

OFFICE OF THE AUDITOR GENERAL

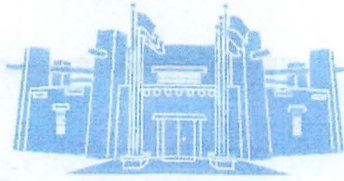
The Navajo Nation

Internal Audit of the Whippoorwill Chapter

**Report No. 25-09
April 2025**

**Performed by:
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April 8, 2025

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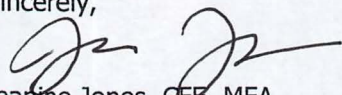
Dear Mr. Yazzie:

The Office of the Auditor General herewith transmits Audit Report No. 25-09, an Internal Audit of the Whippoorwill 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. The audit covers activities for the 12-month period of October 1, 2022, to September 30, 2023. Post audit scope activities include American Rescue Plan Act (ARPA) reporting activities from March 1, 2024, to March 31, 2025. Our review revealed the Chapter needs to strengthen controls with its LGA certified five management system and ARPA subrecipient agreements. The following issues were identified:

- FINDING I: Absence of oversight over the accounting system.
- FINDING II: The Chapter received Local Governance Act certification in 2014, but independent financial statement audits have not yet been completed.
- FINDING III: The Chapter approved key internal policies and procedures during the coronavirus pandemic period without obtaining the necessary authorizations.
- FINDING IV: The Chapter Manager and Administrative Assistant received overtime payments, despite both being classified as exempt employees.
- FINDING V: There were inconsistencies in the completion of important employment forms.
- FINDING VI: Employee wages were not fully verified before payroll disbursements.
- FINDING VII: The Chapter Manager holds similar positions at two chapters, and there is limited oversight of her work hours and wages.
- FINDING VIII: Overtime wages were paid without an approved budget.
- FINDING IX: Payroll taxes were not paid by the required deadlines.
- FINDING X: Workers' Compensation reports and payments were submitted after the due date.
- FINDING XI: Housing assistance was awarded based on incomplete documentation.
- FINDING XII: The physical inspection of Chapter property for accountability purposes is not conducted.
- FINDING XIII: Fixed assets amounting to \$31,450 are not covered by insurance.
- FINDING XIV: Noncompliance with travel policies led to discrepancies in travel expenses.
- FINDING XV: Cash receipt tickets are manually numbered, which is not in accordance with the established policies.

If you have any questions, please call our office at (928) 871-6303.

Sincerely,


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REVIEW RESULTS

FINDING I: Absence of oversight over the accounting system.

Criteria: Five Management System (FMS) Fiscal Policies and Procedures Section V.D. requires the Chapter's accounting system to provide reliable and consistent financial information on a timely basis. Section VII.C. requires outstanding checks more than 90 calendar days to be voided in the accountings system by the amount of checks voided. Property Policies and Procedures Section VIII.B. requires pertinent fixed asset records (i.e. invoices, warranties, and titles) to be maintained. Fiscal Policies and Procedures Section VII.F. requires expected lifetime and depreciation records to be maintained and total dollar value to be reported in the accounting records. N.N.C. Title 26, Local Governance Act Section 1001 requires the Secretary/Treasurer to monitor the maintenance of an adequate accounting system. The Navajo Nation Budget Instructions Manual (BIM) Section III and VI provides monitoring forms that require the Chapter Manager, Officials, and the Administrative Service Center (ASC) to monitor financial activities monthly.

Condition: From our review, several areas require attention to the Chapter's accounting system such as the following:

1. Assets are depreciated, but the depreciation method is unknown. The staff follows the reporting practices of the previous chapter staff.
2. 10 fixed assets totaling \$42,960 were not capitalized and depreciated.
3. 9 fixed assets totaling \$49,676 have no supporting documentation including invoices or receipts to support the reported amount.
4. Although the BIM monitoring forms were signed, the extent of monitoring performed by the Chapter Manager and officials is unclear based on the discrepancies noted.

In FY2024, the Chapter entered into two sub-recipient agreements with the Navajo Nation to accept American Rescue Plan Act (ARPA) Fiscal Recovery Funds. Considering these are federal funds and subject to strict requirements, the audit scope was expanded to evaluate financial reports generated from the accounting system. The following areas for improvement were noted:

1. The Chapter's accounting over the ARPA fund does not track activity by project.
2. The overtime wages paid to the Planner from the ARPA Fund are paid at a rate that is higher than the approved budget.

Effect: The risks are inconsistencies in financial reports, making it difficult for the community membership to make informed financial decisions.

Cause:

- The Chapter staff remains unfamiliar with the FMS Policies and Procedures resulting in noncompliance.

- The Chapter Manager relied on the Administrative Assistant to manage the accounting system but did not implement verification measures for accuracy.
- The Secretary/Treasurer is not assisting with monitoring the accounting system.

Recommendations:

1. The Chapter staff should obtain training from ASC on FMS Policies and Procedures, specifically on financial statements, records management, fixed assets, depreciation, and MIP (accounting system) controls.
2. The Chapter Manager should reconcile the accounting system generated reports against support documentation to ensure the accuracy of the accounting system, and the Secretary/Treasurer should verify these reconciliations are being completed.
3. The Chapter Manager should submit the financial reports, and the BIM monitoring forms to ASC each month.

FINDING II: The Chapter received Local Governance Act certification in 2014, but independent financial statement audits have not yet been completed.

Criteria: FMS Fiscal Policies and Procedures Section VII.M. requires the Whippoorwill Chapter to obtain an audit of its financial operations at least every two years and include funds received from all Navajo Nation, State, County, Federal, and other fund sources.

Condition: The Chapter's five management system was certified December 2, 2014; however, an independent financial statement audit has not been completed since the Chapter became certified 10 years ago. The current Chapter Manager has been employed since December 2021, and the audit has not yet been completed.

Effect: The risks are that the Chapter cannot provide assurance its financial management system generates reliable and accurate financial statements.

Cause: Resources have not been allocated within the Chapter's budgeting process to conduct financial statement audits.

Recommendations:

1. The Chapter Manager should budget for financial statement audits and complete an audit every two years.
2. The Chapter Manager should procure a financial statement audit in accordance with Procurement Policies and Procedures.

FINDING III: The Chapter approved key internal policies and procedures during the coronavirus pandemic period without obtaining the necessary authorizations.

Criteria: The Navajo Nation Council approved resolution no. CMY-36-20 on May 19, 2020 requires chapter agendas under the three-quorum rule be limited to four categories of topics: 1) coronavirus pandemic (COVID-19) matters, 2)

budget authorizations and approvals, 3) Emergency Declaration; and 4) Any other agenda topic pursuant to CAP-19-20 with approval from the Executive Director of the DCD.

The Navajo Nation Council resolution no. CJA-01-22 was approved January 18, 2022, and Section III.B. requires business authorized to be addressed by a quorum of three (3) registered Chapter members is limited to Chapter business directly related to COVID-19 matters, the Navajo Nation Emergency Declaration, budget authorizations and approvals, and additional topics. Additional topics shall be presented to ASC for advice and guidance on additional topics.

The Navajo Nation BIM requires the Department of Justice (DOJ) to review revisions to the PEP, Summer Youth Employment, Housing Discretionary Fund, and Scholarship Policies and Procedures.

Condition: During the COVID-19 period, the Chapter amended key internal policies and procedures that did not comply with Navajo Nation laws as follows:

1. On February 17, 2022, the Chapter approved the amended Housing Discretionary Fund Policies and Procedures, with votes of 3 in favor, 0 opposed, and 3 abstain, but the Chapter did not seek approval from DCD before adding policy amendments to the Chapter meeting agenda. The policy amendments included changes to assistance amounts in certain cases, such as when the spouse was not registered with the Chapter or was non-Navajo.
2. On April 12, 2023, the Chapter approved the amended PEP Policies and Procedures, with votes of 6 in favor, 0 opposed, and 4 abstain, but the Chapter did not obtain approval from ASC to add policy amendments to the Chapter meeting agenda. Policy changes included opening employment opportunities to outside community members, including non-Navajos, for specialized construction work.
3. The PEP and Housing Discretionary Fund (HDF) policies were not submitted to DOJ for legal review. Nonetheless, the Chapter began implementing the amended policies and procedures without presenting them to the community for reaffirmation once the Chapter quorum returned to normal.

Effect: The risks are that the community members do not have the opportunity to fully engage in discussions about policy and procedure changes.

Cause:

- The Chapter Manager stated that due to strained working relationships with the former DCD Executive Director and the ASC Senior Programs & Projects Specialist, she did not seek the required approval and guidance on the agenda items.
- The Chapter prioritized the immediate assistance of community members and, as a result, did not submit the internal policies and procedures to the Department of Justice for legal review.

- Recommendations:
1. The Chapter Manager and Chapter Officials should submit the policies and procedures to the DOJ for legal review.
 2. The Chapter Manager and officials should present the internal policies and procedures to the community membership for approval via resolution.

FINDING IV: The Chapter Manager and Administrative Assistant received overtime payments, despite both being classified as exempt employees.

Criteria: FMS Personnel Policies and Procedures Section VIII.B. states exempt employees are not eligible for overtime. Further, FMS Fiscal Policies and Procedures Section VI requires no expenditure to exceed the budgeted amounts without prior approval by the voting members.

Condition: The Chapter Manager and Administrative Assistant are regular, permanent, exempt employees. According to the approved fiscal year 2023 budget, the salary for the two employees were as follows: 1) Chapter Manager-\$45,226 and 2) Administrative Assistant-\$38,837 at 2,088 hours each. However, the two staff were paid approximately 159.5 and 99 overtime hours respectively beyond 80 hours per pay period totaling \$5,972 overtime wages. The following table provides wage details for each employee:

Employee	Regular Pay	Overtime Pay	Total
Chapter Manager	\$45,226	\$3,890	\$49,116
Admin Assistant	\$38,837	\$2,082	\$40,919
Total		\$5,972	

Effect: The risks are that the Chapter funds are used for the additional payments causing a shortfall.

Cause: Overtime pay for both employees was approved by the Chapter President through a memorandum dated January 13, 2023. Additionally, the Chapter President did not realize that the staff were classified as exempt employees and, therefore, ineligible for overtime compensation.

- Recommendations:
1. The Chapter Manager and President should refrain from approving overtime pay for exempt employees.
 2. The Chapter Manager and President should ensure that personnel policies are followed when determining eligibility for overtime.
 3. The Chapter should require the Chapter Manager and Administrative Assistant to reimburse the Chapter for the overtime pay that was not in compliance with the applicable policies.

FINDING V: There were inconsistencies in the completion of important employment forms.

Criteria: FMS Fiscal Policies and Procedures Section VII.H. requires an Arizona New Hire form and Personnel Action Form (PAF) for all Chapter employees.

Condition: A sample of 25 employees' personnel reports and forms were reviewed, and the following are discrepancies that were noted:

1. 8 of 20 (40%) employees worked an average of 9 days past their approved PAF end date; totaling \$8,038 additional wages paid.
2. 7 of 22 (32%) employees were not reported to the state of Arizona as a new hire.

Effect: The Chapter is at risk for funding shortfalls and Arizona state civil monetary penalties up to \$25 per unreported new hire.

Cause:

- There is limited verification by the Chapter Manager over the Administrative Assistant's preparation of PAF change notice to extend work dates.
- The Chapter Manager's oversight of the Administrative Assistant's management of key personnel documents is limited.
- According to the Administrative Assistant, the Arizona New Hire forms were submitted to the State; however, the forms were not available for review in the Chapter's records.

Recommendations:

1. The Administrative Assistant should consider developing a personnel file checklist, updating the PAF for employees as changes occur, and submitting Arizona New Hire forms to the State of Arizona.
2. The Chapter Manager should review and verify the accuracy of personnel records prepared by the Administrative Assistant and approve only records that are complete and accurate.
3. The Chapter Manager should increase oversight of the Administrative Assistant's to ensure key personnel documents are properly maintained.

FINDING VI: Employee wages were not fully verified before payroll disbursements.

Criteria: FMS Fiscal Policies and Procedures Section VII requires the immediate supervisor to maintain an attendance sheet/punch card for all employees. The Administrative Assistant will forward payroll checks and support documentation to the Chapter Manager to review.

Condition: A sample of 59 payroll records totaling \$48,672 were examined, and the following issues with payroll controls were noted:

1. 46 of 59 (78%) or \$34,507 - timeclock hours were incomplete due to hours being handwritten without approval, missing summaries of total daily hours worked, and no supervisor approval.

2. 29 of 38 (76%) or \$21,051 – leave slips were not available for our review.
3. 28 of 34 (82%) or \$20,300 – approved leave slip hours do not reconcile to the timesheet.
4. 20 of 59 (34%) or \$22,119 – Pay rates on the PAF did not match the approved budget rate.
5. 10 of 59 (17%) or \$8,378 - timeclock hours cannot be traced to the corresponding timesheet hours.

Effect: The risks are questionable wage payments.

Cause:

- The Chapter Manager has not consistently reconciled timesheets prepared by the Administrative Assistant with supporting documentation before approving payroll.
- The Chapter Manager has acknowledged that payroll records are not well organized and has taken steps to address this issue with staff.

Recommendations:

1. The Chapter Manager should ensure that employees and supervisors sign off on time clock work hours to verify accuracy.
2. The Chapter Manager should verify that the approved leave forms and timeclock work hours match timesheet records, and that Chapter officials confirm this before approving payroll.
3. The Administrative Assistant should ensure PAF pay rates align with the approved budget rates.
4. The Administrative Assistant should organize and file all payroll documents systematically.

FINDING VII: The Chapter Manager holds similar positions at two chapters, and there is limited oversight of her work hours and wages.

Criteria: FMS Personnel Management Policies and Procedures Section III.D. states full-time employment with the chapter shall generally be the sole employment of any employee, however it is recognized that personal situations do occur that might make it necessary for employees to seek supplementary employment. This requires an employee who is absent from his/her job due to outside or self-employment to take leave.

Condition: The Chapter Manager is employed full-time at the Whippoorwill Chapter and part-time at the Low Mountain Chapter as the Project Manager for ARPA projects. A review of timesheets for 11 pay periods, from January 16, 2023, to June 18, 2023, revealed instances where the Chapter Manager's documented work hours at Whippoorwill Chapter overlapped with recorded hours at Low Mountain Chapter. Specifically, on 11 occasions, work hours at Whippoorwill Chapter conflicted with sign-in sheets at Low Mountain Chapter. As a result, the Chapter Manager was compensated \$348 for approximately 14.28 hours of overlap, which are duplicate payments. The Chapter Manager continues to hold part-time employment at Low Mountain Chapter.

Effect: The risk is the Chapter will continue paying for wages that are not earned by the Chapter Manager.

Cause:

- The Chapter President approved the Chapter Manager's payroll despite discrepancies in the recorded work hours, where handwritten hours lacked full justification or approval.
- Both Chapter Officials and the Administrative Assistant have not consistently monitored the Chapter Manager's work hours, and absences or work departures have not been fully documented or explained.

Recommendations:

1. The Chapter Manager should consistently record work hours, and if handwritten times are necessary, the Administrative Assistant and Chapter President should ensure proper written documentation for justification.
2. The Administrative Assistant should verify the Chapter Manager's personal absences are appropriately recorded on leave slips and reconciled with timesheets before payroll approval.
3. The Chapter Manager's immediate supervisor should coordinate with the Low Mountain Chapter to review any duplicate payments and take appropriate steps to resolve the issue, including reimbursing Whippoorwill Chapter.

FINDING VIII: Overtime wages were paid without an approved budget.

Criteria: FMS Fiscal Policies and Procedures Section VI.C. requires the Chapter Manager to notify the Chapter Officials if any changes in the budget are necessary after the budget's adoption. At the next duly called Planning meeting, the Chapter Officials will discuss any proposed amendments or modifications to the budget. The Chapter Manager will present in full detail all proposed budget related documents for review by the Chapter membership prior to the approval of amendments. The proposed amendments will be forwarded to the next scheduled Chapter meeting for discussion and approval by the Chapter membership.

Condition: The Chapter paid overtime wages without an approved budget to fourteen employees totaling \$13,930 from the following funds:

1. Fund 15 PEP
2. Fund 23 Sales Tax Fund
3. Fund 24 NN Supplemental \$100,00
4. Fund 25 NN \$180,00 CIP
5. Fund 28 NN Capital Outlay \$36,364

Effect: Unapproved expenditures results in the Chapter not achieving the intent of these funds due to the funds not being available now.

Cause: Although wages were budgeted for regular hourly wages from the five Chapter funds, the Chapter Manager did not amend those budgets for overtime wages.

Recommendations: 1. The Chapter Manager and officials should have a community approved budget in place for all wages prior to disbursing payroll.

FINDING IX: Payroll taxes were not paid by the required deadlines.

Criteria: Internal Revenue Service (IRS) Regulations require employers to timely remit payroll taxes (Social Security and Medicare) and federal withholdings from wages paid.

Condition: A review of six months of payroll tax deposits totaling \$44,646 revealed that for three months, \$17,326 were submitted one to two days late. On December 11, 2023, the Chapter received a notification from the IRS indicating that a federal tax deposit of \$5,025 (for September 2023) was submitted one day late. Although the penalty for this delay was waived, the notification serves as a reminder for timely payments.

Effect: The risks are penalties and interest that the Chapter is required to pay, which are unallowed costs.

Cause: The Chapter Manager is not consistently verifying that the Administrative Assistant is submitting payroll taxes by the required due dates.

Recommendations: 1. The Administrative Assistant should submit payroll taxes to the IRS before the due date.
2. The Chapter Manager should regularly review the deposit slips to ensure payroll tax payments are made on time.

FINDING X: Workers Compensation reports and payments were submitted after the due date.

Criteria: FMS Fiscal Policies and Procedures Section VII.H. requires the Chapter staff to ensure all employees are covered by Worker's Compensation (WC). The report and payment are due at the end of the last pay period of the ending quarter.

Condition: A review of two WC quarterly reports revealed the Chapter submitted WC reports and payments after the due date as follows:

1. The third quarter report was 98 days late, and the payment was five and a half months late.
2. The fourth quarter report was 53 days late, and the payment was three and a half months late.

Effect: The risks are that the Chapter employees will not be covered if they are injured while on the job. This poses a financial risk to the employees and the Chapter.

Cause: The Chapter Manager has not been fully overseeing the Administrative Assistant's work activities to ensure compliance with reporting and payment timelines.

Recommendations: 1. The Administrative Assistant should submit WC reports and payments in a timely manner.
2. The Chapter Manager should develop a checklist of key due dates to ensure the Administrative Assistant reports and remits payments on time.

FINDING XI: Housing assistance was awarded based on incomplete documentation.

Criteria: Chapter HDF policies and procedures Section V.A., V.B., V.F., V.J., and VII. requires applicants to submit the following documents: 1) Check List Form, 2) Application, 3) Authorization of Release of Information, 4) Income Verification Statement Form, 5) Map to property, 6) Three quotes, 7) Social Security Number (last four digits), 8) Certificate of Indian Blood, 9) Home Site Lease or Certification of home ownership. In addition, the Chapter is required to complete the following: 1) evaluate home repair needs, 2) verify home is the primary residence, 3) applicant has not been awarded in the current or previous fiscal year, 4) give written notification of eligibility, and 5) obtain community approval.

Condition: A sample of 24 housing assistance applications and awards totaling \$24,392 revealed that some recipients were awarded housing assistance without complete documentation and the housing projected was not verified as completed as follows:

1. 12 of 24 (50%) or \$6,983 applications lacked complete documentation.
2. 9 of 24 (38%) or \$11,696 recipients were not registered members of the Chapter.
3. 2 of 13 (15%) or \$1,828 recipients did not have an evaluation of home repair needs on file.
4. 2 of 24 (8%) or \$60 recipients were awarded more than once in the last two years.

Effect: The risks are the Chapter providing housing assistance to ineligible individuals and incomplete housing projects.

Cause: The Project Coordinator did not verify that all required documentation and procedural steps were followed before the assistance was approved.

Recommendations: 1. The Chapter Manager should use the checklist to verify that all necessary documentation is complete and accurate before approving assistance.

FINDING XII: The physical inspection of Chapter property for accountability purposes is not conducted.

Criteria: FMS Property Policies and Procedures Section VII.A. and VIII.B. requires the Chapter Manager to conduct the physical inventory of chapter property and record on the Physical Equipment Inventory form, ensure property identification requirements are sufficient to meet replacement requirements, reconcile and adjust the inventory count and listing for accuracy and completeness on an annual basis or at the time of acquisition or disposition, and tag all property with the Chapter property number. FMS Fiscal Policies and Procedures Section VII.F requires capital assets to be tagged bearing a description, date acquired, and an identification number.

Condition: A sample of 45 Chapter assets totaling \$297,320 were selected to verify the Chapter conducted a physical inventory and tagged the assets. The following discrepancies were noted:

1. A physical inventory of Chapter assets has not been conducted since fiscal year 2022. After the audit scope, the Chapter conducted a physical inventory on March 10, 2025.
2. 10 of 45 assets (45%) or \$217,118 have not been tagged with the Chapter property number.

Effect: The Chapter is at risk of not being able to identify when property is missing or damaged in the case of an insurance claim.

Cause: The Chapter Manager noted that other Chapter priorities were addressed first, which impacted completing physical inventory and tagging.

Recommendations: 1. The Chapter Manager should conduct an annual physical inventory using the Physical Inventory Form to ensure accurate and up-to-date documentation of Chapter assets.
2. The Chapter Manager should prioritize the tagging of all Chapter property and ensure that this process is completed on an annual basis.
3. The Chapter Manager should tag capital assets with a description, date acquired, and identification number.
4. Chapter Officials should verify that the annual physical inventory is completed in accordance with the established policies.

FINDING XIII: Fixed assets amounting to \$31,450 are not covered by insurance.

- Criteria: FMS Property Policies and Procedures Section VIII.B. requires the Chapter Manager to provide a copy of the most current inventory and Underwriting Exposure Summary (UES) to the Risk Management Program (RMP) each year for insurance purposes.
- Condition: A sample of 18 fixed asset items totaling \$319,768 revealed that \$31,450 fixed assets were not reported to the RMP for insurance purposes. These items include:
1. Streetlights for Chapter House - \$5,388.72
 2. Roofing project for Head Start - \$17,397.99
 3. Tools and equipment - \$5,020.79
 4. Security cameras - \$3,642.23
- Effect: The Chapter is at risk of not replacing uninsured assets if the property is damaged or stolen.
- Cause:
- The Administrative Assistant did not reconcile the Summary Asset Ledger with the inventory before submitting the UES to the RMP.
 - The Chapter Manager is not reviewing the UES for accuracy and completeness.
- Recommendations:
1. The Administrative Assistant should reconcile the Summary Asset Ledger with the property inventory before submitting the UES to the RMP.
 2. The Chapter Manager should review the UES for accuracy and completeness to ensure that all Chapter property is properly insured.

FINDING XIV: Noncompliance with travel policies led to discrepancies in travel expenses.

- Criteria: FMS Fiscal Policies and Procedures Section VII.I. requires the Administrative Assistant to prepare the travel authorization, review, then forward to the Chapter Manager to review and approve. Upon completion of travel, the traveler will submit a trip expense report, trip report, mileage report, and receipts.
- Condition: A review of 51 travel authorizations totaling \$26,025 revealed noncompliance with travel policies and procedures as indicated by the following:
1. 13 of 48 (27%) or \$6,718 - Travel authorization forms were incomplete and not approved by the Chapter Manager for staff/Chapter Officials or by Chapter Officials for the Chapter Manager prior to departure.
 2. 18 of 48 (38%) or \$7,738 - Travel expenses were not calculated using authorized rates.

3. 8 of 23 (38%) or \$3,375 - Travel advances were paid at more than 80% of estimated travel expenses.
4. 21 of 48 (44%) or \$13,262 - Travel expenditures were not supported by required documents (e.g., trip report, lodging receipt, mileage report, meal receipt, etc.).
5. 9 of 48 (19%) or \$4,121 - Travel authorization expense reports were incomplete.
6. 4 of 48 (8%) or \$1,332 - Travel authorization expense reports were not approved by an authorized individual.
7. 29 of 43 (67%) or \$18,607 - Overpayments were not justified in the trip reports.

Effect: The risks are unauthorized and undocumented travel, no liability coverage for employees and officials on travel, and excessive use of Chapter funds resulting in shortfalls.

Cause:

- The Chapter Manager and Administrative Assistant are not fully familiar with the travel policies which contributed to the inconsistencies.
- The Chapter Manager did not confirm that accurate rates were applied, and that documentation supported expenses before approving travel advances and reimbursements.

Recommendations:

1. Chapter staff and officials should request training from the Administrative Services Center to improve understanding of travel policies and procedures.
2. Chapter staff and officials should use the applicable travel rates from the OOC website at the start of each new year.
3. The Chapter Manager should approve travel before departure and ensure trip reports and expense receipts are reviewed before approving reimbursements.

FINDING XV: Cash receipt tickets are manually numbered, which is not in accordance with the established policies.

Criteria: FMS Fiscal Policies and Procedures Section VII.A. requires cash receipt tickets to be pre-numbered.

Condition: A sample of 219 cash receipt tickets was examined, and 108 tickets were not pre-numbered. The Administrative Assistant manually numbered tickets and if an error occurred, the number was crossed out and renumbered.

Effect: Manually written or altered ticket numbers can hinder the reconciliation of cash receipts and conceal fraudulent activity.

Cause:

- The Administrative Assistant ordered cash receipt books that were not pre-numbered, and the vendor was unable to replace or refund the Chapter.

- The Administrative Assistant noticed inaccuracies in the manual numbering during the cash receipt reconciliation process and corrected them, however the Chapter Manager did not verify corrections were accurate.

Recommendations:

1. The Administrative Assistant should order pre-numbered cash receipt books.
2. The Chapter Manager should verify that cash receipt books are pre-numbered before they are used.

CONCLUSION

A review of the Whippoorwill Chapter's operations identified areas where internal controls can be strengthened to enhance financial oversight, accountability, and compliance with policies and regulations.

The audit identified several areas where the Chapter's financial and administrative processes did not fully comply with established policies and requirements. Oversight of the accounting system was lacking, which affected monitoring and recordkeeping. Although the Chapter received Local Governance Act certification in 2014, independent financial statement audits have not been completed. Internal policies and procedures were approved during the pandemic period without obtaining the required authorizations. Overtime payments were made to exempt employees, and employee wages were not fully verified before payroll disbursement. There were inconsistencies in employment forms. Payroll taxes and Workers Compensation reports and payments were submitted after the deadlines. The Chapter Manager held similar positions at two chapters, with limited oversight of work hours and wages. Overtime wages were paid without an approved budget. Housing assistance was awarded based on incomplete documentation. The Chapter did not perform physical inspections of property for accountability purposes, and fixed assets totaling \$31,450 were not insured. Additionally, there were instances of noncompliance with travel policies resulting in discrepancies in travel expenses. Cash receipt tickets were manually numbered, which did not align with established procedures.

Overall, internal controls do not appear to be functioning as intended to safeguard assets, ensure financial reporting reliability, and maintain compliance with applicable laws, regulations, and policies. The audit identified 15 areas where improvements should be made to enhance internal processes.

As an LGA-certified Chapter, Whippoorwill Chapter is expected to maintain strong fiscal accountability and adhere to Navajo Nation laws and policies. Strengthening oversight of administrative processes, including the supervision of the Chapter Manager by the immediate supervisor and Administrative Assistant by the Chapter Manager to improve compliance and financial management.

To support the Chapter in achieving these improvements, the Office of the Auditor General recommends that the Administrative Services Center take an active role in providing technical assistance, training, and monitoring. Routine reporting to the Administrative Service Center Department Manager is also recommended to track progress and ensure the Chapter returns to an acceptable operational and financial status.

BACKGROUND

The Navajo Nation Office of the Auditor General has conducted an Internal Audit of the Whippoorwill Chapter for the 12-month period of October 1, 2022, to September 30, 2023.

The Whippoorwill Chapter is a political subdivision of the Navajo Nation and is considered a general-purpose local government for reporting purposes. The Whippoorwill Chapter is located within the Central Agency of the Navajo Nation.

The local government is managed by the Chapter Manager with administrative support provided by the Administrative Assistant. Oversight is provided by the elected Chapter officials comprising of the President, Vice President and Secretary/Treasurer. Additional oversight is provided by the Navajo Nation Division of Community Development/Administrative Services Center.

The Chapter Manager has been employed with the Chapter since December 2021 and the Administrative Assistant since January 2022.

The Whippoorwill 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 Whippoorwill Chapter are enumerated in Title 26, Local Governance Act of the Navajo Nation Code. The Whippoorwill Chapter has been an LGA certified Chapter since 2014.

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. Whippoorwill Chapter's operating budget for the review period was approximately \$ 1,247,077.

In addition, the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program authorized by the ARPA, delivers \$350 billion to state, territorial, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency. The Navajo Nation received SLFRF and established sub-recipient agreements with Chapters, including Whippoorwill Chapter, to address these needs. The Whippoorwill Chapter entered two subrecipient agreements with the Navajo Nation for the following projects: 1) New House Electrical and Powerline Extension Project for \$60,000 and 2) Elderly Bathroom Modification for \$60,000 and Personnel for \$630,517 totaling \$690,517. As of December 31, 2024, the Navajo Nation disbursed \$375,258.50 to Whippoorwill Chapter: 1) \$345,258.50 disbursed on March 8, 2024, 2) \$15,000 disbursed on July 10, 2024, and 3) \$15,000 disbursed on August 31, 2024. As of March 31, 2025, the Chapter expended \$255,073.21. The remaining funds can be drawn down from the Navajo Nation if the Chapter meets all requirements of the agreement.

Objective, Scope and Methodology

The Office of the Auditor General conducted an Internal Audit of the Whippoorwill Chapter pursuant to the authority vested in the Office of the Auditor General by Title 12 Navajo Nation Code, Chapter 1, Section 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:

- MIP accounting system is safeguarded, and accurate and reliable financial reports are issued.
- Financial statement audits are obtained biennially.
- The Chapter abides by the temporary guidelines during the COVID-19 era.
- Chapter Manager and Administrative Assistant compensation has support documentation and approval.
- Personnel actions are supported with documentation.
- Employee wages are supported with documentation.
- Chapter Manager abides by the Personnel Management Policies and Procedures for second employment.
- Employee wages are budgeted and approved by the community membership.
- Payroll taxes are accurately reported and timely paid.
- Workers Compensation Program reports and payments are timely submitted.
- Housing assistance is awarded to eligible recipients.
- Property is tagged, complete, and reliable.
- Travel expenses are supported with an approved travel authorization form, costs are accurately calculated, and required documentation is on file.
- Fixed asset values are supported with accurate records and the value is accurately reported in the financial statements.
- Cash receipts are safeguarded, deposited in a timely manner, and sales taxes are accurately calculated.

The audit covers activities for the 12-month period of October 1, 2022, to September 30, 2023. Post audit scope activities include ARPA reporting activities from March 1, 2024, to March 31, 2025.

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 (HDF and Scholarship), payroll, bank records, PEP, journal vouchers, personnel, travel, cash receipts, fixed assets, property, budgets, ARPA monthly reports, and Low Mountain Chapter payroll records, 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 Whippoorwill Chapter administration and Officials for their cooperation and assistance throughout the audit.

CLIENT RESPONSE



WHIPPOORWILL CHAPTER

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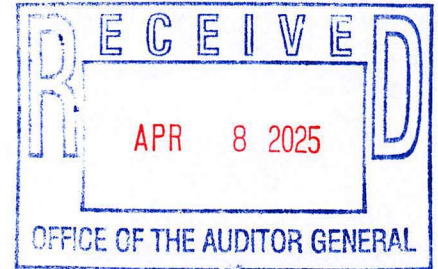
Marcita Denny, Chapter Manager

Ella Kay, Administrative Assistance

Germaine Simonson - NN Council Delegate Aaron Yazzie - President Gerald Ahasteen - Vice President Phillip Tom, Jr. - Secretary/Treasurer

April 7, 2025

Jeanine Jones, Acting Auditor General
Office of the Auditor General
PO Box 708
Window Rock, AZ 86515



Re: Whippoorwill Chapter Written Response to Draft Audit Report

Dear Ms. Jones,

We acknowledge receipt of the Draft Report issued March 25, 2025, regarding the performance audit of Whippoorwill Chapter for the fiscal year ending September 30, 2023. We appreciate the opportunity to provide a detailed response to this report. The Chapter is committed to transparency, accountability, and continuous improvement, and we believe that this response will help clarify many of the findings while demonstrating the significant efforts already undertaken to resolve the issues raised. In the spirit of collaboration, we have provided a response to each of the findings, clarifying the actions taken, additional context, and the ongoing steps we are committed to. We hope that this reply will contribute to an accurate and complete understanding of the Chapter's operational landscape.

I. Brief Background

It is important to understand the broader context in which the Chapter operates. Whippoorwill Chapter has faced significant and sustained disruptions to its operations over the past several years. These include a Chapter closure in 2018, a devastating fire in 2021, widespread disruptions caused by the COVID-19 pandemic, Snow Storm Emergency Operations, and election delays in 2024. Each of these events has contributed to the challenges in maintaining accurate and complete records, as well as operational continuity.

Additionally, the current administration, which took office in December 2021, inherited a situation with few structures in place to guide operations. Since assuming leadership, this administration has faced the monumental task of rebuilding and restoring trust with the community. We acknowledge that the Chapter has faced and continues to face challenges related to records and financial oversight, but we are making significant strides toward improving both.

While prior audits were initiated, they were never completed due to reasons beyond the Chapter's control. This administration has worked diligently to address these challenges and will continue to do so. We want to ensure that the history of operational disruption is fully understood in the context of this audit.

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While we acknowledge areas for improvement, we respectfully request that the audit findings reflect the reality of the Chapter's recovery efforts and not penalize the current administration for circumstances beyond our control. We have worked tirelessly to resolve the issues that were inherited and are committed to further improving our operations.

It should further be noted that we raised several concerns regarding procedural and fundamental fairness of this audit. While we still disagree with some of the actions, unfairness of audit procedures and auditor's negative behavior and working relationship which resulted penalties and non-compliance of the NN Personnel Policies and Procedures; however, we extend our appreciation to your office in working towards completion of this audit for the benefit of our community. Our response is based on the Draft Report. We note that while verbal references were made to a Management Report, we have not received the report. If a Management Report is intended to be a part of this process, we request clarification on its status to ensure a complete and accurate response.

II. Detailed Response to Findings Provided in March 25, 2025 Report

We are committed to addressing each issue raised and look forward to strengthening internal operations to enhance financial oversight, accountability, and compliance with policies and regulations. Below is our detailed response to each of the findings. We also note that while several issues were raised, many of them have already been addressed, and actions have been taken to prevent recurrence.

1. Absence of oversight of accounting system - *Contested, no further corrective action plan (CAP) required.*

The Chapter exercises substantial oversight, even if it differs from the more centralized approach preferred by OAG. Our administration has worked within the confines of the approved accounting system, the FMS, and other applicable policies. Additionally, the Chapter exercises substantial oversight, follows the FMS, attends training, obtains necessary documents, obtains necessary signatures, makes required reports, and utilizes the Navajo Nation approved accounting system to the best of our capabilities. However, due to the fire and prior administrative challenges, certain records are missing, and the Chapter has made multiple requests for missing documentation from Risk Management. Unfortunately, these requests were denied due to internal policies. Many records have since been updated to the best of our ability. Some of the assets may be below the reporting and/or depreciation threshold.

The Chapter Manager requested the Auditor to meet at the Chapter to show the differences and/or inconsistencies on ARPA Funding and she didn't find the \$363,382.44 but instead asked for more clarification on variances, where the Chapter Manager provided the necessary clarification. The Auditor stated she got the figures from the WIND and she added the New Allocation Funds with ARPA Funds, which have contributed to the appearance of discrepancies from her end. The Chapter has provided substantial evidence that the findings contradict ARPA inconsistencies including reports from MIP to DCD, and bank statements-all reconciling. We provided the auditor

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with a breakdown of ARPA funds by project, and while the format was not deemed acceptable, this does not reflect an absence of oversight. The ASC Accountant have established the Fund Code for ARPA Funds and the chapter utilizes separate GL Codes for two SRA and tried to explain to the Auditor that the funds are already separated with difference GL Codes according to Budget vs Actual that verifies the separate accounts that tracks budgets and expenditures for each SRA ARPA Projects, but she still considers lump sum and we continue to disagree with the decision made and this is one area we consider unfairness of audit. The ASC has not provided technical support, and as a result, we had to rely on external third-party assistance to resolve certain issues, including how the MIP accounts were set up. We are committed to improving communication with ASC and addressing the technical challenges in a timely manner; however, they are not willing at this point.

The Chapter will continue to communicate with ASC as if they should be willing as well, by attend more training, technological options, and increase oversight which may include the reconciliation, reporting, and budget tracking recommendations identified in the Draft Report. We hope that ASC will take a more active approach in assisting the Chapter. This Finding should be removed.

Every month, the Reconciled Financial Report have been reported to the community membership and the Chapter Staff are Familiar with the Chapter FMS and again, due to extreme urgency of the Pandemic and Snow Storm Emergency Operation hindered the Fixed Assets and other administrative responsibilities.

2. Independent audits not yet completed - *Contested, no further CAP required.*

While previous administration attempts to complete an independent audit were thwarted by external factors, we are committed to completing audits for fiscal years 2025 and beyond. Since the previous Administration have requested and or in process of the FY 2017 and FY 2018 Audit and the NN Auditor General's Office initiated the FY 2023 audit the Chapter had plans to initiate steps to include the Audit Fees in the FY 2025 NN Sales Tax Allocation to better accommodate the costs of such audits, as recommended by OAG. We request that the challenges faced by the Chapter due to the disruptions previously mentioned over the past few years be recognized.

3. Policies approved during pandemic - *Contested, no further CAP required.*

The policies approved during the pandemic complied with relevant emergency legislation and DOJ guidelines. The new Administration did not find any chapter policies when they came on board and these were time-sensitive decisions made to meet the urgent needs of the community during a global crisis in areas of accountability. We acknowledge that some of these policies may need to be revisited in the current context, and we are working with legal counsel to ensure they align with current regulations and community needs. Any request submittal to DOJ for reviewal is extremely time consuming and the Chapter needed to act immediately.

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4. Overtime payments paid to exempt employees

The two Administrative Staff did not request for overtime pay; however, the Chapter President have authorized with a memorandum for overtime pay to the 2-Staff during Snow Storm Emergency Operation in providing the urgent needed direct services to the community membership, which allowed them to work after hours and weekends. The Chapter is committed to refrain from any and all overtime pay for the 2-Administratiave Staff. We have communicated with all staff members to prevent the reoccurrence of such payments.

5. Inconsistent employment forms - *Resolved, no further CAP required.*

We have reviewed all employment records and updated them as necessary. A representation of the current files was provided to OAG demonstrating that the recommendations have already been implemented. Appropriate documentation and extension resolutions were made for employees who worked past their approved PAF dates. Previous discrepancies were due to misfiling by summer youth and turnover workers, but we have since taken corrective measures. A personnel checklist has been implemented, and all records have been verified.

6. Wage verification before payroll disbursements - *Contested, no further CAP required.*

This issue was a result of misfiled records by prior workers, and we have already re-verified and updated all personnel records. A representation of the corrected files was provided to OAG demonstrating that their recommendations have already been implemented. The chapter exercises the FMS and Chapter Policies in areas of Timesheet and Sign In sheet. Time clock is not a requirement in the Chapter FMS, but the Auditor used the Time Clock as a finding and the Chapter continues to disagree with this finding. However, the Chapter will implement additional oversight in this area to ensure future compliance with wage verification procedures.

7. Chapter Manager two positions - *Resolved, no further CAP required.*

The Chapter Manager's second position was part-time, with hours worked outside of normal duties. Any associated inaccurate payments have been reimbursed to the chapter. We have taken appropriate action that aligns with OAG recommendations to prevent the recurrence of this issue.

8. Overtime wages without approved budget - *Contested, no further CAP required.*

The Chapter believes that the overtime wages paid were in compliance with budgetary constraints. The Chapter has approved budget transfers, and was outlined in the OMB budget forms, and further, the overtime was also included in the meeting minutes and the intent and purpose of the expenditures were consistent with budget priorities. However, we will continue to comply with the necessary corrective measures going forward to ensure full compliance.

9. Payroll taxes not paid on time - *Resolved, no further CAP required.*

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We acknowledge the one (1) day delay in payroll tax report filing. The Chapter is committed to ensuring timely payments, and we have implemented corrective measures to address this issue that align with the OAG recommendations.

10. Work Comp payments and reported not on time - Resolved, no further CAP required.

The Chapter is now in compliance with the timely reporting and payment of Work Comp obligations. We are committed to maintaining this compliance in the future.

11. Housing assistance documentation - Resolved, no further CAP required.

Housing assistance was approved by the community. Some records were misfiled by prior workers but have since been updated to the best of our ability. The Chapter has already re-verified necessary documentation and a representation of the corrected files was provided to OAG demonstrating that the recommendations have already been implemented and continues to strongly disagree with one area of the report. Going forward, we will strengthen policies and procedures surrounding housing assistance to ensure complete and consistent documentation, including update the application and checklist, revise policy to align with community needs and aims.

12. Property inspections - Resolved, no further CAP required.

Annual inventory has been completed, and all forms are now properly filed. The Chapter has worked with NN Property to improve inventory management and is committed to ensuring future compliance. Assets were tagged in accordance with the FMS. A representation of the correct files was provided to OAG demonstrating that the implemented recommendations.

13. Fixed assets not covered by insurance - Resolved, no further CAP required.

We acknowledge the concerns about insurance coverage for fixed assets and are actively working with ASC and Risk Management to address this matter. These records were also impacted by the significant impacts to operations and record keeping as previously mentioned. We believe the Chapter's assets are properly insured. The Chapter implemented actions align with the recommendations. Other outstanding missing receipts of purchases by the previous administration and some might have been destroyed by fire is not the fault of new Chapter Administration. And further, one of identified property is not on chapter premises resulting in \$5,388.72.

14. Travel expense discrepancies - Resolved, no further CAP required.

We have addressed discrepancies related to travel expenses by re-verifying records and implementing more stringent policies to ensure future compliance. Some records were misfiled by prior workers but have since been updated. Recommendations have already been implemented.

15. Cash receipts manually numbered - Resolved, no further CAP required.

The issue with receipt numbering was due to purchasing the wrong receipt book. This was in dire need of a one-time error of purchasing non-numbered receipt book, and the administration is now using the correct pre-numbered receipt books. Notably, purchasing certain supplies is not

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always easy for the Chapter due to our remote location. A representation of the correct files was provided to OAG demonstrating that the recommendations have already been implemented.

III. Request for Consideration for Alternative to Corrective Action Plan

While we continue to disagree with the unfairness of the audit, however, we acknowledge the findings outlined in the Draft Report and are fully committed to addressing the remaining areas for improvement, we respectfully request that a formal CAP not be imposed at this time.

The Chapter is still in the process of recovering from significant operational disruptions, including a Chapter closure, fire damage, the ongoing impacts of the COVID-19 pandemic, Snow Storm Emergency Operation, and a change in administration. These disruptions have stretched our resources thin and placed a significant burden on our ability to maintain operations. At the same time, the Chapter is focused on improving our financial oversight, internal controls, and accountability.

Given the current operational challenges, implementing a formal CAP could severely impact our ability to meet our ongoing priorities, including completing essential community projects, meeting budget deadlines, and ensuring the continued success of critical services for our people. The hardship of balancing a formal CAP with these competing demands could delay or otherwise impair our efforts to continue rebuilding the Chapter and restore trust with the community.

We believe that the actions already taken to address the findings, along with our continued progress, demonstrate our commitment to improvement. Therefore, we respectfully request that the OAG consider alternative options, such as an extended timeline for completing certain actions, or a more informal process that will allow the Chapter to allocate resources in a manner that ensures both compliance and the completion of essential community-focused initiatives. We are confident that we can address all remaining issues in a timely manner without the need for a formal CAP. We look forward to collaborating with your office to find a mutually beneficial approach that supports the Chapter's recovery and continued success.

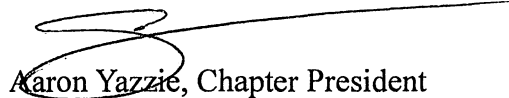
IV. In Closing

The Chapter feels and continues to express concerns of the unfair Audit proceedings along with some personnel issues coming into play during the conducted audit by the Navajo Nation Auditor General's Office; We, continue to feel that we have been force to accept the audit report as is, even though we provided clarifications and documents supporting some findings. However, the Whippoorwill Chapter remains committed to improving its operations, maintaining compliance, and ensuring the highest level of transparency and accountability. We have already taken significant steps to address the findings in the Draft Report and are confident that the remaining issues will be resolved promptly. We request that the OAG take into account the operational disruptions that have impacted the Chapter. Furthermore, we request clarification on

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the status of the Management Report to ensure a complete response to all findings. We are confident that remaining corrective actions can and will be completed by the end of this fiscal year. We appreciate the time and effort your office has dedicated to this audit, and we look forward to collaborating with you further to resolve any outstanding issues. Please let us know if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Aaron Yazzie', with a long horizontal line extending to the right.

Aaron Yazzie, Chapter President
Whippoorwill Chapter