



## **OFFICE OF THE AUDITOR GENERAL**

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### **The Navajo Nation**

#### **Internal Audit of the Huerfano Chapter**

**Report No. 25-03  
December 2024**

**Performed by:  
Kimberly Jake, Senior Auditor  
Karen Briscoe, Principal Auditor**







December 31, 2024

Irene L. Harvey, President  
**HUERFANO CHAPTER**  
P.O. Box 968  
Bloomfield, NM 87413

Dear Ms. Harvey:

The Office of the Auditor General herewith transmits Audit Report No. 25-03, an Internal Audit of the Huerfano 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 June 30, 2024, our review revealed the Chapter needs to strengthen controls with activities addressed by its five management system. The following issues were identified:

- FINDING I: The accounting system is unreliable.
- FINDING II: Fixed asset value reported on the balance sheet is unreliable.
- FINDING III: Not all cash receipts were posted and deposited to the bank.
- FINDING IV: Property inventory is incomplete.
- FINDING V: Identification tags are missing from property/equipment.
- FINDING VI: Missing property is not timely detected and reported for insurance claims.
- FINDING VII: The Chapter did not comply with Heavy Equipment and Motor Vehicle policies and procedures.
- FINDING VIII: Emergency assistance was not fully accounted for and items were not distributed based on priority.
- FINDING IX: Personnel action forms were not established to justify the hiring and termination of temporary employees.
- FINDING X: New hires were not reported to the State of New Mexico.
- FINDING XI: Wages cannot be justified.
- FINDING XII: Public Employment Projects were not established according to policies.
- FINDING XIII: Travel requests and reimbursements were not properly approved.
- FINDING XIV: The Chapter did not comply with housing policies.
- FINDING XV: Methods used by the Chapter to purchase fuel for chapter vehicles lacked accountability.
- FINDING XVI: In-house policies need to be finalized with Department of Justice review.

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

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

Sincerely,

Helen Brown, CFE, Principal Auditor  
Acting Auditor General

Attachment

xc: Lucinda Kitseallyboy, Vice President  
Charlene Waddoups, Secretary/Treasurer  
Ina L. Gillis, Community Services Coordinator  
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## **REVIEW RESULTS**

**FINDING I:           The accounting system is unreliable.**

**Criteria:**           The Chapter FMS Fiscal Manual, Section V.D., states the primary objectives of the Chapter's accounting system is to provide reliable and consistent financial information on a timely basis, safeguard the Chapter's assets, and to provide reasonable assurance that the Chapter complies with all applicable laws and regulations.

**Condition:**        During the review period, the accounting system was managed by the Administrative Service Center (ASC) because there was no permanent staff. ASC continued to manage the system until the Accounts Maintenance Specialist (AMS) was granted access in July 2024.

While examining the financial activities, several discrepancies were noted with the accounting system:

1. Cash receipts were used to purchase fuel for Chapter vehicles before they were posted to the accounting system. See finding III.
2. Employee pay rates recorded to the accounting system were not authorized through approved personnel action forms.
3. Unidentified revenue totaling \$342 was posted to the accounting system but there is no corresponding deposit, cash receipt ticket, and the Chapter cannot explain the source of the funds.
4. Expenses totaling \$2,555 were posted to miscellaneous expenses instead of the applicable expense code based on the chart of accounts.
5. The Navajo Nation General Fund has a deficit balance of \$866.

**Effect:**            There is no assurance that financial reports generated from the accounting system can be relied upon as accurate and useful in making informed financial decisions.

**Cause:**

- In the absence of permanent staff, the Chapter officials did not review accounting system reports against support documentation to verify its accuracy.
- The Chapter officials solely relied on ASC to manage the accounting system and never requested training on how to verify and monitor the system nor did ASC offer training to officials.
- In the absence of staff, there were no controls established by ASC to review and verify the accuracy of posted transactions.

**Recommendations:**

1. The AMS should manage the accounting system and post transactions based on approved support documentation and chart of accounts.
2. The Community Services Coordinator (CSC) should verify the accuracy of the accounting system by reviewing financial reports against support documentation and chart of accounts on a weekly basis and sign the

reports to acknowledge its accuracy. Errors should be corrected immediately by the AMS.

3. The Chapter officials should request for training from the ASC on how to review and monitor the accounting system for accuracy.

**FINDING II: Fixed asset value reported on the balance sheet is unreliable.**

**Criteria:** The Chapter FMS Fiscal Manual, Section VII.F., states the Chapter shall maintain accurate and reliable records on all capitalized assets and that the AMS will record and report the capital assets into the accounting records and financial statements.

Title 26 Local Governance Act, Section 2, identifies capitalized property as nonexpendable property having an acquisition value of \$1,000 or more.

**Condition:** The balance sheet as of June 2024 reported a nominal amount of fixed assets. Upon further examination, the following discrepancies were noted with the reported fixed assets:

1. 31 fixed assets totaling \$441,700 were identified on the property inventory but the balance sheet reported only four assets totaling \$3,400, resulting in a variance of \$438,300 in unreported fixed assets.
2. The balance sheet includes two fixed assets valued at \$500 each which did not meet the capitalization threshold to be deemed fixed assets.
3. A sample of 16 fixed assets were examined and nine assets (56%) totaling \$219,000 did not have documentation such as invoices, receipts, or appraisals to support the recorded values. The remaining seven fixed asset documentation did not match the reported value.
4. Office equipment reported in the balance sheet totaling \$2,900 was not recorded on the property inventory.

**Effect:** The financial statements are unreliable because the total value of Chapter assets is understated. Such reports could hinder the Chapter from making informed financial decisions.

**Cause:**

- The Chapter staff and officials have not been trained on fixed assets recordkeeping and posting assets to the accounting system.
- The former Chapter administrative staff did not maintain adequate fixed asset records. For example, the fixed assets that are reported in the balance sheet has not been updated since 2012 and subsequent property/equipment purchases were not added to the inventory.
- The Chapter buildings/equipment have not been appraised.

**Recommendations:**

1. The Chapter staff and officials should seek technical assistance and training from ASC on how to identify fixed asset values, record values to the inventory, post fixed assets to the accounting system, maintain records, and reconcile/monitor fixed assets.

2. The AMS should update the fixed asset inventory with invoice, receipt or appraisal amounts then post these values to the accounting system and create files for the support documents.
3. The CSC should reconcile invoices, receipts or appraisals against the fixed asset inventory and balance sheet.
4. The Secretary/Treasurer should verify the fixed assets total reported in the balance sheet against the fixed asset inventory total.

**FINDING III: Not all cash receipts were posted and deposited to the bank.**

**Criteria:** The Chapter FMS Fiscal Manual, Section VII.A., requires the Chapter to record all cash received in the cash receipts journal at the end of each day, reconcile, and deposit on a weekly basis. The handling of all cash receipts shall be segregated to ensure that no one employee is able to solely collect, deposit, safeguard and reconcile all cash receipts.

**Condition:** The following internal control deficiencies were noted in the cash receipts process:

1. Cash receipt ticket books were missing for the months of July 2023 to October 2023 and it cannot be verified that all tickets were posted to the accounting system.
2. Cash receipts were used for fuel purchases and were not posted to the accounting system or deposited to the bank.
3. Cash receipts were untimely posted to the accounting system, anywhere from one to three months late.
4. Cash receipts tickets did not match posted cash on hand and revenue for three of the four months reviewed.
5. The cash balance form used to record the cash count before deposits does not record receipt ticket numbers which prevents reconciliation of the tickets to detect missing cash.
6. Two of the seven deposits examined did not have the cash balance form for July 2023 and April 2024.
7. One of the seven deposits examined did not have deposit slips on file for April 2024.

**Effect:** Insufficient cash receipt controls increase the risk of theft or misuse of cash assets. In addition, the financial statements are likely underreporting chapter revenues.

**Cause:**

- Prior to permanent staff, temporary employees were allowed to manage cash without supervision from Chapter officials or ASC. Further, these employees did not receive applicable training from ASC although ASC was aware that temporary employees were overseeing the cash receipt activities.
- There was no reconciliation of cash receipts by Chapter officials or ASC while there was no permanent staff. Once a CSC was hired, there were still no reconciliations completed.

- ASC posted cash receipts during their scheduled visits to the Chapter, but there was no independent review to verify the accuracy of the postings.

- Recommendations:
1. The AMS should complete the cash balance form and post individual cash receipt tickets to the accounting system daily and the CSC should reconcile posted transactions to the cash balance form and tickets for accuracy.
  2. The CSC should reconcile the cash, receipt tickets, posted cash report, cash balance form, and deposit slip each week prior to deposit then sign and date documents. Any discrepancies should be resolved immediately. Cash receipts should be deposited immediately and the deposit receipt returned to the AMS for posting.
  3. The Chapter officials should verify the cash receipt process is complete during the monthly monitoring.

**FINDING IV: Property inventory is incomplete.**

Criteria: The Chapter FMS Property Manual, Section VIII.A., requires the Chapter to conduct and maintain a complete, detailed, and accurate physical inventory of property and to reconcile annually or upon a change of the Chapter staff or officials.

Condition: The Chapter does not maintain a complete and detailed property inventory. The FY2024 property inventory is missing pertinent information including property numbers, location, purchase price, purchase date, and condition. The inventory also does not include the date and signature of the preparer or reviewer, so the date of the last physical inventory cannot be determined. In addition, the Chapter did not update their inventory when eight new purchases totaling \$6,367 were made between the months of February 2023 to March 2024.

Effect: The Chapter may not be able to identify lost or stolen property items for insurance purposes, which would be a financial loss to the Chapter.

- Cause:
- Without permanent staff, the annual physical inventory was last performed by Public Employment Program (PEP) staff but the Chapter officials did not review the inventory and were unaware of inventory issues.
  - The current CSC was unaware a comprehensive property inventory was needed so no updates were made.
  - The Chapter uses the Risk Management Program insurance reporting forms as their property inventory which does not require complete information and causes pertinent information to be excluded.

- Recommendations:
1. The Chapter staff and officials should obtain technical assistance and training on property management from ASC.
  2. The AMS should complete a physical count and inspection of property, update the inventory with complete and pertinent information, and sign

as the preparer. This important task should be completed annually and when new property is purchased. The CSC should review the inventory to verify its accuracy and completeness, then sign the inventory as the reviewer.

3. The CSC should include the property inventory review on the Chapter official's monitoring forms and provide the inventory to the officials on a quarterly basis to verify that it is complete and verified by the CSC.

**FINDING V: Identification tags are missing from property/equipment.**

Criteria: The Chapter FMS Property Manual, Section IV.E., requires all Chapter property to be identified by tagging.

Condition: A sample of 21 property items totaling \$165,900 were examined and 15 property items totaling \$148,700 were not tagged with identification numbers while six items totaling \$17,200 were missing.

Effect: There is a risk Chapter property can be stolen without detection which may result in a financial loss to the Chapter. For example, the six property items missing do not have identification numbers recorded to the inventory.

Cause:

- In the absence of permanent staff, the Chapter officials did not request for property management training from the ASC.
- The Chapter President stated the former CSC informed them he was going to tag items and assumed it was completed without verification.
- The current CSC assumed the Navajo Nation Property Management Department was responsible for the tagging of property rather than the Chapter; the CSC did not seek clarification from ASC.

Recommendations:

1. The AMS should purchase or create pre-numbered identifications tags and affix tags to all property and record the identification numbers to the inventory.
2. The CSC should verify the tagging of property and accurate recording of identification numbers to the inventory prior to signing the inventory.
3. The Chapter officials should periodically inspect property items to ensure they have identification tags and review them against the inventory.

**FINDING VI: Missing property is not timely detected and reported for insurance claims.**

Criteria: The Chapter FMS Property Manual, Section IX.B., requires the CSC or AMS to notify law enforcement and obtain a written police report for missing, stolen, or vandalized assets. A copy of the police report, with other pertinent information, shall be submitted to Risk Management for possible replacement.

Condition: In 2023, three property items totaling \$8,779 were detected by temporary employees to be missing after a break-in at the Chapter warehouse. The



former Chapter President wrote a letter to the Crownpoint Navajo Police Department to document the missing UTV, log splitter and water pump. Navajo police made a site visit to the Chapter to prepare a police report. However, the Chapter officials did not obtain a copy of the police report for insurance purposes. In addition, auditors detected two pellet stoves, printer and a restaurant range that were missing unbeknown to the Chapter. All missing items were on the property inventory and as such, were covered with insurance.

**Effect:** Any missing property that cannot be recovered are a financial loss to the Chapter. In addition, the Chapter unnecessarily paid for insurance coverage on missing items.

**Cause:**

- In the absence of permanent staff, the Chapter President assumed supervision over Chapter activities but did not seek assistance from ASC to ensure policies and procedures were followed by temporary employees.
- After the break-in, the Chapter or ASC did not take steps to make sure all other chapter property was accounted for.

**Recommendations:**

1. The CSC should obtain a police report on the missing items and work with the Risk Management Program to determine if insurance claims can be made to replace the items.
2. The Chapter staff and officials should use the property inventory to verify property items are physically located on Chapter premises and document missing items in accordance with policies.

**FINDING VII: The Chapter did not comply with Heavy Equipment and Motor Vehicle policies and procedures.**

**Criteria:** The Division of Community Development (DCD) Policies and Procedures for Chapter Heavy Equipment and Motor Vehicles, Section III.A., states the CSC, Vice President, and operator shall thoroughly perform monthly inspection of all heavy equipment and motor vehicles and submit a report to the ASC. Section III.B. states all operators shall be properly licensed to operate a vehicle and/or equipment. This may include, but is not limited to, a valid driver's license. For specialized equipment or vehicle, the operator shall be certified. The operator shall submit to the Chapter administration: a) equipment daily report, b) field daily report, and c) vehicle inspection report. In addition, the job vacancy announcement for the Maintenance Technician and Helper position requires a valid driver's license.

**Condition:** The Chapter has heavy equipment and vehicles that were operated by three temporary employees and the following discrepancies were noted:

1. The operators were not confirmed to be certified to operate heavy equipment.

2. Monthly inspections of heavy equipment and vehicles were not completed and submitted to ASC.
3. The operators did not document the use or inspection of the equipment using the Equipment Daily Report, Field Daily Report, or Vehicle Inspection Report.
4. Two unlicensed temporary employees (Maintenance Technician and Helper) operated Chapter vehicles and heavy equipment.
  - a. One driver only had an identification card that expired in 2020 and later caused an accident with a tribal vehicle in 2022 that resulted in minor damage to another tribal vehicle. Daily project reports maintained by the temporary employee documents that this employee was still operating Chapter vehicles after the accident occurred.
  - b. In addition, another driver had a driver's license that expired in January 2024 but daily project reports document that this employee was still operating Chapter vehicles after this date.

**Effect:** There is no assurance that heavy equipment and vehicles were properly maintained, and their usage was only for Chapter related business. The Chapter could also be liable for damage, injury or death if an accident occurs while uncertified/unlicensed individuals operate the heavy equipment or vehicle. Furthermore, in the accident noted above, the Chapter was not liable to pay for any damages to the tribal vehicle, however, the Chapter puts itself at risk for being responsible for costly damage to property or individuals.

**Cause:**

- The current CSC, temporary staff, and officials were not aware of the DCD Heavy Equipment policies and procedures.
- The current CSC and Chapter officials knowingly allowed the unlicensed employees to drive Chapter vehicles to continue Chapter operations even though these employees no longer met the job and policy requirements to have a valid driver's license.

**Recommendations:**

1. The CSC should obtain a copy of the applicable heavy equipment policies and implement accordingly.
2. The CSC should verify operator credentials when hiring and retain appropriate records on file.
3. The CSC should verify applicants meet the driver license requirement as stated in the job vacancy announcement and policy and retain a copy in personnel files.
4. The CSC should only allow staff with valid driver's licenses to operate Chapter vehicles.

**FINDING VIII: Emergency assistance was not fully accounted for and items were not distributed based on priority.**

**Criteria:** The Budget Instructions Manual, Appendix M-1, Section IV.J., states that once an emergency declaration has been issued, the Chapter may use the

emergency procurement procedures to purchase goods and/or services necessary to address the emergency situation.

The Chapter FMS Procurement Manual, Section VI.E., states all emergency fund disbursements shall have supporting documents filed at the Chapter administration. The list of recipients utilizing Emergency Fund commodities distributed free-of-cost shall be filed at the Chapter. Emergency Funds shall only be used to provide relief, support, and services, in order of priority as outlined in the policy.

**Condition:** The Chapter made nine purchases to address declared emergencies. Six of these purchases totaling \$34,473 were examined and all items were distributed on a first-come, first-serve basis rather than priority. A recipient list was maintained to document the distribution of all items. However, the list did not fully account for all items. The following summarizes unaccounted items:

<b>Total Purchased</b>	<b>Total Distributed</b>	<b>Total on hand at the Chapter</b>	<b>Total Unaccounted</b>
750 bales of hay	656	24	70
10 cords of wood	8	0	2
550 bags of pellets (Two purchases)	360	125	65

In addition, the Chapter arranged for a local propane company to distribute propane in April 2024. However, the Chapter did not obtain a distribution list from the propane vendor to reconcile against Chapter records. The invoice showed the remaining propane of 1,512.50 gallons was put into the Chapter House and Youth Center's propane tanks but due to insufficient recordkeeping, it is unclear if all propane owed to the Chapter was provided by the vendor.

Lastly, the pellets consisted of two separate purchases of 50 and 500 bags. 50 bags were intended for Chapter house use and 500 bags for community distribution. However, the bags were commingled in the warehouse and it cannot be determined if the Chapter house limited their use to 50 bags.

**Effect:** The unaccounted hay, wood, and pellets totaled \$1,547 and deemed a financial loss for the Chapter. There could also be a potential financial loss for the propane.

**Cause:** In the absence of permanent staff, temporary employees were responsible for the distribution of emergency items but had no guidance on how to distribute and fully account for them. There was also no monitoring by the Chapter officials to detect any issues.

- Recommendations:
1. The CSC should ensure the Chapter adheres to emergency assistance policies and procedures, including the distribution of goods based on priorities during a declared emergency.
  2. The CSC should establish an inventory each time emergency items will be disbursed to the community and require staff to document all recipients of emergency items, quantity disbursed and keep a running balance of items for reconciliation purposes.
  3. The CSC should reconcile the inventory against items on hand to verify its accuracy and sign the inventory after review.

**FINDING IX: Personnel action forms were not established to justify the hiring and termination of temporary employees.**

Criteria: The Chapter FMS Fiscal Manual, Section VII.H., states that personnel records on each employee shall be maintained at the Chapter administration including but not limited to Personnel Action Forms (PAF). The AMS will record employee PAF information on the employee earning subsidiary ledger. The ledger will contain the employee’s name, Social Security number, mailing address, authorized pay rate, date of employment, payment due, hours earned, gross pay, etc.

Condition: A sample of 15 personnel files were examined and the following deficiencies were noted:

Type of Exception	No. of Exceptions
PAFs were not on file.	1 of 15 (7%)
PAFs to hire employees were not approved by an authorized individual.	15 of 15 (100%)
PAFs did not identify a termination date for the end of temporary employment.	5 of 13 (38%)
PAFs to terminate employees were not approved by an authorized individual.	3 of 13 (23%)
Terminated employees are still identified as active in the accounting system.	3 of 13 (23%)

In addition, other deficiencies noted were:

1. The Chapter used different forms to document the hiring of PEP and Summer Youth employees.
2. There was no PAF that showed the approval of the hiring of a relative of the former Chapter President.
3. There was no conflict-of-interest disclosure by the former Chapter President when supervising a relative that was hired as a temporary employee.

Effect: The Chapter cannot demonstrate that temporary employees were properly hired, wages were paid to legitimate employees and pay rates recorded in

the accounting system were authorized. There is also a risk that former employees could continue to receive payroll without detection.

- Cause:
- The Chapter staff and officials were not aware that policies required PAFs and no training was requested from the ASC to understand required personnel records.
  - Checklists consistent with policies were not established for use in verifying that all required personnel records were on file.
  - The ASC maintained the accounting system but the Chapter officials did not review the applicable accounting system report to verify accurate personnel information and pay rates were recorded and terminated employees were deactivated in the system.

- Recommendations:
1. The CSC should request for personnel records training from ASC for all staff and officials.
  2. The CSC should require the AMS to complete a PAF for employees immediately upon the hiring, termination, or change in employment, obtain approval signatures, and file in personnel files.
  3. The CSC should reconcile approved PAFs against the accounting system employee profiles to verify posted information is accurate and complete, and confirm terminated employees are deactivated.

**FINDING X: New hires were not reported to the State of New Mexico.**

Criteria: The Chapter FMS Fiscal Manual, Section VII.H., states personnel records on each employee shall be maintained including the new hire form.

The New Mexico Law (§50-13-1 to 50-13-4) and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, 42 U.S.C. 653a, requires all employers to report newly hired and re-hired employees to a state directory within 20 days of their hire date. New hire reporting has been mandatory in New Mexico since October 1997. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.

Condition: A sample of 15 personnel files for temporary employees were examined and all employees were not reported to the State of New Mexico as new hires.

Effect: The Chapter could be fined between \$20 to \$500 for each unreported employee, which would be unnecessary costs to the Chapter.

Cause: The temporary staff and Chapter officials were not aware that new hires are required to be reported to the state because they did not know the policies and did not request for training from the ASC to ensure all required documentation was completed upon the hiring of temporary employees.



- Recommendations:
1. The Chapter staff and officials should review policies and request for training from ASC on how to report new hires to the state.
  2. The CSC should create an account with the state, electronically report new hires, and retain copies of the confirmation notice.
  3. The CSC should periodically reconcile new hire reports to personnel files to verify that all new hires are reported.

**FINDING XI: Wages cannot be justified.**

Criteria: The Chapter FMS Fiscal Manual, Section VII.H., states the Chapter shall maintain attendance sheets to record employees' arrival and departure time. The AMS shall prepare timesheets with supporting documents and submit to the CSC and Secretary/Treasurer for review and approval.

The Transportation and Community Development Committee (TCDC) PEP Policies and Procedures, Section III, states participants shall not work more than 8 hours per day, 40 hours per week, or 80 hours per period and may not make up for hours missed and the Summer Youth Employment Policies and Procedures, Section VI, states high school students may work up to 32 hours per week and college, vocational and technical students may work up to 40 hours per week.

The Navajo Nation Personnel Policies, Section V.E., states the Basic Tour of Duty is 8:00 a.m. to 12:00 p.m. and 1:00 p.m. to 5:00 p.m., Monday through Friday.

Condition: A sample of 26 payroll disbursements totaling \$17,423 were examined and the following discrepancies were noted:

Type of Exception	No. of Exceptions
Timecards were not on file.	2 of 26 (8%)
Timecards have random handwritten time documented without initial and approval.	5 of 26 (19%)
Timecards were not legible.	2 of 26 (8%)
Employees did not clock in/out on timecards but were still paid.	4 of 26 (15%)
Employees were overpaid between \$3 to \$111 due to rounding up hours worked.	11 of 26 (42%)
Employee was paid for 8 hours not worked.	1 of 26 (4%)
Employees' comp time on the timesheet did not have approval and reliable tracking but was paid.	3 of 26 (12%)
Timesheets were not approved by an authorized individual.	15 of 26 (58%)

Additional discrepancies identified:

1. The Chapter does not properly use the time sheet to record hours. Hours were not separated by actual hours worked, administrative leave, and compensatory time.
2. Staff do not clock in/out for lunch. Some staff claim to be working through lunch, but this was not documented and approved by a supervisor.

Effect: Wages paid to temporary employees totaling \$17,423 cannot be justified. Employees could have been paid for hours they did not work and fraudulent activities could go undetected.

Cause:

- The payroll process was managed by temporary staff without supervision from Chapter officials and no training by ASC to ensure accountability for payroll activities.
- The Chapter officials did not verify recorded hours against time sheets for accuracy prior to approving payment.

Recommendations:

1. The CSC should verify the sign-in sheet/timecard hours reconcile to the timesheet hours.
2. The CSC should not allow handwritten sign-in sheet/timecards without authorization.
3. The AMS should record hours by actual hours worked, leave, and compensatory time on the timesheet.
4. The CSC should require staff to work the basic tour of duty from 8:00 a.m. to 12:00 p.m. and 1:00 to 5:00 p.m.
5. The CSC should document the approval of compensatory time and track and verify hours earned and used on the compensatory time form.

**FINDING XII: Public Employment Projects were not established according to policies.**

Criteria: The TCDC PEP Policies and Procedures, Section III.G., states the Chapter administration shall develop a job description for each of its participants. Section III.N. states for each project, the Chapter shall publicly post notice two weeks in advance that the Chapter is accepting applications. Section V.A., states for each project, the Chapter shall complete, date and obtain signatures for the project application, personnel roster, and employment and termination notices. The project application is to include name of project, project supervisor, start and end dates, project location, total number of project days, estimated cost, number of personnel needed, project description, tasks to be performed, resources required, monitoring requirements and alternate projects if the project is completed ahead of schedule. Section VII requires the Chapter to prepare a final project evaluation report describing the completed project.

Condition: A sample of four projects were examined and the following discrepancies were noted:

Type of Exception	No. of Exceptions
There were no project applications/personnel rosters.	4 of 4 (100%)
There were no progress or completion reports.	4 of 4 (100%)
There were no job vacancies advertised.	1 of 4 (25%)

Other deficiencies noted:

1. The Chapter does not have its own PEP policies and procedures.
2. The Chapter adheres to the TCDC policies but has yet to formally adopt these policies.

Effect: In the absence of project planning and monitoring, there are no clear project objectives in place when employees are hired and no basis for verifying project objectives are met, which is an inefficient use of resources. The Chapter cannot justify the use of \$91,232 in PEP funds.

Cause:

- The current Chapter President stated they are practicing what has been in place since the Chapter last had a CSC and did not make sure it was consistent with applicable policies.
- The Chapter claims jobs were advertised but there is no documented evidence on file.

Recommendations:

1. The Chapter staff and officials should formally adopt PEP policies and procedures.
2. The Chapter staff and officials should implement PEP policies to plan, monitor, approve, and report on projects as well as advertise positions.
3. The AMS should create project files and establish and use a checklist consistent with PEP policies to verify required tasks and documents are complete and on file. The CSC should review the checklist against documents to verify compliance with PEP policies. Both staff should sign the checklist to acknowledge completion and review.
4. The Chapter officials should review PEP project files to verify the progress of projects and acknowledge with signature/date.

**FINDING XIII: Travel requests and reimbursements were not properly approved.**

Criteria: The Chapter FMS Fiscal Manual, Section VII.I., requires travel authorizations to be prepared and approved by the CSC prior to travel. It also states that only reasonable and necessary travel expenses are to be reimbursed, and that the traveler shall submit a report for each trip describing what was accomplished and how the Chapter and community benefited from the travel. Each traveler shall submit the completed travel authorization (TA) form with attached receipts and a trip expense report



within ten (10) calendar days of his/her return and shall be reviewed and approved by the CSC.

Condition: A sample of 18 travel expenditures totaling \$2,000 were examined and the following discrepancies were noted:

Type of Exception	No. of Exceptions
TAs were not approved by an authorized individual.	7 of 18 (39%)
TAs were approved after travel occurred.	5 of 18 (28%)
TAs were missing approval dates to show approval prior to departure.	3 of 18 (17%)
There were no approved trip reports or mileage reports.	2 of 18 (11%)
There were no justifications for taking longer travel routes.	3 of 18 (17%)
Expense report was not approved by an authorized individual.	1 of 18 (6%)
Expense reports were not submitted within 10 calendar days of traveler return. Submittals ranged from 11 to 126 days after return.	14 of 18 (78%)
Expense reports did not have departure and arrival time documented.	18 of 18 (100%)

In addition, daily project reports reported that PEP staff used Chapter vehicles to make regular trips to nearby gas stations and local towns to obtain supplies and quotes but no records of travel approval.

Effect: Travel expenses totaling \$1,666 are questionable and more important, the Chapter cannot provide reasonable assurance that travel expenditures were for legitimate purposes and beneficial for the Chapter.

Cause:

- As the only employee, the current CSC stated she had to prioritize other tasks before completing her expense reports.
- The Chapter officials were aware of staff travel but did not verify signatures were in place prior to approving payments.

Recommendations:

1. The Chapter staff and officials should adhere to travel policies and procedures and verify all required documents and approvals are in place prior to travel and after return from travel. In the absence of permanent staff, the officials should obtain technical assistance and training from ASC to ensure continued compliance with policies.
2. The CSC and Chapter officials should require travelers to complete expense reports, trip reports, and mileage reports within ten days after travel is completed and prior to approving reimbursement to travelers.

**FINDING XIV: The Chapter did not comply with housing policies.**

**Criteria:** By Resolution No. HUE-037-22 the Huerfano Chapter established criteria for assistance from the Housing Discretionary Fund. Section F states that on site visits will be conducted by a Chapter official after all documents have been received and reviewed. Before and after photos will be taken during site visits.

**Condition:** A sample of five recipient files totaling \$3,214 were examined and all files did not contain before or after photos.

**Effect:** The Chapter cannot demonstrate that applicants were evaluated for need and that approved projects were completed as intended. There is also the risk that assistance totaling \$3,214 could have been stolen, damaged or misused without the Chapter’s knowledge. This would be a financial loss to the Chapter.

**Cause:**

- The former Chapter President was responsible for taking pictures and filing in the applicant’s folders, but there was no permanent staff to ensure this procedure was completed.
- The Chapter established a checklist, but it does not include tasks/documents that need to be completed by the Chapter such as before and after pictures.

**Recommendations:**

1. The CSC should conduct site visits prior to approval to recipient homes to take photos of needed repairs and assess if repairs are required and document the assessment.
2. The CSC should establish a timeline for recipients to complete approved housing projects and schedule site visits to recipient homes to assess the completion of housing projects and document the status or take pictures and file results in the recipient’s file. In the absence of staff, Chapter officials should work with the ASC to identify responsible individuals to complete tasks for verifying the completion of projects.
3. The Chapter officials should review the housing assistance files on a quarterly basis to verify if the required documents are on file and that the CSC verified completion of projects.

**FINDING XV: Methods used by the Chapter to purchase fuel for chapter vehicles lacked accountability.**

**Criteria:** The Chapter FMS Fiscal Manual, Section VII, states it is the policy of the Chapter to establish internal controls to ensure its assets and resources are protected against waste, fraud, and inefficiency.

**Condition:** The Chapter officials authorized the disbursement of checks to two temporary employees to cash and use funds as petty cash to purchase fuel at local gas stations since vendors did not accept checks. However, the Chapter did not establish a clear process for tracking the cash expenses.



A sample of nine disbursements totaling \$1,805 were examined and the following discrepancies were noted:

1. The check amount was not reconciled against receipts by Chapter officials resulting in unaccounted cash. Also, it was unclear if receipts were legitimate since total receipt amounts did not match the check disbursements.
2. Records also did not identify which vehicles were fueled, for what purpose and which employees handled the cash.
3. The use of cash was done freely by the temporary employees without any prior approval of such activities, especially in the absence of permanent staff.

Subsequently, the Chapter opened a charge account with a local gas station to purchase fuel for Chapter vehicles/heavy equipment and discontinued check disbursements. The current CSC, Maintenance Technician and Maintenance Helper are the primary account users. Although all invoices reconciled to receipts, the following discrepancies were noted:

1. There was no written agreement that defines the terms and conditions of the account, no Chapter resolution that authorizes the charge account, and no policies and procedures to manage the account activities.
2. A log sheet for fuel purchases was created, but it does not identify the vehicle that received fuel and there was no documented approval prior to purchase. Diesel was purchased in 5-gallon gas cans, but the log does not identify the number of cans filled and used.
3. The Chapter does not enforce the use of mileage logs for the Chapter vehicles.

**Effect:** In the absence of controls to manage fuel purchases, the Chapter is at risk for a) unauthorized account users, b) unauthorized purchases, c) unauthorized vehicles being fueled, d) excessive spending, e) unreconciled purchases, and f) undetected discrepancies.

**Cause:** Despite advice from ASC to develop fuel purchase policies and procedures, the Chapter found it more convenient to continue their current practice.

**Recommendations:**

1. The Chapter staff and officials should not disburse checks to employees to obtain cash.
2. The CSC should establish an agreement with the local store that has been reviewed by the Department of Justice and approved with a Chapter resolution.
3. The CSC and Chapter officials should establish and adopt policies and procedures to include: a) authorized account users, b) authorized Chapter vehicles, c) authorized purchases, d) authorized spending limits, and e) monitoring requirements.

**FINDING XVI: In-house policies need to be finalized with Department of Justice review.**

**Criteria:** The Chapter FMS Fiscal Manual, Section VII, states it is the policy of the Chapter to establish internal controls to ensure its assets and resources are protected against waste, fraud, and inefficiency.

The Budget Instructions Manual, Appendix M-1, also explains that Chapters creating their own policies rather than following standard policies for Housing and Scholarship assistance are required to consult with the Department of Justice (DOJ). Lastly, Resolution RDCMY-47-17 directed all Chapters to prepare a comprehensive Emergency Management Plan that includes mitigation activities, spending priorities, and emergency response actions.

**Condition:** The Chapter adopted in-house policies but the following discrepancies were noted:

1. Housing and Scholarship: These policies and procedures were not reviewed by DOJ. They are also incomplete as they only address applicant eligibility criteria and do not explain the purpose of the policy, types of assistance available, any amendment policy, and the roles and responsibilities of the Chapter staff and officials in the process for determining eligibility and awarding assistance.
2. Housing: The current CSC requires an original receipt from the applicant after building materials are purchased but receipts are not required documents within the housing policy.
3. Emergency: The Emergency Response Plan is still in draft form and does not include policies and procedures for mitigation activities, spending priorities, and emergency response actions. Nonetheless, the Chapter continues to spend emergency funds.

**Effect:** Without formal policies and procedures, the Chapter is at risk for allegations of unfair and inconsistent assistance practices, and possible favoritism by staff and officials. Such allegations can have an adverse effect on chapter activities and potentially jeopardize future awards.

**Cause:**

- The current CSC and officials were not aware of the funding guidelines per the budget manual, specifically the requirement for legal review of revised housing and scholarship policies.
- ASC expressed concerns to the Chapter about using incomplete policies, but the Chapter officials did not request for technical assistance to strengthen their policies.

**Recommendations:** 1. The Chapter staff and officials should obtain technical assistance from ASC to complete their housing and scholarship policies and Emergency Management Plan.

2. The Chapter staff and officials should revise their housing and scholarship policies to explain the purpose of the policy, type of assistance available and amendment policy, as well as procedures for the Chapter staff and officials for the intake of applications, evaluation of applications, selection, awarding, and monitoring of assistance.
3. The Chapter staff and officials should revise their Emergency Management Plan to include policies and procedures for mitigation activities, spending priorities, and emergency response actions.
4. The Chapter staff and officials should obtain review and approval from DOJ for all revised policies.

## **CONCLUSION**

The accounting system is unreliable. Fixed asset value reported on the balance sheet is unreliable. Not all cash receipts were posted and deposited to the bank. Property inventory is incomplete. Identification tags are missing from property/equipment. Missing property is not timely detected and reported for insurance claims. The Chapter did not comply with Heavy Equipment and Motor Vehicle policies and procedures. Emergency assistance was not fully accounted for and items were not distributed based on priority. Personnel action forms were not established to justify the hiring and termination of temporary employees. New hires were not reported to the State of New Mexico. Wages cannot be justified. Public Employment Projects were not established according to policies. Travel requests and reimbursements were not properly approved. The Chapter did not comply with housing policies. Methods used by the Chapter to purchase fuel for Chapter vehicles lacked accountability. In-house policies need to be finalized with Department of Justice review.

Overall, internal controls were not functioning as designed to ensure the safeguarding of assets, reliability of financial reporting, and compliance with applicable laws, regulations, policies and procedures. During fieldwork, auditors determined that while the Chapter did not know policy requirements, the Chapter also did not ask the ASC for assistance to train temporary staff and officials in the absence of permanent staff.

ASC's primary purpose is to provide Chapters with technical assistance and training. Although the Huerfano Chapter spent years being managed by temporary employees, the technical assistance provided by the ASC was primarily for managing the accounting system. There is no evidence that the temporary employees and officials were given training, guidance, or increased monitoring to ensure compliance with policies. Even with the hiring of new permanent staff, the auditor observed that training and technical assistance is still needed for the new staff and officials so that they know their roles and responsibilities, understand policies and procedures, and can improve Chapter operations. Therefore, the Office of the Auditor General recommends that ASC take a more active role with Huerfano Chapter and provide training, technical assistance and routine monitoring.

**BACKGROUND**

The Navajo Nation Office of the Auditor General has conducted an Internal Audit of the Huerfano Chapter for the 12-month period ending June 30, 2024. The Huerfano Chapter is a political subdivision of the Navajo Nation and is considered a general-purpose local government for reporting purposes. The Huerfano Chapter is located within the Eastern Agency of the Navajo Nation.

The local Chapter government is currently managed by the CSC with administrative support provided by the AMS. However, the Chapter was without a CSC from June 2021 until April 2024 and without an AMS from September 2021 until January 2024. The AMS resigned about five weeks later. The current AMS was hired in March 2024. Before hiring the CSC and AMS, Chapter operations were managed by PEP temporary employees. One temporary employee was assigned to be the PEP supervisor over other temporary staff and the Chapter President was the supervisor over the PEP supervisor. The current CSC was the former PEP supervisor. About seven months of the audit period covers a time when temporary employees managed the Chapter and five months of the audit period covers a time when there was permanent staff. Additional oversight is provided by the elected Chapter Officials (President, Vice-President and Secretary/Treasurer) and Navajo Nation Division of Community Development/Administrative Service Center.

The Huerfano 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 Huerfano Chapter are enumerated in Title 26, Local Governance Act of the Navajo Nation Code.

The majority of the Chapter's resources are provided through annual appropriations from the Navajo Nation central government. These appropriations are intended to fund direct and indirect services at the local Chapter government level. Funds for direct services are considered restricted funds with specific intended purposes. Other revenue is generated from miscellaneous user charges assessed by the Chapter for services and/or goods provided to its community members. Huerfano Chapter's operating budget for FY2023 was \$1,014,907 and FY2024 was \$998,765.

**Objective, Scope, and Methodology**

The Office of the Auditor General conducted an Internal Audit of the Huerfano Chapter pursuant to the authority vested in the Office of the Auditor General by Title 12 Navajo Nation Code, Chapter 1, Sections 1 to 10.

The following sub-objectives were established to address the main objective for this audit:

Determine if controls are functioning as designed to ensure:

1. Accounting system is reliable.
2. Fixed asset values reported in the financial statements is reliable.
3. Cash receipts are recorded to the accounting system and deposited intact.
4. Inventory is complete and property is tagged and safeguarded.
5. Only authorized and qualified users operate heavy equipment and Chapter vehicles.
6. Emergency assistance is based on priority and is supported with documentation.
7. Required personnel records are on file to support the hiring of temporary staff.
8. Wages are supported with required documentation.
9. Chapter manages and monitors projects in accordance with PEP Policies.
10. Travel activities comply with travel policies to authorize travel and support expenses.
11. Housing assistance is awarded according to policy and verified to be complete.
12. Chapter utilizes a store charge account with established controls in place and can account for fuel purchases.

The audit covers activities for the 12-month period of July 1, 2023 to June 30, 2024.

In meeting the audit objectives, we interviewed the Chapter administration and officials, observed Chapter operations, and examined available records. More specifically, we tested samples of expenditures, financial assistance, payroll, PEP, personnel records, travel, cash receipts, fixed assets and property for internal controls and compliance requirements by using a non-statistical, judgmental method.

**Government Auditing Standards**

We conducted this performance audit 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the Auditor General expresses its appreciation to the Huerfano Chapter administration and officials for their cooperation and assistance throughout the audit.



## **CLIENT RESPONSE**



# HUERFANO CHAPTER #91

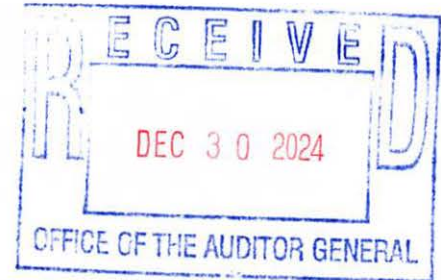
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December 24, 2024

The Navajo Nation  
Office the Auditor General

Attn: Helen Brown, CFE, Principal Auditor  
Acting Auditor General

Subject: Audit Final Draft

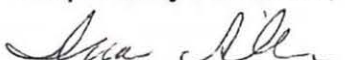


The Huerfano Chapter has received and reviewed the final draft of the Internal Audit dated December 17, 2024. The Huerfano Chapter accept the audit report and has begun the process of a Corrective Action Plan (CAP).

The Huerfano Chapter understands and accepts the guidance and explanations expressed during the December 17, 2024 Exit Conference. The Huerfano Chapter is taking immediate steps to address all audit findings. The Huerfano Chapter will continue to implement all recommendations to ensure the Chapter Administration and Officials continue commitment to maintain the highest professional standards and Community trust remains unwavering.


For any additional information or clarification, please contact Huerfano Chapter at (505) 960-1400 or email at [huerfano@navajochapters.org](mailto:huerfano@navajochapters.org).


Respectfully submitted,

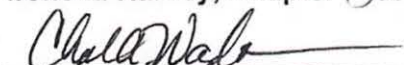
  
Ina Gillis, CSC, Huerfano Chapter

12/24/2024  
Date

CONCURRENCE;

  
Irene L. Harvey, Chapter President

  
Lucinda L. Kitseallyboy, Vice-President

  
Charlene A. Waddoups, Secretary-Treasurer

IRENE L. HARVEY  
CHAPTER PRESIDENT

LUCINDA L. KITSEALLYBOY  
CHAPTER VICE-PRESIDENT

CHARLENE A. WADDOUPS  
SECRETARY TREASURER

DANNY SIMPSON  
COUNCIL DELEGATE

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LANDBOARD