



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Internal Audit of the White Rock Chapter

**Report No. 25-04
December 2024**

**Performed by:
Danielle Allison, Associate Auditor
Beverly Tom, Senior Auditor**





December 31, 2024

Gilbert Rogers, Council President

WHITE ROCK CHAPTER

P.O. Box 660
Crownpoint, NM 87313

Dear Mr. Rogers:

The Office of the Auditor General herewith transmits Audit Report No. 25-04, an Internal Audit of the White Rock Chapter. The audit objective was to determine whether the Chapter maintains adequate internal controls to safeguard assets, ensure reliability of its financial reporting, and comply with applicable laws, regulations, policies and procedures. During the 12-month audit period ending March 30, 2024, our review has revealed the Chapter needs to strengthen controls with its LGA certified five-management system. The following issues were identified:

- FINDING I: One chapter fund has a deficit balance totaling \$42,168.
- FINDING II: Disallowed purchases were made with restricted funds.
- FINDING III: Disbursements did not have adequate support documentation.
- FINDING IV: Contractual services totaling \$32,375 were procured contrary to Procurement Policies.
- FINDING V: House wiring assistance of \$26,754 was awarded based on incomplete applications.
- FINDING VI: There are no financial assistance ceiling limits for funeral, community, and youth enrichment.
- FINDING VII: Fixed assets are inaccurately reported on the balance sheet
- FINDING VIII: Property inventory is incomplete.
- FINDING IX: Chapter does not have a defined process for the Navajo Arts and Craft employee payroll deductions.
- FINDING X: Leave accrual was inaccurately recorded for the Chapter Manager and Administrative Assistant.
- FINDING XI: Promotion of the current Chapter Manager cannot be justified.
- FINDING XII: Background checks were not completed for employees holding sensitive positions.
- FINDING XIII: The financial statement audits are not routinely completed.
- FINDING XIV: Complete monthly financial reporting is not provided to the community membership.
- FINDING XV: Arts and Crafts produced by the Chapter are not accounted for with a perpetual inventory.

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

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

Ltr. to Gilbert Rogers
Page 2

Sincerely,



Helen Brown, CFE, Principal Auditor
Acting Auditor General

Attachment

xc: Leroy Joe, Council Vice President
Nancy Brown, Council Secretary/Treasurer
Tabitha Harrison, Chapter Manager
Danny Simpson, Council Delegate
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Table of Contents

	<u>Page</u>
REVIEW RESULTS	1
FINDING I: One chapter fund has a deficit balance totaling \$42,168	1
FINDING II: Disallowed purchases were made with restricted funds	1
FINDING III: Disbursements did not have adequate support documentation	2
FINDING IV: Contractual services totaling \$32,375 were procured contrary to Procurement Policies	4
FINDING V: House wiring assistance of \$26,754 was awarded based on incomplete applications	5
FINDING VI: There are no financial assistances ceiling limits for funeral, community, and youth enrichment.....	6
FINDING VII: Fixed assets are inaccurately reported on the balance sheet.....	6
FINDING VIII: Property inventory is incomplete	8
FINDING IX: Chapter does not have defined process for the Navajo Arts and Craft employee payroll deductions.....	9
FINDING X: Leave accrual was inaccurately recorded for the Chapter Manager and Administrative Assistant.....	10
FINDING XI: Promotion of the current Chapter Manager cannot be justified	11
FINDING XII: Background checks were not completed for employees holding sensitive positions	12
FINDING XIII: The financial statement audits are not routinely completed	13
FINDING XIV: Complete monthly financial reporting is not provided to the community membership	14
FINDING XV: Arts & craft items produced by the Chapter are not accounted for with a perpetual inventory.....	14
CONCLUSION	16
APPENDIX	
A: Background	17
B: Objective, Scope, and Methodology	17
Client Response	19

REVIEW RESULTS

FINDING I: One chapter fund has a deficit balance totaling \$42,168.

Criteria: The Fiscal Policies and Procedures Manual, Section VI.A. states no expenditure shall exceed the budget amount without prior approval by the Chapter membership.

Condition: As of March 31, 2024, the Chapter's accounting system reported a deficit of \$42,168 for the Land Claims Trust Fund. The deficit occurred for six months as the Chapter incurred more expenditures than available resources.

Effect: The fund deficit could hinder the Chapter's ability to meet its financial commitments and provide important services.

Cause:

- The increase in utility costs is eroding the available resources budgeted for utility expenses, coupled with continued expenses for equipment rental, propane and internet services exceeding the established budgetary restrictions.
- Water and xerox revenues collected were posted to the Chapter Activities Fund rather than the Land Claims Fund so revenues could not offset the water and xerox equipment rental expenses.

Recommendations:

1. The Chapter Manager and Council officers should prioritize a budget for utility costs and conduct an analysis of the pros and cons for the rental of the xerox.
2. The Council officers should periodically review the budget reports to detect any budget deficits and hold staff responsible for such budget discrepancies.
3. Revenue collected for water and xerox should be posted to Land Claims to offset the expenses for the water and xerox rental expense.

FINDING II: Disallowed purchases were made with restricted funds.

Criteria: Navajo Nation Budget Instructions Manual defines allowable and disallowable costs based on funding guidelines:

- Local Governance Grant is for implementation of policies and procedures for the Five Management System and development of community-based land use plans.
- Emergency Fund is for addressing emergency declarations by the Navajo Nation which directly impacts the Chapter community and membership.
- Sales Tax Revenue Fund is for infrastructure, economic development, and other governmental purposes. Penalty payments are prohibited.
- Capital Outlay funds are for capital improvement projects.

- The Unhealthy Food and Beverage Tax Fund is to improve the physical and social environment of the community and prevent and reduce obesity, diabetes, and other related health conditions.

Condition: The following purchases of goods did not comply with funding guidelines.

Type of Purchase	Fund Title	Total
Catering for community Christmas dinner	Local Governance	\$120
Food purchase for Christmas dinner	Local Governance	\$500
Community assistance for food and gas	Emergency	\$200
Payment for the first offense of using an expired permit.	Sales Tax	\$50
3 HP Envy Printers	Capital Outlay	\$540
Maintenance services for computers	Capital Outlay	\$3,148
Gooseneck Trailer	Capital Outlay	\$18,000
Food purchases for chapter projects meetings and agency council meetings.	Unhealthy Food	\$994
TOTAL		\$23,552

Effect: Using restricted funds for purposes other than its intended allocation reduces the available resources for key initiatives, such as financial statement audits, chapter projects, emergency assistance, and enhancing the health and wellness of the community membership.

Cause: The Chapter did not refer to the funding guidelines and approved budgets to determine allowed expenses.

- Recommendations:
1. The Chapter Manager should provide an annual orientation with the Council officers on the Budget Instructions Manual for allowable and disallowable expenditure on chapter funds before approval of the Chapter budgets.
 2. The Chapter Manager and Council officers should verify compliance with funding guidelines before approving the fund approval form and signing checks.

FINDING III: Disbursements did not have adequate support documentation.

Criteria: The Procurement Policies and Procedures Manual Section IV.K outlines purchasing limits and procedures for various purchase amounts:

- \$0 to \$2,500: The Administrative Assistant may obtain verbal quotations and document vendor information.
- \$2,501 to \$10,000: The Administrative Assistant must obtain three written quotations from vendors, and all related documents must be filed.

- \$10,001 to \$50,000: The Administrative Assistant must obtain three written quotations, ensure preference is given to certified entities under the Navajo Business Opportunity Act, and recommend a selected vendor to the Chapter membership for community approval.

The Fiscal Policies and Procedures Manual, Section VII.B.2.b. requires the Administrative Assistant to ensure that the Fund Approval Form includes payment authorization and that all supporting documents (e.g., invoices, quotes, and similar documents) are in place before preparing payment check.

Condition:

A total of 58 expenditures totaling \$48,308 were identified for the review period. Of these, 29 expenditures (50%) totaling \$39,282 were selected for further review. While these selected expenditures had Fund Approval Forms showing proper approval, other discrepancies were noted:

Type of Exception	No. of Exceptions
Goods/services were not supported with the required number of quotations.	21 of 28 (75%) = \$10,680
Goods/services were not supported with invoices or receipts.	8 of 29 (28%) = \$8,901
Goods/services were not community approved.	6 of 29 (21%) = \$1,694
Purchase requisitions were not completed prior to purchase.	21 of 28 (75%) = \$35,803

Effect:

Due to the discrepancies, there is a risk the Chapter did not secure the most competitive prices for goods and services but overpaid. Furthermore, without invoices and receipts, the Chapter is unable to verify that the goods and services were received as intended and are for Chapter-related purposes. Any expenditure that cannot be substantiated may result in a financial loss to the Chapter.

Cause:

- All indications are the Chapter administration and Council officers did not pay attention to the Procurement Policies when purchasing goods/services as well as the Fiscal Policies when paying for such goods/services.
- There was no monitoring by the Chapter Manager and Council officers to ensure policies and procedures were adhered to.
- The Chapter administration did not maintain adequate records of procurement and disbursement activities.

Recommendations:

1. The Chapter administration and Council officers should adhere to the Fiscal and Procurement Policies and Procedures when acquiring goods and services.
2. The Council officers should thoroughly review the disbursement documents to verify quotes, invoices, receipts or similar documents

are attached to support each fund disbursement before signing a check for payment.

FINDING IV: Contractual services totaling \$32,375 were procured contrary to Procurement Policies.

Criteria: The Procurement Policies and Procedures, Section VII, states that any contract authorized to be executed on behalf of the Chapter shall meet the following conditions:

- Not waive the sovereign immunity of the Navajo Nation.
- Have sufficient funds appropriate and available.
- Comply with the Navajo Business and Procurement Act, Navajo Preference in Employment Act, Navajo Nation Business Opportunity Act and rules and regulations promulgated thereto.
- Expressly state the liability of the Chapter under the contract.
- Approval of contract at regular duly called chapter meeting.
- Council President shall sign and execute the contract on behalf of the Chapter.

Section VII states the Chapter Manager shall develop, prior to the advertisement of the Request for Proposals, a maximum feasible cost, if services are to be performed. Section VIII states all goods and services received by the Chapter shall be inspected and evaluated for acceptance or rejection.

Condition: The Chapter had contractual services for xerox and printer maintenance totaling \$5,321 and professional house wiring totaling \$26,754. The following deficiencies were found with these services:

- The standard Department of Justice professional service contract was not used rather the Chapter developed a professional service contract that was not reviewed for legal sufficiency.
- The Chapter Manager signed the xerox and printer maintenance agreement rather than the Council President.
- The Chapter did not prepare requests for proposals to solicit bids/quotes.
- There was no documented inspection of electrical work completed.
- Maximum feasible cost was not determined for the services.

Effect: There is a risk that the Chapter hired an unqualified contractor at potentially higher costs for services. In disregarding the bidding procedures, the Chapter cannot provide assurance the contractors were selected in a fair, unbiased manner.

Cause:

- The Chapter Manager permitted the xerox and printer maintenance agreement to automatically renew each year without seeking competitive pricing.

- The Chapter administration does not fully understand the Fiscal and Procurement Policies and Procedures for executing and managing professional service contracts.

- Recommendations:
1. The Chapter administration should seek assistance and guidance from the Crownpoint Administrative Service Center or Department of Justice on procuring professional services and the process of executing a contractual agreement for certified chapters.
 2. The Chapter administration should adhere to the Procurement policies and procedures including bidding procedures to select qualified contractors at the most economical prices.

FINDING V: House wiring assistance of \$26,754 was awarded based on incomplete applications.

Criteria: The Fiscal Policies and Procedures Manual, Section VII.K.2 states all requests for assistance shall comply with submission of the standard assistance application form and include all relevant supporting documentation, which is determined by the type of assistance being requested.

Condition: The Chapter provided house wiring assistance to three community members totaling \$26,754. Contrary to policy, the Chapter did not obtain completed housing applications along with supporting documents such as homesite lease and voter registration. Rather, house wiring assistance is requested by recipients to the Council officers and community membership at a chapter meeting then approved by chapter resolution.

Effect: Without a defined process, the Chapter is making arbitrary decisions that could lead to concerns about favoritism and the misuse of funds. This would undermine the creditability of the Chapter's decision-making and financial management practices.

- Cause:
- The Chapter Manager did not use the housing checklist to make sure applicants submitted all required documentation.
 - The Chapter has yet to establish a Housing Committee to evaluate and prioritize housing applicants.

- Recommendations:
1. The Chapter administration should ensure all requests for financial assistance are documented by a complete application along with necessary supporting documentation, in accordance with the housing checklist.
 2. The Chapter administration and Council officers should consider a point allocation system for its housing assistance.

FINDING VI: There are no financial assistance ceiling limits for funeral, community, and youth enrichment.

Criteria: The Fiscal Policies and Procedures Manual, Section VII.K.3, stipulates that all assistance awarded shall be contingent upon the availability of funds and in accordance with the ceiling limits established in policies approved by the Chapter.

Condition: The Chapter did not establish or obtain community approval for Funeral, Community and Youth Enrichment financial assistance policies and procedures. Therefore, related expenditures could not be properly justified. For example:

1. Funeral assistance – there is no policy for this type of assistance, but records showed the Chapter assisted with \$150 for funeral services or \$100 for groceries.
2. Community assistance – Council officers and Chapter Manager arbitrarily approved assistance for individuals, contrary to funding guidelines.
3. Youth enrichment assistance – two policies are in place, but neither were approved with a chapter resolution and award amounts did not coincide with the limits established by these policies.

Effect: The lack of clearly defined policies and procedures will contribute to inconsistent decision-making and may lead to allegations of favoritism or misuse of funds.

Cause: By all indications, the Chapter has not recognized the discrepancies with the in-house policies and therefore, has not prioritized the need to update these policies.

- Recommendations:**
1. The Chapter should ensure applicable financial assistance policies are developed and approved through resolution by community membership.
 2. Before approving the Fund Approval Form and signing check, the Council officers should verify the approved amounts are consistent with applicable thresholds in the policies.

FINDING VII: Fixed assets are inaccurately reported on the balance sheet.

Criteria: The Fiscal Policies and Procedures Manual, Section VII.F.2.g states the Capital Assets account group shall be reported on the Combined Balance Sheet financial statement. Lastly, the Local Governance Act (LGA), Section 2, states capitalized property is nonexpendable property having an acquisition value of \$1,000 or more.

Condition: Fixed assets totaling \$550,947 reported on the balance sheet as of March 30, 2024, were inaccurate due to the following:

- Fixed assets values posted to the balance sheet have not been updated since November 2010.

- Fixed asset recording is inconsistent; buildings posted in the accounting system had a total value of \$527,000 but the property inventory had similar buildings listed with a total value of \$1.4 million.
- A Navajo rug was originally valued at \$1,000 in 2023 but valued at \$800 in 2024.
- The Pump House and Cedar Ridge Storage buildings did not have values documented on the inventory and were possibly underinsured.
- There was no documentation to support the values of the commercial stove, small washing machine, 6-burner stove, and three woven rugs reported on the property inventory.
- Despite documentation, the values for the Chapter truck and gooseneck trailer were not reported in the property inventory.
- The Chapter house and Veteran’s building were renovated in 2020, but the costs of these renovations were not added to the value of the buildings.
- Depreciation of assets could not be determined and explained by the Chapter Manager.

Effect: Since the balance sheet understates the fixed assets, the financial statement is unreliable and no assurance all assets are fully insured. It also possibly hinders the Chapter in securing additional funding for projects.

- Cause:**
- The Chapter’s Property Policies and Procedures contradict LGA with a capitalization threshold of \$5,000 rather than \$1,000. The Chapter was using the incorrect threshold of \$5,000.
 - The Chapter did not maintain permanent files for its fixed assets.
 - Since the Chapter administration did not obtain training or seek technical assistance from Administrative Services Center, the staff lacked knowledge of how to report fixed assets and depreciation in the accounting system.
 - The Chapter Manager did not verify the values of the fixed assets recorded on the property inventory against the support documents and assumed the balance sheet was accurate.
 - The Council officers do not verify the reported fixed assets value in the balance sheet.

- Recommendations:**
1. The Chapter should revise the Property Policies and Procedures capitalized asset threshold to \$1,000 and obtain approval from the Chapter membership.
 2. The Chapter administration should seek technical assistance from Crownpoint Administrative Service Center on how to identify fixed asset values, record values to the inventory, and post the fixed assets and depreciation to the accounting system.
 3. The Chapter administration should update the fixed asset inventory with invoice, receipt or appraisal values and reconcile against the fixed asset inventory and balance sheet.

4. The Chapter Manager should require the Administrative Assistant to create files for fixed asset records to include invoices, receipts and appraisals.
5. The Council Secretary/Treasurer should verify the fixed assets total reported in the balance sheet against the fixed asset inventory total.

FINDING VIII: Property inventory is incomplete.

Criteria: The Property Policies and Procedures Manual, Section IV.E, requires all property to be identified by tagging. Section VII.B requires the property inventory to contain property numbers, description, serial number, acquisition cost, condition, date acquired, salvage value, date of disposition, etc. Section VIII.A requires the Chapter to conduct and maintain a complete, detailed and accurate physical inventory of Chapter property and reconcile annually or upon a change of the Chapter staff or officials. Section IX.B. requires the Chapter to document incidents of lost or stolen property items. Section XIII states accounting records will be reconciled and Council officers are to approve any disposal of property and/or equipment then report to the community membership.

Condition: The fiscal year 2024 property inventory provided by the Chapter is incomplete as follows:

- Property numbers, serial numbers, date of acquisition, and date of disposition were not disclosed.
- The Chapter staff claimed a commercial freezer and HP Officejet Pro All-in-One printer were disposed of, but the items were still reported on the property inventory.
- A food processor could not be located in the Veteran’s building.
- A physical verification found property numbers for the computer hard drive for the Chapter Manager and MIP system, and the small washing machine did not match the inventory records.
- Pump House and Cedar Ridge Storage were not reported on property inventory and are not insured.
- Property items from the Veteran’s building were removed by the Senior Center without proper authorization.
- There are no signatures and dates of who completed the physical count of property, updated the property inventory and verified its completeness.

Effect: The lack of oversight over property inventory may lead to misplacement, unauthorized sales or theft of property resulting in financial losses.

Cause:

- The Chapter used the Risk Management Program insurance reporting forms as its property inventory which does not require complete information in accordance with Property policies and caused pertinent information to be excluded.
- The Chapter Manager did not verify that the annual physical inventory was properly conducted.

- The Chapter Manager did not reconcile the property inventory for accuracy before submittal to the Risk Management Program for insurance purposes.

- Recommendations:
1. The Administrative Assistant should complete a physical count and inspection of property and update the inventory with complete and pertinent information, on an annual basis. Upon completion, the Administrative Assistant should sign the inventory as the preparer.
 2. The Chapter Manager should review the inventory to verify its accuracy and completeness; thereafter, sign the inventory as the approver.
 3. The Chapter Manager should include the property inventory review in the Council officers' monitoring forms and provide the inventory to the officers on a quarterly basis to verify that it is complete and verified by the Chapter Manager.

FINDING IX: Chapter does not have a defined process for the Navajo Arts and Craft employee payroll deductions.

Criteria: Payroll Deduction Plan Agreement, Section II.A, defines the term "Employee" as a regular status (full-time, non-probationary) employee of the Payroll Entity. Political at-will appointees, professional at-will appointees, and elected officials are excluded from the definition of "Employee" and are therefore ineligible to participate in the payroll deduction plan. Additionally, temporary employees are not considered an "Employee" under this plan. The Procurement Policies and Procedures Manual, Section VII.C.2.h.(7), states the Council President shall execute contracts or agreements pertaining to the Chapter.

Condition: A payroll deduction plan agreement between the Chapter and Navajo Arts and Crafts Enterprise (NACE) was approved by the Chapter Manager, thereby allowing eligible Chapter employees to participate in payroll deductions for purchases. The credit approval form is considered a contract between an employee and NACE. Upon approval by NACE through the Chapter Manager, the employee can purchase items or services from NACE stores through payroll deduction.

The examination of these activities revealed the following deficiencies:

- The Chapter Manager rather than the Council President signed the agreement between NACE and White Rock Chapter.
- NACE did not provide the credit approval forms to the Chapter for their records.
- The Administrative Assistant was named as a secondary contact for the agreement rather than the Council President.
- The Chapter Manager approved a Public Employment Program employee (temporary employee) and the Vice President (elected Chapter officer) to participate in the payroll deduction plan.

- The current approval process does not document approval by the Chapter Manager and Council President.

Effect: The Chapter allowed ineligible individuals to participate in the payroll deduction plan that could have resulted in monetary liability for NACE in unpaid balances.

Cause:

- The Chapter Manager did not thoroughly read the eligibility requirements when signing the NACE agreement.
- The Council President was not aware the agreement had to be sign by him as an authorizer.

Recommendations:

1. The Chapter should develop policies and procedures for the NACE payroll deduction plan and obtain community membership approval.
2. The Council President should sign agreements with concurrence by the Chapter Manager.
3. The Chapter should verify that credit approval forms are provided from NACE upon approval in the payroll deduction plan and filed at the Chapter.

FINDING X: Leave accrual was inaccurately recorded for the Chapter Manager and Administrative Assistant.

Criteria: The Personnel Policies and Procedures Manual, Section X.B.1 & 2, states regular status employees are eligible for annual leave based on employees’ years of service, while sick leave will accrue at a rate of 4 hours per pay period.

Condition: The MIP leave report from the Chapter’s accounting system identified inconsistencies in the annual and sick accrual rates for the Chapter Manager and Administrative Assistant. For 75 pay periods ending (PPE), the Chapter Manager was accruing sick leave at six hours per PPE resulting in an over-accrual of 150 hours totaling \$3,411 between May 2013 to June 2016.

For the six-month period of August 2019 to January 2020, the Administrative Assistant served as a Zoning Committee member. The Administrative Assistant was paid a monthly stipend and with each stipend, she accrued six hours annual leave and four hours sick leave. Since the accrual of leave hours is only for permanent employees, the Administrative Assistant erroneously accrued 42 annual leave hours totaling \$820 and 28 sick leave hours totaling \$547 while serving as a Zoning Committee member. These leave hours would be in addition to the leave hours accrued by the Administrative Assistant as part of her regular bi-weekly pay.

- Effect:** Discrepancies in accrued leave hours resulted in Chapter employees over-compensating themselves by \$4,778 by accruing extra leave hours and using leave hours they were not entitled to take.
- Cause:** The Chapter Manager does not periodically verify the accuracy of the accrual rate for annual and sick leave or leave balances recorded in the accounting system.
- Recommendations:**
1. The Chapter Manager should work with the Crownpoint Administrative Services Center or MIP consultant to correct the leave accrual rates in the MIP system; the leave rates should be reconciled to the employee's Personnel Action Forms.
 2. The Administrative Assistant should obtain formal approval of MIP system changes from the Chapter Manager before implementing the changes; such approval should be properly documented.
 3. The Chapter Manager should review and reconcile the accrual rate and leave balances in the accounting system periodically.
 4. Before signing the Fund Approval Form and payroll check, the Council officers should verify the Chapter Manager reviewed and approved the accrued leave and leave balance.
 5. The Chapter Manager and Administrative Assistant should be required to reimburse the Chapter for any overpayments based on erroneous leave accruals.

FINDING XI: Promotion of the current Chapter Manager cannot be justified.

Criteria: The Personnel Policies and Procedures Manual, Section XI.A & B, indicates that every employee must receive a performance appraisal at least once per year to evaluate past job performance and set standards for future performance. Section XII.C. outlines that job vacancies may be filled by promotion when beneficial to the Chapter. Employees must meet qualifications and submit a letter of interest. The supervisor submits a justification for promotion, and the Chapter Manager or elected officials approve the promotion and salary if requirements are met.

Condition: The current Chapter Manager was promoted from the Administrative Assistant position in 2018. Contrary to personnel policies, the following documentation could not be provided to justify the promotion:

- Letter of interest
- Employment application
- Supervisor's justification letter
- Prior annual performance appraisals
- Interview questionnaire
- Acceptance Letter

These documents are essential to confirm the employee met the required qualifications for the promotion. The only document provided was a memo from the former Council Secretary/Treasurer notifying the

employee of the scheduled interview. As a certified chapter, the Chapter is responsible for maintaining pertinent personnel records.

Effect: With the absence of critical documentation, the Chapter cannot provide reasonable assurance that the current Chapter Manager was properly assessed to ensure she qualified for the position. This may lead to allegations that the Chapter circumvents personnel policies and procedures to make arbitrary personnel changes.

Cause: The former Council President did not properly assess the Chapter Manager for her qualifications and to make sure the Chapter complied with Personnel Policies and Procedures. The current Chapter Manager could not locate her personnel records.

Recommendations:

1. The Chapter Manager and Council officers should comply with established personnel policies and procedures when considering staff for promotion.
2. The Council officers should work with the Crownpoint Administrative Services Center to assess the Chapter Manager's qualifications for the current position and make sure the salary is commensurate with the qualifications.

FINDING XII: Background checks were not completed for employees holding sensitive positions.

Criteria: The Personnel Policies and Procedures Manual, Section IV.H.4, specifies that the Chapter Manager is responsible for designating certain positions as sensitive. These positions may include those involved in handling money, managing inventories, or ensuring the security of buildings. Background checks relevant to the job will be conducted prior to the start of employment.

Condition: The Underwriting Exposure Summary (UES) identified the following positions with responsibility for handling or having custody of money, checks, or securities:

- Chapter Manager
- Administrative Assistant
- Council officers
- Office Assistant
- Laundry Attendant

Based on the UES, these are sensitive positions but no background checks were on file for any of these individuals. The Chapter Manager confirmed that background checks had not been performed, including for regular-status employees.

Effect: By foregoing background checks, the Chapter risks potential liability for any theft, fraud, or injuries due to unsafe conditions. This could result in significant financial losses to the Chapter.

Cause: The Chapter was not aware of policies that require background checks.

Recommendations:

1. The Chapter Manager should request the Crownpoint Administrative Services Center to provide training for staff and Council officers on the process and procedures for conducting background checks.
2. The Chapter Manager should assess each position and identify those that are considered sensitive, in accordance with applicable policies, and document the results of this evaluation.
3. The Chapter Manager and Council officers should require that employees hired for sensitive positions undergo background checks upon hire and at least every three years thereafter.

FINDING XIII: The financial statement audits are not routinely completed.

Criteria: The Fiscal Policies and Procedures Manual, Section VII.M.1, indicates the Chapter shall obtain an audit over its financial operations at least every two years and which shall include funds received from the Navajo Nation, State, County, Federal sources and other fund sources.

Condition: The Chapter became certified in 2010 and the last financial statement audit was completed for fiscal year 2018. The Chapter Manager claimed the financial statement audits for 2012 to 2015 were completed, however there were no audit reports to substantiate this claim.

Effect: As a certified Navajo Nation chapter, the White Rock Chapter was given full responsibility for its finances and operations. Without financial audits, the Chapter cannot provide assurance its financial management system generates reliable and accurate financial statements.

Cause: The Chapter did not engage an audit firm due to the impact of the Covid-19 pandemic and the subsequent lack of attention to this matter.

Recommendations:

1. The Chapter Manager should obtain copies of the 2012 to 2015 audit reports from the external audit firm and maintain the reports on file at the Chapter.
2. The Chapter Manager should procure the services of an independent auditor for fiscal year 2024.
3. The Chapter Manager should obtain technical assistance from Crownpoint Administrative Service Center to educate the Council officers and the community membership of the requirement for financial statement audits every two years.
4. The Chapter Manager and Council officers should present the audit results to the Chapter membership during a chapter meeting.

5. The Council officers should monitor reported findings on a quarterly basis to verify corrective actions are being implemented to address the audit findings.

FINDING XIV: Complete monthly financial reporting is not provided to the community membership.

Criteria: The Fiscal Policies and Procedures Manual, Section VII.L.1&2, indicates the Chapter Manager shall prepare the financial statements and the Secretary/Treasurer shall present the Balance Sheet, Income Statement, and Budget to Actual to the community membership at a duly called chapter meeting following the end of each month. Local Governance Act (LGA), Section 1001.B.3.i. requires the Secretary/Treasurer to report the Chapter's financial position to the community each month.

Condition: For four months of the audit period, the Council Secretary/Treasurer only reported the Balance Sheet but without the fixed assets information. Further, the Income Statement and Budget to Actual reports were generated but the Council Secretary/Treasurer did not present these reports or attach them to the minutes. Subsequently, as of October 31, 2024, the Balance Sheet and Income Statement are being posted on the Chapter's bulletin board for public review.

Effect: The lack of financial reporting at the chapter meetings limits the community's ability to make informed decisions and to ask questions to address their concerns. This lack of transparency can erode public trust in the Chapter's administration and Council officers.

Cause: The Council Secretary/Treasurer was unaware the Income Statement and Budget to Actual needed to be presented to the community.

- Recommendations:**
1. The Council Secretary/Treasurer should report the Balance Sheet with its fixed assets, Income Statement and Budget to Actual to the Community membership.
 2. The Council Secretary/Treasurer should attach the financial statements to the meeting minutes prior to submitting them to the Chapter administration.
 3. The Administrative Assistant should continue to update the Chapter's bulletin board with the most recent financial statements after each regular chapter meeting.

FINDING XV: Arts & crafts produced by the Chapter are not accounted for with a perpetual inventory.

Criteria: The Fiscal Policies and Procedures Manual, Section VII.J, requires the Chapter to maintain detailed inventory records, including descriptions, cost, quantities, and locations. The total value of inventory and any changes should be reflected in the Chapter's financial records. A physical

inventory count is required monthly, and any discrepancies between the count and inventory must be investigated and adjusted as necessary.

- Condition:** The Chapter's summer youth students produced various arts and crafts including bird houses, lap blankets, tissue boxes, potholders, flower vases and flower picture frames that are resold to the public. A total of \$171 was recorded on cash receipts for arts and crafts sales but there was no perpetual inventory system to determine the total items produced, sold and remaining.
- Effect:** Without a perpetual inventory system to track resale items, the Chapter cannot provide full accountability of its resale activities, especially if items are damaged or stolen.
- Cause:** The Chapter administration is maintaining perpetual inventory records for hay and wood distribution but were not aware that a perpetual inventory was also necessary to account for the arts and crafts produced by the Chapter.
- Recommendations:**
1. The Chapter should create a detailed arts and craft inventory that records all items, quantities, and pricing that is updated when items are produced and sold.
 2. The Administrative Assistant should conduct a regular physical count to verify accuracy of the perpetual inventory records and reconcile any discrepancies.

Conclusion

The Chapter has several issues that need attention. There is a deficit fund balance, and restricted funds were used for disallowed purchases. Procurement policies were not followed when purchasing goods and services or contracting services. House wiring assistance was given without completed applications, and there is no ceiling limits established for in-house financial assistance. Fixed assets are reported incorrectly on the balance sheet, and property inventory is incomplete.

Additionally, there is no clear process for payroll deductions, and leave accrual for Chapter staff is inaccurate. The promotion of the Chapter Manager lacks justification, and background checks for sensitive positions were not completed. Financial statement audits are not completed regularly, and monthly financial reports are not presented to the Chapter membership. Lastly, arts and craft items are not tracked properly.

These issues must be addressed to improve financial management, ensure compliance, and minimize the risk of inconsistencies, abuse, and potential fraud.

Overall, the Chapter's internal controls are not functioning as intended to safeguard assets, ensure reliable financial reporting, and comply with laws, regulations, and policies. Key controls are either nonexistent or ineffective, leading to the 15 findings identified in the audit report.

As an LGA-certified chapter, the White Rock (Tse'ligai) Chapter is held to a higher standard and must consistently implement controls to ensure funds are spent in accordance with Navajo Nation laws and Chapter policies. However, the current audit findings indicate that these controls are not being applied. Additionally, there are concerns regarding the Chapter Manager's supervision of the Administrative Assistant, as well as the oversight of the Chapter Manager's work by the Council officers. This lack of oversight raises concerns about the Chapter's fiscal accountability and responsibility.

Given that the Chapter is not meeting the standards expected of an LGA-certified chapter, the Office of the Auditor General recommends that the Crownpoint Administrative Services Center take a more active and substantial role in overseeing the White Rock (Tse'ligai) Chapter's operations and finances. The Administrative Services Center should provide close technical assistance, training, and monitoring to help bring the Chapter into compliance. Additionally, these efforts should be regularly reported to the Administrative Services Center Department Manager.

Background

The Navajo Nation Office of the Auditor General has conducted an internal audit of the White Rock (Tse'ligai) Chapter for the 12-month period ended March 31, 2024. The White Rock (Tse'ligai) Chapter is a political subdivision of the Navajo Nation and is considered a general-purpose local government for reporting purposes. The White Rock (Tse'ligai) Chapter is located within the Eastern Agency of the Navajo Nation.

The White Rock (Tse'ligai) 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 White Rock (Tse'ligai) Chapter are enumerated in Title 26, Local Governance Act (LGA) of the Navajo Nation Code. The White Rock (Tse'ligai) Chapter has been an LGA-certified chapter since 2010.

The Local Chapter Government is managed by the Chapter Manager (CM) with administrative support provided by an Administrative Assistant (AA). The CM has been employed with the Chapter since 2010 and the AA was hired in 2018. Oversight is provided by the Local Government Council officers comprising of the President, Vice-President, and Secretary/Treasurer; the Council is an alternative form of government approved by the Chapter in 2011. Additional oversight is provided by the Navajo Nation Division of Community Development/Administrative Services 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 White Rock (Tse'ligai) Chapter's fiscal year 2023 total budget was \$563,989 and fiscal year 2024 was approximately \$545,339 which includes carryover funds from the prior fiscal year.

Objective, Scope, and Methodology

The Office of the Auditor General conducted an internal audit of the White Rock (Tse'ligai) 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. Goods and services are obtained in accordance with procurement policies and procedures.
2. The accounting system provides complete and accurate financial information.
3. Financial assistance is awarded according to applicable policies and procedures.
4. Fixed assets are supported with documentation and properly reported in the financial statements.
5. The Chapter has complete and reliable property inventory records and property is tagged.
6. Payroll deductions from Navajo Arts and Crafts Enterprise are processed in accordance with applicable policies and/or best practices.
7. The accrued leave is accurately recorded to the leave report.

8. The required personnel records are on file to support the hiring of employees, employment notices are completed and approved, and background checks are completed for employees prior to starting employment.
9. The Chapter obtains financial statement audits biennially.
10. The Secretary/Treasurer provides financial reports to the community membership at monthly regular chapter meetings.
11. Resale activities are accounted for using a perpetual inventory system and properly safeguarded from theft/damage/loss.

In meeting the audit objectives, we interviewed the Chapter administration and Council officers and examined available records. More specifically, we tested samples of disbursements, revenues, assets, and personnel 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 White Rock (Tse'ligai) Chapter administration and Local Government Council for their cooperation and assistance throughout the audit.



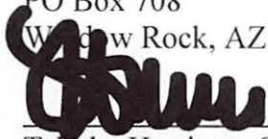
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Dr. Buu Nygren, Navajo Nation President

Richelle Montoya, Navajo Nation Vice President

DATE: December 26, 2024

TO: Helen Brown, Acting Auditor General
 Navajo Nation Office of the Auditor General
 PO Box 708
 Window Rock, AZ 86515

FROM: 
 Tabitha Harrison, Chapter Manager
 Norman Henry, Council President
 Gilbert Roger, Council Vice-President
 Nancy Brown, Council Secretary Treasurer
 White Rock Chapter

RE: Response to the White Rock Chapter Internal Audit

Dear Ms. Brown,

White Rock Chapter has received and reviewed the final draft of the Internal Audit on December 16, 2024. We, the Council Officers and Chapter Administration agree with the audit findings and will formally begin the process of the Corrective Action Plan based on the recommendations provided by your office.

White Rock Chapter is committed to correcting all of the listed findings. We will work closely with Crownpoint ASC Office and other entities to ensure we remain in good standing as a LGA Certified Chapter while implementing our Five Management System and Alternative Form of Government.

If you have any questions or concerns, please contact us.

XC: Honorable Danny Simpson, Council Delegate
 Heather Yazzie-Kinlacheeny, SPPS Crownpoint ASC