



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Baca/Prewitt Chapter Corrective Action Plan Implementation

**Report No. 25-05
February 2025**

**Performed by:
Beverly Tom, Senior Auditor
Albert Thinn, Associate Auditor**





February 5, 2025

Hoskie Kee, President
BACA/PREWITT CHAPTER
P.O. Box 563
Prewitt, NM 87405

Dear Mr. Kee:

The Office of the Auditor General herewith transmits audit report no. 25-05, a Follow-up Review of the Baca/Prewitt Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2019, the Office of the Auditor General performed a Special Review of the Baca/Prewitt Chapter and issued audit report 19-33. A corrective action plan (CAP) was developed by the Baca/Prewitt Chapter in response to the audit. The audit report and CAP were approved by the Budget and Finance Committee on June 15, 2021, per resolution no. BFJN-18-21.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Baca/Prewitt Chapter fully implemented its corrective action plan based on a six-month review period of April 1, 2024 to September 30, 2024.

SUMMARY

Of the 43 corrective measures, the Baca/Prewitt Chapter implemented 3 (7%) corrective measures, leaving 40 (93%) not fully implemented. See Exhibit A for the details of our review results.

CONCLUSION

Overall, the Baca/Prewitt Chapter did not effectively implement controls to ensure chapter funds are spent in accordance with Navajo Nation and chapter policies and procedures. Consequently, all the audit issues from the internal audit remain unresolved.

As a certified chapter, the Baca/Prewitt Chapter is unable to demonstrate an acceptable standard of accountability and fiscal responsibility in the absence of CAP implementation efforts. Furthermore, the Crownpoint Administrative Service Center did not maintain a constant presence at the Chapter to instill proper accountability of chapter resources and assets. There was no evidence of close monitoring and technical assistance to bring the Chapter to acceptable status as recommended in the initial audit.

Ltr. to Hoskie Kee

Page 2

It has been five years since the issuance of the initial audit report and the Chapter had ample opportunity to implement the corrective action plan. However, we also recognize the Chapter has newly elected officials and there is new management at the Crownpoint Administrative Service Center. Considering this, the Auditor General hereby grants the Baca/Prewitt Chapter a six-month extension from the date of this report to continue implementing its corrective action plan. The Office of the Auditor General will conduct a 2nd follow-up review after August 2025 and based on those results, an appropriate recommendation will be made in accordance with 12 N.N.C. Section 9 (B) and (C).

We thank the Baca/Prewitt Chapter administration and officials for assisting in this follow-up review.

Sincerely,



Helen Brown, CFE, Principal Auditor
Acting Auditor General

xc: Ruth Barbone, Vice President
Abram Chapo, Secretary/Treasurer
Sharon Loley, Chapter Manager
George Tolth, Council Delegate
BACA/PREWITT CHAPTER
Jaron Charley, Department Manager II
Heather Yazzie-Kinlacheeny, Senior Programs & Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

REVIEW RESULTS

Baca/Prewitt Chapter Corrective Action Plan Implementation

Review Period: April 1, 2024, to September 30, 2024

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	<i>Audit Issue Resolved?</i>	Review Details
1. Chapter does not adhere to travel policies and procedures.	3	0	3	No	Attachment A
2. Travel advances are processed contrary to travel policies.	3	0	3	No	
3. The Chapter did not verify all required documents were submitted by housing assistance recipients.	1	0	1	No	
4. The Chapter did not verify that building materials were used for their intended purpose.	2	0	2	No	
5. The Chapter used Housing Discretionary Funds for other Chapter purposes.	4	2	2	No	
6. Late payroll tax reporting resulting in IRS penalties.	3	0	3	No	
7. Personnel records are not maintained according to policies and procedures.	2	0	2	No	
8. Promotion of current Chapter Manager cannot be justified.	3	0	3	No	
9. Bank account signature and access are not clearly defined	7	1	6	No	
10. Chapter expends funds without approved budgets.	1	0	1	No	
11. Lack of budget compliance resulted in budget deficits.	2	0	2	No	
12. Budget transfers are not well documented and approved by community membership.	3	0	3	No	

REVIEW RESULTS

Baca/Prewitt Chapter Corrective Action Plan Implementation

Review Period: April 1, 2024, to September 30, 2024

13. Financial reporting is not provided at chapter meetings.	4	0	4	No	
14. Process for tracking fixed assets is lacking.	3	0	3	No	
15. Financial statement audits are not being completed.	2	0	2	No	
TOTAL:	43	3	40	0 - Yes 15 - No	

WE DEEM CORRECTIVE MEASURES: **Implemented** where the program provided sufficient and appropriate evidence to support all elements of the implementation; and **Not Implemented** where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided.

<p>◆ 2024 STATUS</p>	<p>Chapter does not adhere to travel policies and procedures. NOT RESOLVED</p>
<p>Four travel authorizations totaling \$848 were examined and the following deficiencies were noted:</p> <ul style="list-style-type: none"> • Chapter President did not sign the travel authorization as traveler but was approved by the Chapter Manager. • Chapter President did not sign and date travel authorizations as an approver for the Chapter Manager's travel. • Chapter President did not submit complete expense reports, trip reports, and mileage reports. • For one travel to Farmington, New Mexico, the Chapter Manager did not justify exceeding trip cost for per diem meal totaling \$43 and lodging totaling \$144. • Chapter Manager claimed gas purchases without receipts on expense report for travel to Farmington, New Mexico. <p>Overall, the Chapter continues to expend chapter funds for travel but disregards travel policies and procedures. There is no assurance the travel by the Chapter Manager and Chapter President benefited the Chapter. As such, the finding remains unresolved.</p>	
<p>◆ 2024 STATUS</p>	<p>Travel advances are processed contrary to travel policies. NOT RESOLVED</p>
<p>Travel advance checks were issued to the Chapter Manager totaling \$565 for two trips and the Chapter President totaling \$114 for two trips to attend meetings and training on behalf of the Chapter. Although the travel advances were issued at 80% of estimated travel cost, the following deficiencies were noted:</p> <ul style="list-style-type: none"> • Travelers had more than one delinquent travel advance. • Chapter Manager did not deduct the advances from employee's salary and official's stipend. • Chapter Manager posted the travel advances to the incorrect GL code. <p>There was no indication that the Administrative Service Center provided training on travel policies and procedures to the chapter staff and officials which likely contributed to the ongoing deficiencies noted. Since the Chapter did not properly process travel advances, the findings remain unresolved.</p>	
<p>◆ 2024 STATUS</p>	<p>The Chapter did not verify all required documents were submitted by housing assistance recipients. NOT RESOLVED</p>
<p>The Chapter awarded housing assistance for metal roofing materials, building materials, and a water heater to 11 recipients totaling \$14,773. A checklist for required documents was established by the Chapter but this tool was not effectively used. There was missing supporting documentation including:</p> <ul style="list-style-type: none"> • Completed housing application • Home site lease • Driver license/identification card 	

- Social security card
- Certificate of Indian blood
- Permission to enter premises form
- Authorization to release of information form
- Map to property
- Income verification statement
- Quotations
- Housing discretionary fund acknowledgement form
- Invoice/receipt
- Home assessment form

Without these documents, the Chapter cannot properly verify eligibility of housing assistance applicants.

Overall, the Chapter Manager and Chapter President did not ensure all required documents were attached using the checklist prior to signing checks. The finding remains unresolved.

◆
2024 STATUS

The Chapter did not verify that building materials were used for their intended purpose.
NOT RESOLVED

The housing discretionary policies and procedures were revised since the initial review and the Chapter removed the section requiring the Chapter Manager to prepare a scope of work and performance reports on monitoring housing projects. Currently, the Chapter Manager obtains before and after photos of the projects from the recipients. However, 6 of the 11 recipient files did not contain these photos. As a result, there is no assurance that materials acquired for housing assistance were used for their intended purpose and the finding remains unresolved.

◆
2024 STATUS

The Chapter used Housing Discretionary Funds for other Chapter purposes.
NOT RESOLVED

In the initial review, the Chapter had expended Housing Discretionary Funds contrary to policies for allowed expenses. During this review, Housing Discretionary funds totaling \$91 were used to buy supplies to make tissue holders by the Summer Youth employees. The tissue holders are being resold by the Chapter and displayed in the meeting hall.

Ideally, other chapter funds should have been used to fund student projects. In using the Housing Discretionary Funds for other purposes, the Chapter can potentially fall short of funding for housing projects. Therefore, the finding remains unresolved.

◆
2024 STATUS

Late payroll tax reporting resulting in IRS penalties.
NOT RESOLVED

In the initial review, the Chapter did not consistently make monthly deposits and submit quarterly tax reports to the Internal Revenue Service. As of this review, the Chapter continues to make late monthly deposits and remit late quarterly tax reports. A deficit balance in the Personnel Fund delayed the August and September 2024 tax payments totaling \$2,756. The Chapter Manager made these payments and submitted the applicable quarterly tax report until

November 20, 2024. Nonetheless, the Chapter Manager acknowledged that the Chapter will likely be assessed fines/penalties due to the late payments and reports. The finding remains unresolved.	
<p>◆ 2024 STATUS</p>	<p>Personnel records are not maintained according to policies and procedures. NOT RESOLVED</p>
<p>As a certified chapter, all human resource functions are performed in accordance with the Chapter's Five Management System Personnel Policies and Procedures. Personnel records for four Public Employment Program (PEP), fifteen Summer Youth, and one chapter administration employee was reviewed. The following deficiencies were noted for PEP temporary employees:</p> <ul style="list-style-type: none"> • A Personnel Action Form was not completed for the chapter backhoe operator and cook who are on call for special events at the Chapter. • Employees did not have a copy of their driver's license or identification card, social security card, and Certificate of Indian blood in their files as required by personnel policies. • One employee's application had no references, employment history, and was unsigned. • Checklists for required documents were not signed and dated to show pertinent personnel records were obtained and verified as complete. <p>In addition, the Chapter Manager was using two different checklists which created confusion and inconsistencies. The Chapter Manager was advised to select one checklist and implement it for all applicants. Overall, the Chapter needs to improve its recordkeeping of personnel records for temporary employees. Therefore, the finding remains unresolved.</p>	
<p>◆ 2024 STATUS</p>	<p>Promotion of current Chapter Manager cannot be justified. NOT RESOLVED</p>
<p>In March 2021, the current Chapter Manager was promoted from the Administrative Assistant position. However, this promotion could not be supported with a performance evaluation or other documentation that determined the Chapter Manager qualified for the promotion.</p> <p>In addition, the chapter officials and the Crownpoint Administrative Service Center did not verify the Chapter Manager position was fully funded before filling the position. As of March 31, 2021, the Chapter had an available balance of only \$28,385 to cover salaries for the chapter administration for the remaining fiscal year. All indications are that the Chapter used the personnel funds for the vacant Administrative Assistant position to subsidize the Chapter Manager position once the Administrative Assistant position became vacant. Overall, the finding remains unresolved.</p>	
<p>◆ 2024 STATUS</p>	<p>Bank account signature and access are not clearly defined. NOT RESOLVED</p>
<p>In the initial review, the Chapter Manager was excluded from the bank signatory card, which allowed the Chapter President and Vice President to co-sign checks without justification memos. The following issues were also noted with the bank account signatory:</p> <ul style="list-style-type: none"> • Contrary to LGA, the Chapter President is the primary bank account authorizer and primary check signer for chapter checks. 	

- Although the Secretary/Treasurer is defined as the primary co-signer of checks along with the Chapter Manager, the official is designated as the 4th check signer after the other officials and the Chapter Manager.
- The Chapter Manager is a designated check signer, but she also prepares and approves the documents for payments. There is no segregation of duties because the Chapter has yet to hire an Administrative Assistant.
- The Chapter Manager is authorizing payments for checks payable to herself. Most of these checks were co-signed by the Chapter Manager and Chapter President.
- The Chapter Manager did not ensure justification memorandums were prepared before the Chapter President and Vice President signed checks.

Furthermore, the Chapter has yet to develop online bank account policies and procedures to govern bank account access. Nonetheless, the Chapter Manager currently accesses the chapter bank account via online to obtain monthly bank statements and the Chapter President is notified by the bank when the bank account is being accessed. In the absence of policies and procedures, there are no defined restrictions to safeguard chapter funds in the bank accounts.

The Chapter is unable to provide assurance that its bank account is safeguarded from unauthorized access and potential misuse. Therefore, the finding remains unresolved.

◆
2024 STATUS

Chapter expends funds without approved budgets.
NOT RESOLVED

The Chapter did not obtain community approval for how internal revenues totaling \$1,564 and Unhealthy Food Tax totaling \$3,921 as of September 30, 2024 could be expended. Internal revenues were collected from cemetery plots, heavy equipment rental, xerox/fax, miscellaneous income and restitution. The Chapter expended \$679 (or 43%) of these internal revenues without an approved budget.

The Chapter also did not approve the correct allocation amount of \$3,921 for the Unhealthy Food Tax; only \$3,340 was approved for spending. Records show the Chapter expended \$4,475 from this fund during the review period; \$1,200 for food purchases and \$3,275 for infrastructure land improvements. However, the land improvements are inconsistent with the intent of the Unhealthy Food Tax.

Overall, the Chapter continues to expend funds without approved budgets which resulted in disallowed costs. The lack of monitoring by the Chapter officials contributed to this issue. The finding remains unresolved.

◆
2024 STATUS

Lack of budget compliance resulted in budget deficits.
NOT RESOLVED

As of September 30, 2024, the Personnel Fund used to pay salaries of the Chapter Manager and Administrative Assistant has a significant deficit of \$269,458. The deficit initially occurred in 2021 due to a settlement payout totaling \$224,620; the Chapter used the Personnel Fund to make these payments. Thereafter, the Chapter continued to use the Personnel Fund despite the deficit and consequently, the deficit balance continued to increase.

From 2022 to 2024, the chapter administration was paid compensatory time in addition to their regular bi-weekly payroll which resulted in actual payroll expenses exceeding budget amounts; see table below. In addition, there were no timecards and timesheets to verify how the compensatory time was earned and used, specifically the work performed that resulted in these hours.

	FY2024	FY2023	FY2022
<i>Salary Budget:</i>			
Chapter Manager	\$68,078	\$68,771	\$62,958
Administrative Assistant	58,468	59,055	54,069
Total Salary Budget:	\$126,546	\$127,826	\$117,027
<i>Gross Wage Expense:</i>			
Former Chapter Manager	\$0	\$73,316	\$98,947
Current Chapter Manager	176,894	0	0
Administrative Assistant	0	109,142	78,852
Total Gross Salary and Wage:	\$176,894	\$182,458	\$177,799
Variance of Budget vs Expenses	\$(50,348)	\$(54,632)	\$(60,772)

From the above table, the Administrative Assistant was paid wages more than the budgeted position by \$54,632 in FY2023. Likewise, the Chapter Manager was paid wages more than the budget position by \$50,348 in FY2024. These excess amounts were subsidized by the budgets for the vacant positions. Lastly, since the current Chapter Manager was the former Administrative Assistant, the same chapter employee benefitted from the excess payments.

The settlement and compensatory time expenses for the chapter administration were not included in the chapter budgets and therefore, the Chapter Manager and officials did not modify budgets to obtain community membership approval. The Chapter Manager was aware of the deficit balance but continued to pay compensatory time to herself. As of September 30, 2024, the Chapter's bank balance was only \$7,670 which is insufficient to continue important chapter services and fulfill obligations such as the Internal Revenue Service tax payments. Therefore, the finding remains unresolved.

◆
2024 STATUS

Budget transfers are not well documented and approved by community membership.
NOT RESOLVED

The Chapter did not provide supporting documentation for a year-end close out adjustment for the Personnel Fund. A close out adjustment for an amount of \$2,811 was completed by the Gallup Administrative Service Center but the Chapter Manager was unable to provide the supporting documents to justify the adjustment made by ASC.

Overall, the Chapter Manager relies on the Administrative Service Center staff to assist with maintaining a reliable accounting system. Accordingly, ASC processed various journal vouchers to make corrections in the accounting system but the Chapter Manager did not have files of these journal vouchers with supporting documentation to explain these changes.

The Chapter Manager lacks a full, clear understanding of the chapter accounting system and adhering to budget procedures that require proper documentation and approval of budget changes. Therefore, the finding remains unresolved.

<p>◆ 2024 STATUS</p>	<p>Financial reporting is not provided at chapter meetings. NOT RESOLVED</p>
<p>The Chapter's financial reporting activities still needs improvement. Currently, the Chapter Manager does not provide the required financial statements (Balance Sheet, Income Statement, and Budget-to-Actual) to the Secretary/Treasurer for presentation to the community membership during regular monthly meetings. Rather, the Secretary/Treasurer only reports the fund balances provided by the Chapter Manager.</p> <p>The following issues were also noted with financial reporting:</p> <ul style="list-style-type: none"> • Chapter officials and administration have not been given training by the Administrative Service Center on how to prepare and present financial reports to the community membership. • There is no evidence the Chapter Manager meets with chapter officials to ensure reports will be provided in a timely manner. • The Chapter Manager approved stipend payments for the chapter officials based on meeting minutes that lacked financial statements. <p>Overall, the chapter membership is not provided with proper financial reports to make informed financial decisions, and the finding remains unresolved.</p>	
<p>◆ 2024 STATUS</p>	<p>Process for tracking fixed assets is lacking. NOT RESOLVED</p>
<p>In the initial review, there was no process to identify, verify and track the Chapter's fixed assets. For this review, 22 fixed assets totaling \$1,172,112 were selected and our examination revealed ongoing issues such as the following:</p> <ul style="list-style-type: none"> • 15 fixed assets totaling \$121,668 were not supported with invoices, appraisals, or bill of sale to substantiate the reported values. • \$698,207 posted to the accounting system as the total value for four chapter buildings was not reconciled between the appraisal and property inventory before posting. • The Head Start building, located off chapter premises, was not valued and therefore, not posted to the accounting system. • Computer equipment, desk, chapter truck, and water trucks totaling \$356,970 were reported on the property inventory but are not posted to the accounting system. • Flat bed, cement mixer and standard freezer totaling \$7,200 were not reported on the property inventory. • Four treadmills that are no longer operational are still valued at \$5,400 as fixed assets on the property inventory. <p>These ongoing issues continue to impact the reliability of the Balance Sheet; fixed assets are likely understated or misstated in the financial statement. Therefore, the finding remains unresolved.</p>	

<div>◆</div> 2024 STATUS	Financial statement audits are not being completed. NOT RESOLVED
In the initial review, the last financial statement audit was completed in 2016 and there was no corrective action plan that was developed to address the findings in this audit. As of this review, the Chapter has yet to identify chapter funds to procure financial statement audits for the recent years. Therefore, the finding remains unresolved.	