed did not contain required approvals. The distributions associated with the applications were \$2,000.
- Fourteen of 19 PAFs reviewed for Public Employment Project (PEP) employees did not contain required approvals.
- For three of 10 payroll transactions totaling \$2,080, approval of the timesheet by the supervisor was not noted.

Effect

Transactions totaling \$19,104 were executed without following policy. Proper authorization for expending Chapter Funds was not documented.

Cause

The CSC position was vacant from January 8, 2022 to April 10, 2023, and therefore, the review responsibilities of this position were not performed. Chapter officials did not step in to ensure the CSC approvals were performed by a second Chapter official. On July 20, 2022, due to concerns, the Administrative Services Center (ASC) issued a memorandum to the Chapter requiring ASC review of FAFs as well as other requirements. This was not adhered to by the Chapter.

Recommendation

1. Chapter officials and personnel should determine immediately following the vacancy of the Community Services Coordinator position how the review responsibilities of the position will be temporarily filled. If the Chapter officials cannot perform the responsibilities, then the Administrative Services Center (ASC) should be contacted.
2. The Accounts Maintenance Specialist should not execute purchases without the required approvals.
3. Chapter officials should not sign checks without ensuring the required approval documentation is present.

Finding IV: Asset balances reported in MIP are not accurate and inventories are not being performed timely.

Criteria

The Fiscal Management Policies and Procedures, section VII F 1 states that it shall be the policy of the Chapter that accurate and reliable records on all capital assets purchased or acquired by lease or lease purchase. The records shall include a description of the asset, identification numbers, cost of the asset, date acquired, location, and custodial responsibility. Expected lifetime and depreciation records shall be maintained. Additionally, section VII F 2c indicates the Administrative Assistant shall verify the inventory on an annual basis through a physical count. Further, section VII F 2f indicates the recording and reporting of the Chapter's capital assets into the accounting records and financial statements will be the responsibility of the Administrative Assistant. Lastly, Property Policies and Procedures, section VI C 1 a8, states the Administrative Assistant shall tag and record the property in the appropriate general and subsidiary ledgers along with all capital assets owned.

Condition

The following was noted during our review of the Chapter's property listings and \$7,313 in expenditures coded to capital account codes:

- Five assets totaling \$14,566 were reported in the MIP system but were not noted on the Chapter's most recent property inventory listing. Further, four assets totaling \$272,974 from the MIP system were located on the most recent property inventory listing, however they were reported at a different cost.
- Capital expenditures reviewed totaling \$3,990 were not included in the MIP system or on the most recent property listing. Two payments were for shared costs related to a project with Apache County. One payment included the purchase of two laptops. The laptops were located on the Chapter's premises but were not tagged.
- Numerous assets listed on the Chapter's most recent property inventory were not reported in MIP. Further, numerous assets on the inventory do not contain tags/property numbers, although the majority do have a serial number listed. Disposed assets appear to be included on the inventory, and in many cases, a check number is listed in that column of the worksheet in error.
- Assets are not depreciated in the MIP system.
- The most recent inventory conducted was in February 2021.

Effect

The Chapter is misstating the value of assets and understating annual depreciation expense and accumulated depreciation. Further, Chapter property could be misappropriated, or uninsured or underinsured.

Cause

The CSC position was vacant from January 8, 2022 to April 10, 2023, and therefore, the review and monitoring responsibilities of this position were not performed. Chapter officials did not step in and increase the level of monitoring.

Recommendation

1. The Community Services Coordinator and Accounts Maintenance Specialist should obtain training from the Administrative Service Center (ASC) in areas of property control, asset reporting, and depreciation.
2. The Accounts Maintenance Specialist should perform an inventory of all Chapter property and tag each asset.
3. The Community Services Coordinator and Accounts Maintenance Specialist should reconcile the amounts from the property inventory to the capital asset amounts in MIP. Adjustments should be initiated in MIP for additions and disposals as needed.
4. Expenditures recorded to capital expenditures codes should be reviewed to ensure related assets are included on the listings as appropriate. The Community Services Coordinator should research the Sitting Giant Red Dog Gravel Transport Project to determine if it should be capitalized as a land improvement by the Chapter if Apache County is not capitalizing the project in their accounting records.
5. The Community Services Coordinator and Accounts Maintenance Specialist should calculate depreciation expense on assets for proper Balance Sheet reporting.

Finding V: Chapter vehicle mileage logs do not account for all miles driven.

Criteria

The Property Management Policies and Procedures, section XI B 1 states the Chapter Manager shall be responsible for ensuring the equipment is used for its intended purpose.

Condition

Vehicle check in/out logs were reviewed during the audit period for the 2018 Dodge Ram 2500 and the 2009 GMC Sierra 3500HD. The logs did not include uniform sequential dates and odometer readings.

Effect

All mileage driven utilizing Chapter vehicles was not supported. There is an increased risk that Chapter vehicles may be utilized for unauthorized purposes or by unauthorized individuals.

Cause

Lack of adequate recordkeeping by the Accounts Maintenance Specialist and oversight due to vacancy of the Community Services Coordinator position.

Recommendation

1. The Accounts Maintenance Specialist should verify every trip made with Chapter vehicles is included on the log and that all the miles driven are accounted for.
2. The Community Services Coordinator should review the logs weekly to verify there are no gaps in the odometer mileage noted. Any discrepancies should be promptly investigated.

Finding VI: Cash receipt policies and procedures were not adhered to.

Criteria

Amounts charged to community and noncommunity members for goods and services provided should be derived from the fee schedules approved by the Chapter. Additionally, Chapter Property Use Forms should be obtained and filed as support for the associated revenues collected. The Fiscal Policies and Procedures Manual section VII A 2g states the Chapter Manager shall ensure that the deposit amount reconciles with the total cash receipts in the cash receipts journal. Lastly, the Fiscal Policies and Procedures Manual section VII A 1e states the handling of all cash receipts shall be segregated to ensure that no one employee (cash custodian) is in a position to solely collect, deposit, safeguard and reconcile all cash receipts.

Condition

A sample of 33 cash receipts totaling \$3,372 were reviewed and the following was noted:

- Five of 33 cash receipts totaling \$186 reviewed could not be recalculated based on the amounts charged as outlined in the related fee schedule, resulting in undercharges noted of \$124.

GL POSTING DATE	CASH RECEIPT NUMBER	ACCOUNT CODE	DESCRIPTION	TOTAL AMOUNT CHARGED	PROPER CHANGE AMOUNT	(UNDER) CHARGE
4/5/2022	11215	4209	5 small bags of trash - noncommunity member	3.75	5.00	(1.25)
5/4/2022	11291	4104	110 gallons water	1.10	2.20	(1.10)
5/10/2022	11303	4104	110 gallons water	1.00	2.20	(1.20)
8/8/2022	11501	4203	Heavy equipment rental - 4 hours	180.00	300.00	(120.00)
12/17/2022	12507	4209	55 gallons water	0.50	1.10	(0.60)
TOTALS				186.35	310.50	(124.15)

- For three of 33 cash receipts reviewed totaling \$450, a Chapter Property Use Form was not on file, so it was undeterminable if the appropriate amount was charged.
- For one of 33 cash receipts reviewed, the prenumbered receipt as marked void, although there was a \$.50 deposit associated with the receipt. For this reason, it was undeterminable what the receipt was for.
- Segregation of duties were not in place over the cash receipts process during the audit year.

Effect

The Chapter's revenues are understated by \$124 and all Chapter revenue collected is not properly supported by documentation. When duties are not properly segregated, the Chapter is at risk of the misappropriation of Chapter resources.

Cause

Improper application of the Chapter fee schedules when determining amounts to be charged by the Accounts Maintenance Specialist. Failure to obtain and/or maintain documentation by the Accounts Maintenance Specialist. Lack of oversight and personnel available due to the vacancy of the Community Services Coordinator position.

Recommendation

1. The Accounts Maintenance Specialist should calculate amounts charged to community and noncommunity members utilizing the Chapter's approved fees schedules.
2. The Community Services Coordinator should verify supporting documentation is on file for all cash receipts, including Chapter Property Use Forms.
3. The Community Services Coordinator should verify that deposits are reconciled with the total cash receipts journal.
4. The Accounts Maintenance Specialist and Community Services Coordinator should follow Chapter policy and make sure cash receipt duties are segregated between collecting, depositing, and reconciling.

Finding VII: Procurement policies were not followed.

Criteria

The Procurement Policies and Procedures, section IV K 2 & 3, indicate on any purchase from \$2,501 to \$10,000, the Office Administrative Assistant shall obtain three (3) or more written quotations from different vendors. For any purchase from \$10,001 to \$50,000 total purchase, the Administrative Assistant shall obtain three (3) or more written quotations from different vendors.

Condition

A sample of 8 vendors with cumulative purchases totaling \$72,743 were reviewed. Three written quotes were not on file for purchases with six of the vendors totaling \$69,277. The discussion of three quotes for one purchase was noted in the Chapter meeting minutes.

Effect

Purchases totaling \$69,277 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

There was a lack of oversight of Chapter operations during the period the Community Services Coordinator position was vacant. Further, complete vendor files are not maintained by the Chapter.

Recommendation

1. Written quotations should be obtained in accordance with the Chapter procurement policy. The Accounts Maintenance Specialist and Community Services Coordinator should obtain, maintain, and file quotations to support Chapter procurement activities.
2. Checks should not be signed by designated Chapter officials until the receipt of three quotations is verified.
3. The Accounts Maintenance Specialist and Community Services Coordinator should verify all vendor files contain required documents. This could be accomplished with a document checklist.

Finding VIII: Bank reconciliations were not performed timely and checks were outstanding greater than 90 days.

Criteria

The Fiscal Management Policies and Procedures, section VII C 1(b) indicates that the bank reconciliations must be accomplished within one day upon receipt of the bank statement. Additionally, section VII C 1(d) indicates that any outstanding check that exceeds 90 calendar days from issue date shall be automatically voided.

Condition

The following was noted during review of the Chapter's bank accounts and reconciliations for the year:

- The general checking account for the month of February 2022 was not reconciled until April 4, 2022.
- The general checking account for the month of December 2022 was not reconciled until January 17, 2023.
- The following checks were noted as outstanding on the December 31, 2022 general checking account reconciliation:
 - Check dated 6/23/2022 in the amount of \$115
 - Check dated 9/27/2022 in the amount of \$1,058

Effect

Risk of theft and misuse of Chapter resources is increased when reconciliations are not performed timely and reconciling items are not addressed timely.

Cause

The Community Services Coordinator position was vacant from January 8, 2022 to April 10, 2023, and therefore, the review and monitoring responsibilities of this position were not performed. Chapter officials did not step in and perform these duties nor did they increase the level of monitoring.

Recommendation

1. The Community Services Coordinator should verify the Accounts Maintenance Specialist has completed the bank reconciliation within one day of the receipt of the bank statement.
2. The Accounts Maintenance Specialist should review outstanding checks monthly and issue a stop payment if a check has been outstanding for over 90 calendar days.

Finding IX: Financial reporting at monthly Chapter meetings is inadequate.

Criteria

The Fiscal Management Policies and Procedures, section VII L1 indicates the Chapter shall generate the following basic financial statements and accounting records on the Chapter's financial position and results of operations on a periodic monthly basis as follows:

1. Combined Statement of Revenues Expenditures and Changes in Fund Balances
2. Combined Balance Sheet
3. Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Further, the Fiscal Policies and Procedures, section VII L 2, states the Chapter Manager shall prepare the monthly financial statements and the Secretary/Treasurer shall present it to the community at a duly called Chapter meeting by the end of the following month.

Condition

Financial statements for the following months were not presented and shared with the Chapter as follows:

- For the months of January 2022, February 2022, April 2022, May 2022, August 2022, October 2022, November 2022 and December 2022, only a Combined Balance Sheet was attached to the minutes.
- For the months of March 2022, June 2022, July 2022 and September 2022, no financial reports were attached to the meeting minutes, however acceptance of the financial reports were noted in the minutes.

Effect

Financial information was not communicated by the Chapter administration and officials to the community as required, which impacts their ability to make informed decisions. A lack of transparency can impact the public's trust in the Chapter and in the officials and management.

Cause

There was a lack of oversight of Chapter operations during the period the Community Services Coordinator position was vacant.

Recommendation

1. The Chapter Secretary/Treasurer should obtain the reports from the Accounts Maintenance Specialist for presentation in the event of a vacancy in the Community Services Coordinator position.
2. The Community Services Coordinator and Secretary/Treasurer should verify all required reports are printed for presentation to the community.

Finding X: Scholarship assistance of \$200 was provided to a student who did not meet the application deadline.

Criteria

Section VIII K 2 of the Fiscal Management Policies and Procedures states that all requests for assistance shall be documented on a standard assistance application form with supporting documents as required by the type of assistance requested.

Condition

A sample of five scholarship assistance disbursements totaling \$800 were reviewed. One student was awarded funds, although their application was submitted after the application deadline.

Effect

A scholarship awards was provided to a late applicant. Application timeline requirements were not adhered to by Chapter personnel.

Cause

The Chapter provided outdated application forms to students. Additionally, the Chapter had various versions of policies and procedures on file, resulting in confusion.

Recommendation

1. The Accounts Maintenance Specialist and Community Services Coordinator should verify all applications are complete and accurate before approval and include all required supporting documentation as per policy.
2. The Community Services Coordinator should verify which version of the Chapter's scholarship assistance policies is to be followed. He should ensure the policies are approved by the Chapter and that Chapter personnel are trained on the policies. The Community Services Coordinator should obtain Department of Justice review and community approval for amended policies.
3. The Chapter officials should verify that disbursements comply with scholarship assistance policies and procedures before signing checks.

Finding XI: Cash receipts and disbursements were not coded in accordance with the chart of accounts.

Criteria

The Fiscal Management Policies and Procedures, section V A states the Chapter shall have a records system capable of identifying the source and use of funds. Further, the Fiscal Management Policies and Procedures, section VII B 1a, states the Chapter chart of accounts shall be used to determine the appropriate accounts to which the disbursement will be charged.

Condition

The following coding errors were noted during the audit:

- Eighteen of 33 cash receipts reviewed were not coded in accordance with the Chapter chart of accounts. A summary of the dates, cash receipt numbers, account codes used, and the account codes that should have been used is as follows:

POSTING DATES	CASH RECEIPT NUMBERS	ACCOUNT CODES USED	CORRECT ACCOUNT CODES
2/17/2022	11120	4204	4104
4/20/2022	11254	4209	4104
4/28/2022	11271	4104	4204
5/10/2022	11300	4104	4209
6/9/2022	11346	4209	4104
6/10/2022	11350	4104	4209
6/13/2022	11352	4204	4201/4202
6/22/2022	11374	4101	4209
6/24/2022	11393	4209	4104
8/4/2022	11498	4204	4201/4202
9/1/2022	11538	4204	4201/4202
9/1/2022	11542	4209	4204
9/14/2022	11573	4204	4201/4202
9/26/2022	11586	4204	4201/4202
10/13/2022	11619	4204	4201/4202
10/14/2022	11625	4107	4104
12/17/2022	12507	4209	4104
12/30/2022	12535	4104	4209

- One of 4 capital expenditures reviewed for \$220 was not coded in accordance with the Chapter chart of accounts. The purchase of office supplies was coded to 6800, rather than 6300.
- One of 16 expenditures reviewed for \$175 was not coded in accordance with the Chapter chart of accounts. A water heater/water station repair was coded to 6303, rather than 6504 or 6505.
- One of 3 general assistance transactions for burial assistance for \$100 was coded to 6720, rather than 6722.

Effect

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

Cause

The coding errors were the result of the misapplication and misunderstanding of the chart of accounts by the Accounts Maintenance Specialist and the lack of a review of transactions.

Recommendation

1. The Accounts Maintenance Specialist should consult the chart of accounts when preparing a FAF and the Community Services Coordinator should consult the chart of accounts when approving the FAF.
2. The Accounts Maintenance Specialist should consult the chart of accounts when preparing a cash receipt for deposit and the Community Services Coordinator should consult the chart of accounts when reviewing the deposit.
3. The Community Services Coordinator should perform an independent review of posted transactions for adherence to the chart of accounts.

Finding XII: Confidential personnel records are not maintained in a secure location.

Criteria

The Records Management Policies and Procedures, section IV G, indicates confidential records shall be protected by securing the records in a locked file cabinet, within the administration office.

Condition

Current practices do not require personnel records to be maintained in a secure location. The file cabinet the records are stored in is not kept locked.

Effect

Confidential information could be accessed by unauthorized individuals. Information breaches can lead to a loss of trust.

Cause

Personnel records had not been identified as confidential by the Chapter. As a result, anyone in the administration office can access the file cabinet where the records are stored.

Recommendation

1. The Accounts Maintenance Specialist should store personnel records in a locking file cabinet. The cabinet should be kept locked when the information is not being accessed. Access to the cabinet key should be restricted.
2. The Community Services Coordinator should verify the cabinet is kept locked on a routine basis.

Appendix

Background

The Navajo Nation Office of the Auditor General engaged Heinfeld, Meech, & Co. P.C. to perform an internal audit of the Blue Gap/Tachee Chapter for the 12-month period ended December 31, 2022.

Blue Gap/Tachee Chapter is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. The Blue Gap/Tachee Chapter is located within the Chinle Agency of the Navajo Nation.

The Blue Gap/Tachee 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 Blue Gap/Tachee 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). The CSC has been employed with the Chapter since April 2023 and the current AMS was hired in July 2019. 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 Blue Gap/Tachee Chapter's fiscal year 2022 total budget was \$878,213 and fiscal year 2023 was \$1,519,661, which includes carryover funds from prior fiscal years.

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 housing financial assistance for internal controls and compliance requirements by using a non-statistical, judgmental method.

Client Response



P.O. Box 4427
Phone: (928) 349-0507

Blue Gap, Arizona 86520
Email: tachee@navajochapters.org

Crystalyne Curley, Council Delegate

Harrison Blie, Community Services Coordinator

June 27, 2023

Ms. Helen Brown, CFE, Principal Auditor

Delegated Auditor General

P.O. Box 708

Window Rock, Az. 86515



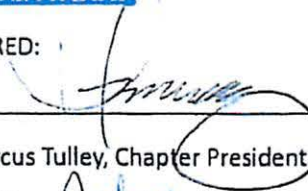
Ms. Brown, may this letter serve as an acknowledgement and an acceptance of the audit that was performed from May 24, 2023 to May 26, 2023. Post the exit interview on June 22, 2023 the Blue Gap/Tachee Chapter officials and I do not plan on disputing what is on the final draft of the audit report.

I know for sure due to the extensive leave of absence of the Accounts Maintenance Specialist during the course of the audit and for me being fairly new in my position it was a rather difficult task for us all to accomplish. Although I do appreciate the efforts of our chapter staff and the staff at the Chinle ASC office that took part in finding some solutions to what was required for the audit.

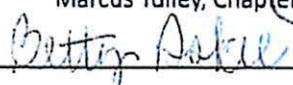
I also did thank the auditors at HeinfeldMeech out of Phoenix, Az. for the audit and again they did shed some light on many of the findings which otherwise we would have not been able to do on our own.

If you have any questions please feel free to contact me at 1(928)675-0044 and or at my email address: hblie@nncchapters.org.

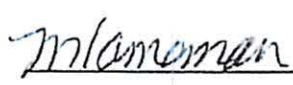
CONCURRED:



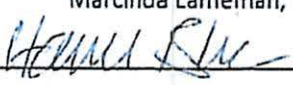
Marcus Tulley, Chapter President



Betty Askie, Secretary/Treasurer



Marcinda Lameman, Vice President



Harrison Blie, Community Services Coordinator

Distribution:

Honorable Speaker Curley

Calvin Castillo, Director Division of Community Development

Edgerton Gene, SPPS, Chinle ASC