

RESOLUTION OF THE
BUDGET AND FINANCE COMMITTEE
OF THE NAVAJO NATION COUNCIL

23RD NAVAJO NATION COUNCIL - First Year, 2015

AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT COMMITTEE AND THE BUDGET AND FINANCE COMMITTEE; ACCEPTING THE AUDIT OF THE LEUPP CHAPTER SUBMITTED BY THE OFFICE OF THE AUDITOR GENERAL AND APPROVING THE CORRECTIVE ACTION PLAN SUBMITTED BY THE LEUPP CHAPTER

BE IT ENACTED

Section One. Findings

- A. The Resources and Development Committee is a standing committee of the Navajo Nation Council with oversight authority over the Chapters of the Navajo Nation. 2 NNC §§500(A), 501(C)(1). The Resources and Development Committee as the oversight committee of the Chapters of the Navajo Nation is to receive audit reports and corrective action plans. 12 NNC §7(E).
- B. The Budget and Finance Committee is a standing committee of the Navajo Nation Council. 2 NNC §300(A). The Budget and Finance Committee is charged with receiving and approving chapter audit reports from the Auditor General. 12 NNC §6(A), 12 NNC §7(D).
- C. Pursuant to 12 NNC §7(D) the Auditor General submits an audit report of the Leupp Chapter (Exhibit A) and Leupp Chapter's Corrective Action Plan (Exhibit B) for approval.

Section Two. Acceptance and Approval

- A. The Navajo Nation hereby accepts the Audit Report No. 14-20, Audit of the Leupp Chapter, attached hereto as Exhibit A, and approves the Leupp Chapter Corrective Action Plan, attached hereto as Exhibit B.
- B. The Navajo Nation hereby directs that copies of the Leupp Chapter Corrective Action Plan be provided to the Office of the President and the Vice President and the Resources and Development Committee, as part of their oversight responsibility for the Leupp Chapter.
- C. The Navajo Nation hereby directs the Leupp Chapter to submit a written status report on its progress in implementation of the Corrective Action Plan to the Office of the Auditor General six months after the approval of this resolution.
- D. The Navajo Nation hereby directs the Office of the Auditor General to review the written status report to be submitted by the Leupp Chapter and report to the Resources and Development Committee, as well as the Budget and Finance Committee.
- E. The Navajo Nation hereby directs the Office of the Auditor General to conduct a follow-up review twelve months after the approval of this resolution to verify to actions claimed to have been taken by the Leupp Chapter, to issue a written follow-up report indicating the Leupp Chapter progress in implementing the Corrective Action Plan, and to make recommendations to the Resources and Development Committee, as well as the Budget and Finance Committee.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 5 in favor, 0 opposed, this 7th day of April, 2015.

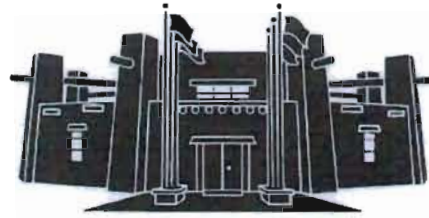


Jonathan Nez, Chairperson

Budget and Finance Committee

Motion: Dwight Witherspoon

Second: Lee Jack, Sr.



OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

**A Special Review
of the
Leupp Chapter**

**Report No. 14-20
August 2014**

Performed by:
Jeanine Jones, Auditor
Robert Jumbo, Auditor



August 22, 2014

Roberta Gorman, President
Leupp Chapter
PO Box 5428
Leupp, AZ 86035

Dear Ms. Gorman:

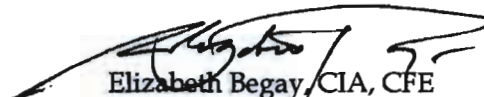
The Office of the Auditor General herewith transmits Audit Report No. 14-20, A Special Review of Leupp Chapter (Chapter). The review revealed the following deficiencies in chapter finances and activities.

- Finding I: Ineligible recipients receive housing assistance.
- Finding II: Capital Outlay was not expended in accordance with the intent of the Navajo Nation Council.
- Finding III: Expenditures were not authorized and supported with documentation.
- Finding IV: Expenditures and assets were not accurately posted to the accounting system.
- Finding V: Chapter employees were not accurately compensated.
- Finding VI: The Chapter is not in compliance with State unemployment regulations.
- Finding VII: Chapter property/equipment, resale items and housing materials were not safeguarded.
- Finding VIII: Chapter Officials are not monitoring chapter activities and collaborating with the Chapter administration.

In addition to the audit findings, the report provides recommendations to improve management of chapter finances and activities.

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

Sincerely,



Elizabeth Begay, CIA, CFE
Auditor General

xc: Kevin Todacheenie, Vice President
Genevieve Riggs, Secretary/Treasurer
VACANT, Chapter Manager
Walter Phelps, Council Delegate
LEUPP CHAPTER
Regina Allison, Senior Program and Project Specialist
LOCAL GOVERNANCE SUPPORT CENTER/WESTERN AGENCY
Chrono

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a special review of Leupp Chapter (Chapter) for the 21-month period ending June 30, 2013. The special review was requested by the Chapter Officials because of concerns over Chapter staff management of Chapter finances and projects. Accordingly, the special review was conducted pursuant to the authority vested in the Office of the Auditor General by 12 N.N.C., Chapter 1, § 1 - 10.

Leupp Chapter is a political subdivision of the Navajo Nation and is considered a general purpose local government for reporting purposes. Navajo Nation Chapters are required to operate under Title 26 of the Navajo Nation Code, the Local Governance Act (LGA). In July 2011, Leupp Chapter was LGA certified by the Resources and Development Committee of the Navajo Nation via resolution RDCJY-12-11.

The majority of the Chapter resources are provided through appropriations from the Navajo Nation central government which are intended to fund direct and indirect services at the local chapter government. Funding for the direct services are considered restricted funds with specific intended purposes.

The Chapter also generates internal revenues from rentals, resale and miscellaneous services. Any unexpended funds at the end of the fiscal year are carried over to the next fiscal year. Table 1 shows the total Chapter resources available for the 21-month audit period ending June 30, 2013.

Table 1
Total resources available for the 21-month audit period ending June 30, 2013

Fund Name	Source	Amount
Chapter Activities	Internal Revenue	\$110,093
Navajo Nation General Fund	Navajo Nation	348,531
Land Claims Trust	Navajo Nation	105,958
Grazing Official Stipend	Navajo Nation	10,327
Housing Discretionary	Navajo Nation	17,897
LGA Grant	Navajo Nation	105,570
Chapter Stipend	Navajo Nation	76,886
Scholarship	Navajo Nation	16,827
Public Employment Program	Navajo Nation	96,838
Veterans	Navajo Nation	15,096
Sales Tax	Navajo Nation	91,490
Capital Outlay	Navajo Nation	136,872
Post Office	Postal Service	33,450
TOTAL:		\$1,165,837

Source: Auditor General compilation of all appropriations and revenues

Of the \$1,165,837 total available resources, \$330,016 (or 40%) was expended for direct services and \$501,746 (or 60%) for indirect services. The Leupp Chapter has one bank account: checking account. As of June 30, 2013, the Chapter had a balance of \$334,075.

Objective, Scope, and Methodology

The following objectives were established for this special review:

- Determine whether the housing recipients were eligible to receive assistance.
- Determine whether the Capital Outlay Fund was expended in accordance with the intent of the Navajo Nation Council.
- Determine whether expenditures were authorized and supported with documentation.
- Determine whether expenditures and assets were accurately posted to the accounting system.
- Determine whether the Chapter staff were accurately compensated.
- Determine whether the Chapter is in compliance with payroll regulations.
- Determine whether physical controls were in place to safeguard chapter property and assets.
- Determine whether the Chapter Officials were monitoring Chapter activities and collaborating with the Chapter administration.

The scope for this review was as follows:

- Chapter Activities – October 01, 2011 through June 30, 2013.
- Administrative Staff Payroll – October 01, 2011 through January 31, 2014

In meeting the objectives, we interviewed the Chapter administration and Officials, observed Chapter operations, and examined available records. More specifically, we tested samples of expenditures for internal controls and compliance requirements by using a non-statistical, judgmental method. Chapter property and building materials inventory were also examined to determine if they are adequately safeguarded from loss. Lastly, onsite visits were made to selected residences to verify housing projects.

Government Auditing Standards

This audit was conducted in accordance with government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the Chapter under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

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

REVIEW RESULTS

Each year, Leupp Chapter receives annual appropriations to fund direct services to its local community members. To ensure these direct services are provided in a timely and fair manner, the Chapter is required to administer funds in accordance with established guidelines, policies and procedures. In addition, an adequate internal control structure ensures accountability over Chapter revenue and expenses. However, our review of the Chapter activities has revealed deficiencies in Chapter operation and activities.

Finding I: Ineligible recipients receive housing assistance

Criteria: Chapter staff are required to obtain applications and supporting documentation for housing assistance to evaluate and rank in order to ensure assistance is awarded to eligible members.

Condition: 14 of 15 (or 93%) of housing assistance recipients reviewed did not have an application with supporting documentation for the Chapter manager and officials to evaluate and rank.

Effect: There is \$60,600 in questionable disbursements for the housing assistance program.

Cause: The Chapter Officials claim that the staff did not collect the required documents from the applicants. Nevertheless, the Chapter manager was allowed to select the housing recipients regardless of whether they were eligible to receive assistance or not.

Recommendation(s):

- 1) Chapter staff should ensure only complete applications with supporting documentation are forwarded for evaluation and ranking.
- 2) Chapter Officials and manager are to review, evaluate and rank each applicant.
- 3) Only applicants that are eligible should be approved and assisted.

Finding II: Capital Outlay was not expended in accordance with the intent of the Navajo Nation Council

Issue: \$110,000 Capital Outlay was expended for administrative and unidentified expenses

Criteria: The Navajo Nation appropriated the capital outlay fund totaling \$620,910 between fiscal year 2006 and 2013 for community and economic development investments and capital improvement projects.

Condition: The Chapter did not expend the capital outlay fund for capital improvement projects. Approximately \$110,000 was reported expended for staff bonuses, operating supplies, office supplies and unidentified/miscellaneous expenses.

Effect: \$110,000 expended for administrative expenses takes away funds that could have been used for capital improvement projects.

Cause: The Chapter Officials and staff disregarded the Capital Outlay Fund restrictions in expending of the fund.

Recommendation(s): The Chapter officials and staff should expend the capital outlay fund on capital improvement projects.

Issue: Chapter projects were not properly managed

Criteria: The Chapter is required to ensure chapter projects are properly planned and constructed to eliminate waste of Chapter resources.

Condition: \$32,000 Chapter resources were used for projects that were inadequately planned and poorly constructed. Listed below are the deficiencies noted:

Project	Cost	Deficiencies
Grandfalls crossing construction	\$14,684	Poured cement washed away due to construction done during the monsoon season
Well repair	\$17,013	Constant repair of the well due to existing structural issue
TOTAL:	\$31,697	

Effect: \$32,000 of chapter resources was potentially wasted and additional funds will be needed for rework of these projects.

Cause: Chapter officials and staff did not give importance to thoroughly plan and hire qualified contractors for the Chapter projects.

Recommendation(s): 1) Develop a checklist on planning, construction and monitoring of Chapter projects.
2) Select qualified contractors.

Finding III: Expenditures were not authorized and supported with documentation

Issue: Chapter internally generated revenue was expended without an approved budget

Criteria: The Chapter is required to develop a budget for the internally generated revenue and present the budget to the community members for adoption prior to expending the fund.

Condition: A budget was not created for approval by the community members before expending \$118,000 of internally generated revenue.

Effect: \$118,000 unauthorized expenditures.

Cause: The staff did not follow the budget process.

- Recommendation(s):
- 1) Develop and adopt a budget for internally generated revenue prior to expending funds.
 - 2) Post budgets to the accounting system in accordance to the adopted budget.

Issue: Unauthorized inter-fund transfers between chapter funds

Criteria: A transfer between Chapter funds requires approval by Chapter officials and community members.

Condition: The Chapter staff transferred approximately \$28,000 between Chapter funds without approval from the Chapter officials and the community members. Listed below are the inter-fund transfers:

From		To	
Fund	Amount	Fund	Amount
Chapter Activities	10,440.42	Official Stipend	282.45
Land Claims Trust	3,544.67	Capital Outlay	17,846.31
LGA Grant	3,772.00	Senior Funds	130.50
NN Sales Tax	10,529.64	Grazing Official	4.44
		LGA Grant Fund	3,500.00
		Post Office Fund	6,523.03
	28,286.73		28,286.73

Effect: \$28,000 unauthorized use of Chapter funds.

Cause: To cover the deficits of various Chapter funds, the staff arbitrarily posted inter-fund transfers in the accounting system without informing the Chapter officials and the community members.

- Recommendation(s):
- 1) The chapter staff should inform officials of the request for any inter-fund transfer for approval.
 - 2) Present the inter-fund transfers to the community members for approval.

Issue: No documentation to justify the use of \$74,000 chapter resources

Criteria: The Chapter is required to maintain a proper recordkeeping system of supporting documentation in order to justify the use of chapter resources.

Condition: We reviewed samples of expenditures for adequacy of supporting documentation (quotation, receiving reports, travel authorization, travel and mileage reports, and invoices/receipts) and found the following expenditures lack documentation:

Expenditure	Exception	Questionable
Capital Outlay	16 of 30 (or 57%)	\$42,881
Travel	16 out of 35 (or 43%)	\$7,222
Operation	27 of 44 (or 61%)	\$24,820
TOTAL:		\$74,923

Effect: The Chapter cannot justify \$74,923 of expenditures. There are risks that the Chapter paid higher prices, did not receive the goods and services procured and incurred personal travel.

Cause: The Chapter Officials and manager did not properly review the voucher packets to verify all required documentation was attached prior to co-signing checks.

- Recommendation(s):**
- 1) Chapter officials and staff should ensure all required supporting documentation is attached before signing checks.
 - 2) Chapter Staff should maintain proper records of all chapter expenditures.

Finding IV: Expenditures and assets were not accurately posted to the accounting system

Issue: Approximately \$60,000 of Chapter expenditures were not properly classified with the correct GL Code (Object Account)

Criteria: Proper classification of expenses is required to ensure reliable reporting of Chapter expenses to Chapter officials and community members.

Condition: Chapter staff did not properly classify Chapter expenses. Although the Chapter has a chart of accounts to properly classify expenses, the staff posted \$40,035 of expenses as unidentified and miscellaneous without identifying the actual GL Code of expenses based on description of goods or services procured. In addition, based on our analysis of the description of goods and services procured, we identified that approximately \$19,952 was misclassified.

Effect: Unreliable reporting of \$60,000 expenses to Chapter officials and community members.

Cause: Chapter staff posted Chapter expenses without using the Chart of Accounts.

- Recommendation(s):** Chapter staff should properly classify Chapter expenses using the Chart of Accounts based on the description of goods and services procured.

Issue: Fixed assets were not recorded and reported in the accounting system and the financial statements

Criteria: Chapter staff are required to record and report fixed (capital) assets in the accounting system and the financial statements.

Condition: Fixed (capital) assets were not recorded and reported in the accounting system and financial statement.

Effect: Approximately \$2 million of Chapter property and equipment were not reported to Chapter members.

Cause: Chapter staff did not give importance in posting fixed (capital) assets to the accounting system.

Recommendation(s): Chapter Officials and staff should record and report the fixed (capital) assets in the accounting system and the financial statements.

Finding V: Chapter employees were not accurately compensated

Issue: Administrative staff annual leave accrual rate was not approved

Criteria: An LGA certified chapter is required to insure that the leave accrual rate of its permanent regular status employees is clearly defined, approved and documented in their personnel file.

Condition: There was no record (documents, resolution) of approved leave accrual rate for the administrative staff when they transitioned to chapter employees.

Effect: The 320 and 223 accrued annual leave balances posted in the accounting system for the manager and administrative assistant respectively, when they resigned from the chapter in 2014, is questionable. The rate used to calculate the total payout of \$3,654 for accrued leave for the administrative assistant was unclear.

Cause: The former Chapter Officials overlooked the importance of clearly defining and approving the leave accrual rate for the administrative staff before transitioning into Chapter employees.

Recommendation(s): The chapter officials should clearly define, approve and document the leave accrual rate for permanent regular status Chapter employees.

Issue: Questionable wages paid to the administrative staff

Criteria: The number of hours worked posted in the accounting system should be supported with approved timesheet.

Condition: Comparison between posted worked hours in the accounting system to approved timesheets found variances between the two sets of records. Approximately 320 posted work hours were not supported by timesheets. In addition, document to support an advance payment of \$612 to the administrative assistance was not on file.

Effect: Approximately \$6,600 in wages paid to the Chapter administration is questionable.

Cause: The Chapter administration had sole control of the accounting system that allowed them to post hours worked without considering the approved timesheets.

- Recommendation(s):
- 1) Chapter administration should ensure posted hours worked reflect the approved timesheets.
 - 2) If repayment of advance payment document is not made, administration assistance should be required to pay back the \$612 to the chapter.
 - 3) Chapter Manager and Secretary/Treasurer should closely monitor posted work hours.

Issue: Payroll checks were released 2-6 days early prior to pay periods ending

Criteria: The Chapter established a pay date schedule to identify the dates in which payroll will be disbursed to employees. It provides control over issuance of payroll checks to avoid early release of payroll checks.

Condition: 67% of the payroll tested found employees were paid 2-6 days before the pay period ending which is inconsistent with the pay date schedule.

Effect: Employees were paid for hours not worked.

Cause: The Chapter administration has sole control over the payroll and issued payroll checks regardless of the established pay date schedule. The Chapter officials signed off on the payroll checks without questioning the early release of payroll checks.

- Recommendation(s):
- 1) The Chapter administration should process payroll checks consistent with the pay schedule.
 - 2) Chapter Manager and Secretary/Treasurer should review and verify to ensure payroll checks are not processed early.

Issue: Questionable bonus pay paid to staff totaling \$5,500

Criteria: Bonus pay is paid based on an overall performance rating of "Significantly Exceeds Standards" or "Outstanding."

Condition: The available documentation did not support an overall performance rating of "Significantly Exceeds Standards" or "Outstanding" for the employees who received the bonus pay.

Effect: \$5,500 in bonus pay was deemed questionable.

Cause: Chapter staff had sole control over the processing of bonus pay. The former Chapter officials signed off on the bonus checks without question.

Recommendation(s): Chapter officials should ensure that only employees who were rated significantly exceeding standard or outstanding performance receive bonus pay.

Finding VI: The Chapter is not in compliance with State unemployment regulations

Criteria: In Arizona, Department of Economic Security (DES) requires employers to register to establish an account, report all wages and pay unemployment taxes for each employee.

Condition: The Chapter did not pay unemployment taxes for Chapter employees.

Effect: The Chapter will be liable for employee's unemployment benefit if determined eligible to receive the benefit.

Cause: The Chapter was not aware they were required to report wages and pay unemployment taxes.

Recommendation: The Chapter manager should report wages and pay unemployment taxes for its employees.

Finding VII: Chapter property/equipment, resale items and housing materials were not safeguarded

Issue: Annual physical count of Chapter property/equipments was not performed

Criteria: The Chapter is required to perform annual physical inventory to account for its property/equipment and update its inventory listing.

Condition: Annual physical inventory was not performed to update the inventory listing with new purchases and disposals. The last physical inventory was completed on January 10, 2011, three years ago. Three laptops costing \$4,500 purchased during our audit period were not on the inventory list.

Effect: The Chapter cannot fully account for its property/equipment. In

addition, there is a risk of monetary losses to the Chapter if property/equipment not listed are stolen or disposed of without the Chapter's knowledge.

Cause: Chapter staff disregarded the importance of performing an annual physical count to update its inventory listing.

Recommendation: Chapter staff should perform an annual physical inventory count of all Chapter property and equipments to update the inventory with all new purchases and disposals.

Issue: Perpetual inventory was not maintained for resale items

Criteria: The Chapter is required to maintain perpetual inventory for all resale items and support documentation on all inventory transactions on an ongoing basis to reflect the inventory receipts, issuances and balances.

Condition: Although the Chapter accounting system has a perpetual inventory component, it was not utilized to maintain receipts, issuances and balances of hay resale. The chapter purchased 1,474 bales of hay totaling \$26,880 for resale to the community. However, posted revenue totaled \$23,414 resulting in a loss of \$3,466.

Effect: Approximately \$3,500 was loss in the hay resale activity.

Cause: Chapter staff may have resold the hay at a reduced price. However, without a perpetual inventory, we cannot determine receipts, issuances and balances.

Recommendation(s): Chapter staff should utilize the accounting system perpetual inventory to record receipts, sale price, issuances and balance of the hay resale activity.

Issue: No inventory controls for unused housing materials

Criteria: Inventory controls for construction-related materials are crucial to ensure accountability and to manage costs. An inventory control sheet keeps track of supplies on hand and supplies moving in and out of the warehouse.

Condition: An inventory control sheet was not created to keep track of the materials taken out or returned back to the warehouse. We found unused roofing materials and stove pipes from previous projects stored in the warehouse.

Effect: There is a risk that the unused materials can be stolen without detection.

Cause: The Chapter administration did not give importance in tracking unused building materials that can be used in other projects.

Recommendation(s): 1) Chapter staff should create an inventory control sheet for the unused materials.
2) Chapter staff should require the PEP workers to sign for materials taken out and returned back to the warehouse.

Finding VIII: Chapter Officials are not monitoring chapter activities and collaborating with the Chapter administration

Issue: Monitoring of Chapter activities was not performed

Criteria: The Chapter officials and manager are required to ensure that staff is adequately meeting the Chapter's directives and expending funds according to established conditions by performing independent checks and monitoring to ensure compliance of the Chapter laws, funding guidelines, policies and procedures.

Condition: Results of our review indicate the officials and manager did not perform independent checks and monitor Chapter activities and projects to identify deficiencies found in this special review.

Effect: Without performing independent checks and monitoring, deficiencies are not detected and prevented.

Cause: The Chapter officials and manager disregarded their duties and responsibilities of performing independent checks and monitoring.

Recommendation(s): The Chapter officials and manager should perform independent checks and monitoring to avoid deficiencies.

Issue: Poor working relationship between Chapter administration and Officials

Criteria: The Chapter administration and Officials are required to work together to provide services to the Chapter members. The administration is responsible for meeting the tasks required of their positions and the officials are required to carry out the decisions of the Chapter members and not hinder those decisions in anyway.

Condition: Throughout our review, the officials and the chapter manager were in disagreement over chapter decision-making, roles and responsibilities and sharing of information.

Effect: Disagreements among the administration and officials led to disruption, delays and inefficiencies in Chapter operations and delivery of services.

Cause: There is a lack of effective communication among the administration and officials.

Recommendation(s):

- 1) The Chapter administration and officials should improve communication by clarifying their duties and responsibilities.
- 2) The Chapter administration and officials should be mindful of the Chapter's purpose in delivering services to the community and as such, work as a team in providing such services.

CLIENT RESPONSE

Roberta I. Gorman, President
Kevin Todacheenie, Vice President
Genevieve Riggs Secretary/Treasurer



Walter Phelps, Council Delegate
Allen Jones, Grazing Committee Member
Varian Begaye, Administrative Assistant

LEUPP CHAPTER

Telephone: (928) 686-3227 or 3229

CPO Box 5428 Leupp, Arizona 86035

Facsimile: (928) 686-3232

August 06, 2014

Navajo Nation Office of Auditor General
Elizabeth Begay, CIA, CFE

Dear Mrs. Begay:

We are in receipt of your Final Draft of the Leupp Chapter Audit Finding date July 25, 2014. We agree to the audit findings and have already been in process of correcting. We are given you the Correction Action Plan base on your recommendations.

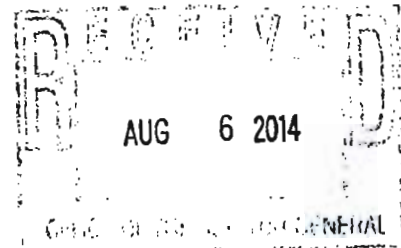
If you should have any questions please call us at 928-686-3227.

Thank You.

Sincerely,

Roberta Gorman, Leupp Chapter President

Cc: Regina Allison, SPPS, LGSC
Kevin Todacheenie, Vice- President
Genevieve Riggs, Sec./Treasurer
Walter Phelps, Council Delegate



Roberta I. Gorman, President
Kevin Todacheenie, Vice President
Genevieve Riggs Secretary/Treasurer



Walter Phelps, Council Delegate
Allen Jones, Grazing Committee
Priscilla Franklin, Chapter Mgr.



LEUPP CHAPTER

Telephone: (928) 686-3227 or 3229

CPO Box 5372 Leupp, Arizona 86035

Facsimile: (928) 686-3232

February 6, 2015

FEB 9 2015

Elizabeth Begay, CIA, CFE
Acting Auditor General
Office of the Auditor General
The Navajo Nation
P.O. Box 708
Window Rock, Arizona 86515

Dear Mrs. Begay:

The Leupp Chapter herewith submits Corrective Action Plan (CAP) to the office of the Auditor General in regards to the final Audit Report No. 14-20 which includes findings and recommendations.

The Leupp Chapter does acknowledge the Office of the Auditor General for Financial Audit conducted. If You have any questions regarding the CAP, please call the Chapter at (928)686-3227.

Sincerely,

Priscilla Franklin

Priscilla Franklin, Chapter Manager
Leupp Chapter

Concurred:

Roberta Gorman
President

Kevin Todacheenie
Vice-President

Genevieve Riggs
Secretary/Treasurer

LEUPP CHAPTER
Corrective Action Plan
Audit Report No. 14-20

FINDING/ISSUE	CORRECTIVE MEASURES	Responsible Party	TIMELINE
Finding I Ineligible recipients of Housing assistance	1) Chapter administration will ensure applications with supporting documentations are submitted by applicants to determine eligibility.	Administration	August 2014
	2) Chapter Manager and Officials will evaluate and rank applicants to determine eligibility. Only applicants that are eligible should be approved and assisted. Denials will be returned to requestor or kept on file. Approval will be forwarded to AA.	Manager and Officials	August 2014
	3) Chapter Administrative Assistant will process the checks to vendors.	Administrative Assistant	August 2014
	4) Chapter Manager and Chapter secretary/Treasurer will review and approve supporting documents before cosigning the checks.	Manager and Secretary/Treasurer	August 2014
	Finding II Capital Outlay was not expended in accordance with the intent of the Navajo Nation Council		
Issue 1: \$110,000 Capital Outlay was expended for administrative and unidentified expenses	1) Chapter Manager and Chapter officials will prepare a budget for the CIP Projects and ensured that it is expended on capital improvement t and economic development.	Manager and Officials	August 2014
	2) Chapter Officials will present the budget for approve by the community membership.	Officials and community	August 2014
	3) Chapter Manager and Officials will initiate the CIP project	Manager and Officials	August 2014
	4) Chapter Manager and Officials will monitor projects and report to the community	Manager and Officials	August 2014
	Issue Chapter projects were not properly managed	1) Chapter Manager and Officials will develop a checklist on planning construction and monitoring of the chapter projects.	Manager and Officials
2) Chapter administration will advertise for contract bidders.		Administration	May 2015
3) Chapter Manager and Officials will select qualified contractor to work on the project.		Manager and Officials	May 2015

LEUPP CHAPTER
 Corrective Action Plan
 Audit Report No. 14-20

FINDING/ISSUE	CORRECTIVE MEASURES	Responsible Party	TIMELINE
	4) Chapter Manager and Officials will select a date for construction to avoid seasonal weather conditions or other unforeseen event.	Manager and officials	May 2015
	5) Chapter Manager and Officials will monitor projects and report to the community.	Manager and Officials	May 2015
Finding III Expenditures were not authorized and supported with documentation			
Issue: Chapter internally generated revenue was expended without an approved budget	1) Chapter Manager and Officials will prepare a budget for internally generated chapter revenue.	Manager and Officials	October 2014
	2) Chapter Officials will present the budget to the community for approval via resolution.	Officials and Community membership	October 2014
	3) Chapter Administrative Assistant will post budget according to the adopted budget via resolution.	Administrative Assistant	October 2014
Issue: Unauthorized inter-fund transfers between chapter funds	1) Chapter administration will inform chapter officials for any inter transfer budget for approval.	Manager and Officials	March 2015
	2) Chapter Officials will present the inter transfer budget to the community for approval via resolution.	Officials and community membership	March 2015
	3) Chapter Administrative Assistant will post budget according to Budget resolution	Administration	March 2015
Issue: No documentation to justify the use of \$74,000 chapter resource	1) Chapter administration will ensure all supporting documentations are attached for CIP, Travel and Operating expenditures.	Administration	October 2015
	2) Chapter manager and Secretary/Treasurer will review and ensure that all supporting documentations are attached before cosigning checks.	Manager and Secretary/Treasurer	October 2015

LEUPP CHAPTER
 Corrective Action Plan
 Audit Report No. 14-20

FINDING/ISSUE	CORRECTIVE MEASURES	Responsible Party	TIMELINE
	3) Chapter Administration will ensure that all documents are filed according to the record management policies and procedures.	Administration	October 2015
Finding IV: Expenditures and assets were not accurately posted to the accounting system			
Issue: Approximately \$60,000 of Chapter expenditures were not properly classified with the correct GL Code (Object Account)	1) Chapter Administrative Assistant will use the chart of accounts to properly classification for goods and services procured to the accounting system. Unidentified and miscellaneous GL code use will be kept at a minimal. 2) Chapter Manager and Secretary/Treasurer will review and ensure goods and services procured are properly classified and posted to the accounting system.	Administrative Assistant Manager Secretary/Treasurer	January 2015
Issue: Fixed assets were not recorded in the accounting system and the financial statements	1) Chapter Administration and Officials will conduct a physical inventory of the fixed assets. 2) Chapter Administrative Assistant will post the fixed asset information to the accounting system. 3) Chapter Manager and Officials will reconciled the posting of the fixed assets and the fixed asset listing.	Officials and Administration Administrative Assistant Manager and Officials	January 2015 January 2015 January 2015
Finding V: Chapter employees were not accurately compensated			
Issue : Administrative staff annual leave accrual rate was not approved	1) Chapter Officials will clearly define the leave accrual rate for permanent status employees. 2) Chapter Officials will document and approve the accrual rates that the chapter will be using. 3) Chapter Administrative Assistant will set up the rates in the accounting system.	Officials Officials Administrative Assistant	January 2015 January 2015 January 2015

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FINDING/ISSUE	CORRECTIVE MEASURES	Responsible Party	TIMELINE
	4) Chapter Secretary/Treasurer will review the posted rates to ensure approved accrual rates are posted.	Secretary/Treasurer	January 2015
Issue: Questionable wages paid to administrative staff	1) Chapter Administrative Assistant will post worked hours and sick/annual leave taken to reflect the approved timesheets. 2) Chapter Manager and Secretary/Treasurer will review posting of worked hours and sick/annual leave taken to ensure it reflects the timesheets. 3) Chapter Manager and Officials will contact the former Administrative Assistant for non-repayment of advance pay of \$612 requesting documentation of payment(s). If not provided, the Administrative Assistant will be required to pay back \$612 to the chapter.	Administrative Assistant	January 2015
Issue: Payroll checks were released 2-6 days early prior to pay periods ending	1) Chapter Administrative Assistant will process payroll checks according to MLP pay schedule. 2) Chapter Manager and Secretary/Treasurer will review the posting to ensure checks are not process early.	Manager and Secretary/Treasurer	October 2014
Issue: Questionable bonus pay paid to staff totaling \$5,500	1) Chapter Officials will do a performance evaluation on a quarterly basis. 2) Chapter Officials will determine eligibility and then recommend bonus based on results of performance evaluation if overall rating is "Significantly Exceeds Standards" or "Outstanding." 3) Chapter officials will present the recommendation of the bonuses to the community membership for approval.	Officials	January 2015
Finding VII: Chapter property/equipment, resale items and housing materials were not safeguarded			

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FINDING/ISSUE	CORRECTIVE MEASURES	Responsible Party	TIMELINE
Issue: Annual physical count of Chapter property/equipment was not performed	1) Chapter Administration and Officials will conduct a physical count of all chapter property and equipment on an annual basis. 2) Chapter administration will update inventory listing of any new purchases or any disposal of chapter property and equipment.	Official and Administration	January 2015
Issue: Perpetual inventory was not maintained for resale items	1) Chapter administration or PEP will make a physical count on any resale items at time of delivery. 2) Chapter Administrative Assistant will post total items delivered in the accounting system. 3) Chapter Administrative Assistant or Office Assistant will issue cash receipts on what was sold and also record any spoilage or loss. 4) Chapter Administrative Assistant will post what was sold to the accounting system on a daily basis. 5) Base on cash receipts on items sold, Chapter Administration and Officials will do a monthly physical inventory count, and forward to Manager. 6) Chapter Manager will reconcile the physical count to the MIP perpetual inventory system, adjust for any damage/spoilage. 7) Chapter officials will review the perpetual inventory of resale items activity.	Administration and PEP worker Administrative Assistant Administrative Assistant and Office Assistant Administrative Assistant Administration and Officials Manager Officials	January 2015 January 2015 October 2014 October 2014 October 2014 October 2014 October 2014
Issue: No inventory controls for unused housing materials	1 Chapter Administrative Assistant will create an inventory control sheet for the unused housing materials in the warehouse. 2) Chapter PEP workers will do inventory of housing materials and supplies in the warehouse. 3) Chapter PEP will sign in and out for what they take and return.	Administrative Assistant PEP worker PEP worker	October 2014 October 2014 October 2014

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FINDING/ISSUE	CORRECTIVE MEASURES	Responsible Party	TIMELINE
	4) Chapter Manager and Officials should reconcile the inventory control sheet and what is in the warehouse on a monthly basis. If any discrepancies, it will be resolved immediately.	Manager and Officials	October 2014
Finding VIII: Chapter Officials are not monitoring chapter activities and collaborating with the chapter administration			
Issue: Monitoring of chapter activities was not performed	1) Chapter officials and Administration will communicate on a daily basis and should make themselves available to discuss chapter activities and operation. 2) Chapter Administrative staff will designate an individual to monitor certain chapter project or operation according to FMS and Title 26. 3) Chapter Secretary/Treasurer will monitor the accounting system, ensure all required documents are attached before cosigning checks and documents are filed according to records policies and procedures. If deficiencies are found, it should be resolved immediately.	Administration and Officials	January 2015
		Administration	January 2015
Issue: Poor working relationship between chapter administration and Officials	1) Chapter officials and Administration will communicate on a daily basis and should make themselves available to discuss chapter activities and operation. 2) Chapter Administration will delegate an individual to monitor or do certain duties and responsibilities according to FMS policies and procedures and title 26. 3) Chapter Official and Administration will communicate and make decision in the best interest of the community. 4) Chapter Officials will share information to the community membership at chapter meetings.	Administration and Officials	January 2015
		Administration	January 2015
		Officials and Administration	January 2015
		Officials	