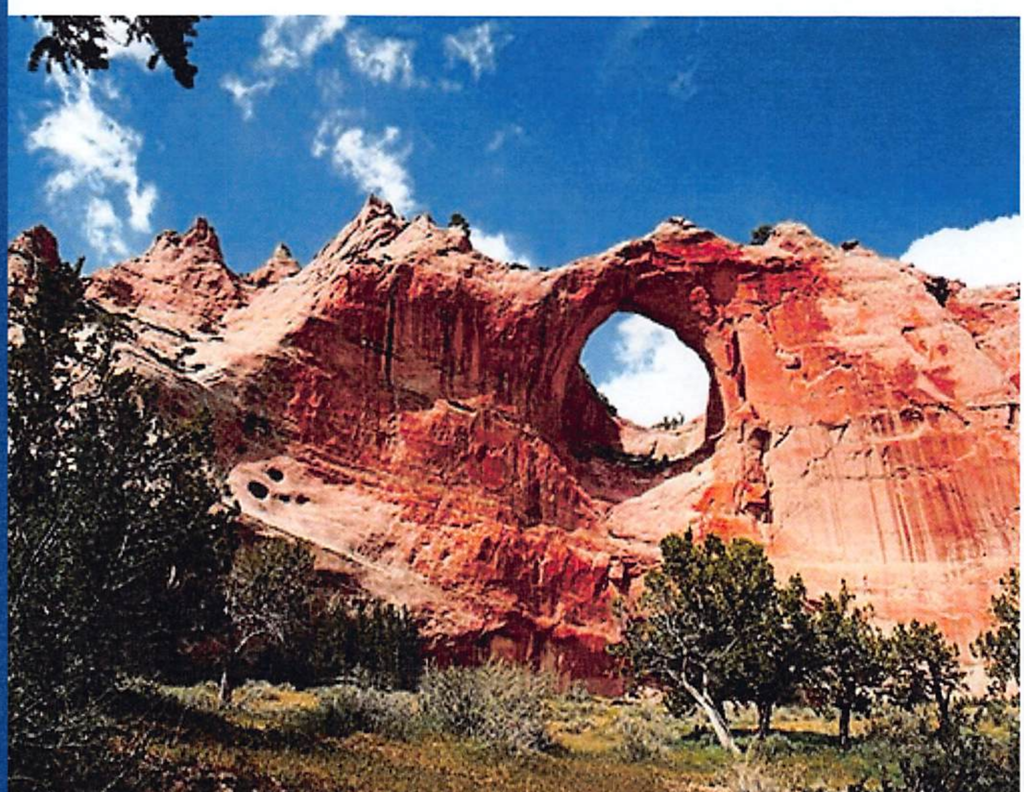
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Internal Audit of the Naatsis'Aan (Navajo Mountain) Chapter



Report No. 25-13
May 2025

Performed by:
Heinfeld, Meech & Co.

Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

May 20, 2025

Willie Greyeyes, President
NAATSIS'AAN (NAVAJO MOUNTAIN) CHAPTER
P.O. Box 10070
Navajo Mountain, AZ 86044

Dear Mr. Greyeyes:

The Office of the Auditor General, in conjunction with Heinfeld, Meech & Co., P.C., herewith transmits Audit Report No. 25-13, an Internal Audit of the Naatsis'aan (Navajo Mountain) Chapter. The audit objective was to evaluate the Chapter's internal controls; how well controls are designed, implemented, and operated to meet the Chapter's objectives. During the 12-month audit period ending December 31, 2024, we noted certain matters that are opportunities for strengthening internal controls and instances of noncompliance with laws, regulations and policies. The following issues were identified:

FINDING I:	Chapter membership did not approve the fiscal year 2025 budget until January 2025.
FINDING II:	Chapter funds available to provide services to the community were not utilized.
FINDING III:	Asset and property control procedures are inadequate to allow for the accurate tracking and reporting of Chapter assets.
FINDING IV:	Chapter financial transactions were unsupported.
FINDING V:	Several Chapter transactions lacked proper authorization.
FINDING VI:	Bank reconciliation requirements were not adhered to.
FINDING VII:	Chapter procurement guidelines were not adhered to.
FINDING VIII:	Cash receipts were not deposited timely.
FINDING IX:	The Chapter is not in compliance with the Office of the Navajo Tax Commission.
FINDING X:	Transactions were not coded in accordance with the Chart of Accounts.

Detailed explanations of the audit issues can be found in the body of the report. The audit report provides recommendations for the remediation of the reported findings. If you have any questions regarding this report, please contact our office.

Sincerely,

Jeanine Jones, CFE, MFA
Auditor General

Attachment

xc: Alexander Bitsinnie, Vice President
Pearlinda Folgheraiter, Secretary/Treasurer
Alta Isaac, Community Services Coordinator
Herman Daniels, Jr., Council Delegate
NAATSIS'AAN (NAVAJO MOUNTAIN) CHAPTER
Jaron Charley, Department Manager II
Lena Poyer, Senior Programs and Projects Specialist
ADMINISTRATIVE SERVICES CENTER/DCD
Sara Kirk, CPA, Partner
HEINFELD, MEECH & CO., P.C.
Chrono

Office of the Auditor General - The Navajo Nation
Navajo Mountain Chapter

We have completed our internal audit of Navajo Mountain Chapter for the 12-month period ended December 31, 2024. Our procedures were performed in conformity 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. In addition, our procedures were performed in conformity with *Statements on Standards for Consulting Services* of the American Institute of Certified Public Accountants and did not constitute an audit in accordance with generally accepted auditing standards. Accordingly, we express no opinion on the items reviewed. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As a result of the internal audit, we noted certain matters that are opportunities for strengthening internal controls and instances of noncompliance with laws, regulations and policies. Management of the Chapter should address these items to ensure it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws, regulations, and policies. Those items and our related recommendations are described in the accompanying report. The items discussed in the report are a result of audit procedures performed based on a risk-based assessment, and therefore, not all deficiencies or weaknesses in controls may have been identified.

This report is intended solely for the information and use of the Navajo Nation Auditor General's Office and the Navajo Mountain Chapter is not intended to be and should not be used by anyone other than those specified parties. However, this information is a matter of public record, and its distribution is not limited.

We would like to thank the Navajo Mountain Chapter and the Office of the Auditor General of the Navajo Nation employees for their assistance and cooperation.

Sincerely,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
May 14, 2025

Table of Contents

Page

Findings and Recommendations ... 4

Finding I: Chapter membership did not approve the fiscal year 2025 budget until January 2025. ... 4
Finding II: Chapter funds available to provide services to the community were not utilized. ... 5
Finding III: Asset and property control procedures are inadequate to allow for the accurate tracking and reporting of Chapter assets. ... 6
Finding IV: Chapter financial transactions were unsupported. ... 7
Finding V: Several Chapter transactions lacked proper authorization. ... 9
Finding VI: Bank reconciliation requirements were not adhered to. ... 10
Finding VII: Chapter procurement guidelines were not adhered to. ... 11
Finding VIII: Cash receipts were not deposited timely. ... 12
Finding IX: The Chapter is not in compliance with the Office of the Navajo Tax Commission. ... 12
Finding X: Transactions were not coded in accordance with the Chart of Accounts. ... 13

Appendix ... 15

Background ... 15
Objective ... 15
Audit Methodology ... 15

Chapter Response ... 16

Findings and Recommendations

Finding I: Chapter membership did not approve the fiscal year 2025 budget until January 2025.

Criteria

Fiscal Policies and Procedures, section VI.C.6, the Chapter membership shall vote to approve or disapprove the subsequent fiscal year's budget at a duly called regular Navajo Mountain Chapter Meeting in September. For fiscal year 2025, this deadline was September 2024.

Condition

The fiscal year 2025 Chapter budget covering the period of October 1, 2024 to September 30, 2025 was not approved by Chapter membership until January 2025. The Chapter's expenditures by month during the audit year were as follows:

Chapter Expenditures By Month - January 1, 2024 - December 31, 2024													
Expenditure Account	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**September**	**October**	**November**	**December**	**Total**
Bank Service Charges	5.26	37.69	26.76	30.81	34.36	33.21	29.20	34.76	27.32	32.62	27.60	24.05	343.64
Diesel Fuel					372.75				163.79				536.54
Dues and Subscriptions			1,000.00		(1,000.00)			243.75					243.75
Electric Expense	334.29	427.41		614.52	333.76		307.80		806.84				2,824.62
FICA Expense	202.80	167.71	185.51	354.50			182.40	111.60	93.01				1,297.53
Insurance - Property	1,075.52												1,075.52
Internet Service	144.53		102.05	204.10	102.05		204.10	102.05					858.88
Medicare Expense	47.40	39.21	43.38	82.89			42.64	26.10	21.76				303.38
Natural Gas/Propane				2,699.17									2,699.17
Office Supplies			163.38					854.26					1,017.64
Operating Supplies					81.60								81.60
Purchases - Food (Chapter)			3,183.78	2,923.07	47.48								6,154.33
Salaries - Temporary	1,521.00	2,080.00	2,992.00	5,342.80			2,192.00	1,800.00					15,927.80
Stipends - Meetings	4,750.00	625.00	2,190.88	3,875.00	3,500.00		5,250.00	1,500.00	3,450.00				25,140.88
SUTA Expense	1.52	2.08	2.99	5.33	140.84			14.80	0.63		36.17		204.36
Telephone Expense	248.95	248.95		497.24	280.21		225.49						1,500.84
Waste Disposal Collection		397.50		580.96	795.00		795.00		795.00				3,363.46
Workmen's Compensation Expenses				202.42			5.34	4.50	(9.84)				202.42
Grand Total	8,331.27	4,025.55	9,890.73	17,412.81	4,688.05	33.21	9,233.97	4,691.82	5,348.51	32.62	63.77	24.05	63,776.36

The lack of expenditures due to the lack of approved budget is represented in the table for the months of October 2024 to December 2024.

Effect

The Chapter did not issue timely payments to vendors during the months of October through December 2024. Additionally, trash service was interrupted due to a lack of payment to the vendor.

Cause

The Chapter was unable to establish quorums for meetings of officials and community members during the months of August through December 2024. Pro tempore officials were in place January 2025.

Recommendation

The Chapter officials and the Community Services Coordinator should work together to ensure budget timelines are followed to prevent disruption to business operations.

Finding II: Chapter funds available to provide services to the community were not utilized.

Criteria

Fiscal Policies and Procedures, section VII.K.3, all assistance awarded shall be based on availability of funds and in accordance with the ceiling limits set forth in the policies approved by the Chapter. Further, the criteria for administering financial assistance for scholarship and enrichment programs is outlined in the Scholarship and Enrichment Financial Assistance Policy and Procedures Manual amended and approved by the Navajo Mountain Chapter in May 2014.

Condition

The scholarship assistance program was not administered during the audit year, although included in the approved budget. The Scholarship General Fund had a cash balance of $35,015 as of December 31, 2024. Additionally, revenue from outside sources from Verizon and for restitution from a previous employee funds misappropriation were not utilized by the Chapter. Revenues from Verizon and restitution totaled $12,383 and $1,464 respectively, during the audit period. The Chapter has been receiving these funds for several years.

Effect

Eligible individuals within the community were not provided with funding available to assist with the cost of higher education. The Program Performance Criteria to assist qualified educational financial assistance was not met. Monies received from outside sources were not reinvested in the community.

Cause

There is a lack of clarity and understanding of existing assistance policies by the Community Services Coordinator. Additionally, the Community Services Coordinator indicated the Chapter has discussed the utilization of funds from Verizon, which are currently noted to be for scholarships, but have not moved forward with expending due to uncertainty. Lastly, the Community Services Coordinator was unclear as to what funds were misappropriated and wanted to determine the origin before appropriating.

Recommendation

1. The Chapter officials and Community Services Coordinator should thoroughly review all Chapter policies and procedures and initiate updates to eliminate conflicting information or ambiguity.
2. The Chapter officials and Community Services Coordinator should research and identify what the Chapter approved the monies from Verizon to be utilized for. Additionally, the Community Services Coordinator should review written agreements with Verizon for usage restrictions and contact a vendor representative if necessary.

3. The Chapter should contact the office of the Auditor General to obtain a dollar amount breakdown of misappropriated funds by fund from the prior financial audit and then budget accordingly. Page 21 of the Financial Audit of the Navajo Mountain Chapter (Report No. 13-06) issued by the Navajo Nation Auditor General's Office indicated the former Community Services Coordinator misappropriated the Chapter Activity, General Fund, Housing Discretionary, LGA Fund, Scholarship, Sales Tax, Emergency Fund, Veterans Fund, Capital Outlay and Coconino/San Juan County Grant Funds. Restitution payments could be allocated to the funds based on the proportional share of funds misappropriated.

Finding III: Asset and property control procedures are inadequate to allow for the accurate tracking and reporting of Chapter assets.

Criteria

Fiscal Policies and Procedures, section VII.F.2f, the recording and reporting of the capital assets into the accounting records and financial statements will be the responsibility of the Accounts Maintenance Specialist pursuant to the Property Policy and Procedures Manual Section VIII. Local Governance Act (LGA), Section 2., states capitalized property is nonexpendable property having an acquisition value of $1,000 or more. The Property Policies and Procedures, Section VI.C.1.a 7 indicates that upon acquisition of any property, the Community Services Coordinator shall immediately update the property records/inventory to reflect the acquisition. Lastly, Property Policies and Procedures, section X.2.b.1&2 states that the Accounts Maintenance Specialist shall be responsible for the scheduling and requisitioning of routine repairs of equipment in accordance with the Chapter's Procurement Policies and Procedures and that the Community Services Coordinator shall be responsible for emergency repairs.

Condition

- Asset and accumulated depreciation amounts have not been maintained in the MIP financial system.
  - The Accounts Maintenance Specialist did not know how to use the assets module in MIP.
  - The last asset that was added to the listing in MIP was on December 18, 2020.
  - The last depreciation calculation in MIP was for the fiscal year ended September 30, 2016.
- An asset identified by identification number 037 consists of multiple assets including 2 laptops, 1 printer and 1 projector valued at $4,819. An asset identified by identification number 041 consists of 4 shipping containers valued at $17,100. It is unknown what the individual cost of each item is within the two asset identification numbers.
- Several vehicle and heavy equipment items at the Chapter are inoperable. There have been no efforts to procure the necessary repairs nor replacements.

Effect

Without proper reporting in MIP, the Chapter is understating the value of assets and understating annual depreciation expense and accumulated depreciation. Chapter property could be uninsured or underinsured, as the total cumulative asset balance cannot be derived from the Balance Sheet. Property may not be safeguarded from theft and misuse if property listings are not complete, and all assets are not tagged. Lastly, a lack of operable equipment limits the services that the Chapter can provide to the community.

Cause

The Community Services Coordinator and Accounts Maintenance Specialist have not been trained on asset accounting and reporting. The Community Services Coordinator indicated a hesitancy to hire positions until recently; including positions that could assist with the maintenance of Chapter vehicle and heavy equipment items.

Recommendation

1. The Community Services Coordinator and Accounts Maintenance Specialist should obtain training on capital assets and MIP assets module.
2. The Chapter officials should verify that asset training is acquired and review MIP asset listings monthly for new acquisitions and disposals.
3. The Community Services Coordinator should review expenditures coded to capital expenditure codes and verify all assets are tagged and added to the property listing at the proper value.
4. The Accounts Maintenance Specialist should review equipment on an annual basis to determine its functionality. If a repair is needed, the Accounts Maintenance Specialist should work with the Community Services Coordinator to seek services in accordance with the Procurement Policies and Procedures.

Finding IV: Chapter financial transactions were unsupported.

Criteria

The Fiscal Policies and Procedures, section V.D.3 & 4. indicates that the Chapter's accounting records provide the documentary support for account balances and must be properly maintained to provide fiscal accountability. Accounting records include source documents, journals, registers, ledgers, and other supplementary records. The Chapter must maintain all accounting records in accordance with the Chapter Records Management Policy and Procedures Manual. Additionally, the Fiscal Policies and Procedures, section VII.B.2b. indicates that the Account Maintenance Specialist shall ensure that the Fund Approval Form (FAF) indicates payment authorization and that all source documents (i.e., invoices, quotes, claim forms, timesheets and similar documents) support each fund disbursement before preparing a check for payment. Lastly, the Fiscal Policies and Procedures section VII.H.1g states that personnel records on each employee should be maintained by Chapter administration on authorized Chapter forms. Personnel records include, but are not limited to, (a) a Personnel Action Form (PAF), (b) employment application form, (c) employee's federal withholding certificate W-4, (d) copy of Social Security Card, (e) voluntary deductions authorization, (f) employee performance evaluation form, (g) Arizona new hire form, (h) wage garnishments, (i) parental consent form, and (j) copy of voter registration.

Condition

Insufficient supporting documentation was noted in the following audit areas:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	Missing Documentation	Amount
General disbursement selections totaling $14,047.49	24	For three of 24 disbursements reviewed, the Chapter did not provide a Fund Approval Form (FAF).	2,699.17
		For three of 24 disbursements reviewed, the expenditure packet could not be located. This includes the Fund Approval Form (FAF), approved budget availability support, and the invoice.	309.26
Adjusting journal entries selections totaling $667.97	2	For two of two adjusting journal entries reviewed, the Chapter did not retain the supporting documentation. Additionally, journal entries were not signed as evidence of segregation of duties.	667.97
Personnel files	6	For six of six personnel files reviewed, comprehensive personnel files were not maintained containing all required personnel records.	n/a
		TOTAL	$ 3,676.40

Effect

When the Chapter does not have source documentation on file, the use of Chapter funds cannot be supported. Expenditures in the amount of $3,008.43 were unsupported and journal entries in the amount of $667.97 were unsupported. When personnel files are incomplete, government and legally mandated documents required by Chapter policies are not available as record of employee employment history.

Cause

The inadequate and missing documentation for cash disbursements was an oversight by the Accounts Maintenance Specialist and Community Services Coordinator and by former Chapter officials to verify documentation prior to check signing. The Accounts Maintenance Specialist and Community Services Coordinator were unaware that journal entries should be signed as evidence of preparation and review and maintained with supporting documentation. Lastly, Chapter personnel were not properly trained on the requirements for comprehensive personnel files.

Recommendation

1. The Accounts Maintenance Specialist should not prepare a FAF or check without verifying that all supporting documentation for the disbursement is on file (invoice, receipt, etc.).
2. The Community Services Coordinator, Secretary/Treasurer, Vice-President or President should verify documentation prior to signing FAFs or checks (invoice, receipt, etc.).
3. The Account Maintenance Specialist should ensure that all adjusting journal entry documents are filed and maintained according to the Chapter's record keeping policies.
4. The Accounts Maintenance Specialist should utilize a comprehensive checklist to ensure each personnel file contains the required documentation.
5. The personnel files should be independently reviewed periodically by the Community Services Coordinator to verify all required information is included.

Finding V: Several Chapter transactions lacked proper authorization.

Criteria

The Procurement Manual, section VI.C.1c, indicates that the Community Services Coordinator shall review the FAF for reasonableness, necessity, fund and budget compliance and either approve or disapprove the proposed expenditures. Additionally, section VI.A.2 of the Procurement Manual states that the Accounts Maintenance Specialist shall verify fund availability, prepare the requisition and forward documents to the Community Services Coordinator for approval. Further, the Fiscal Policies and Procedures, section VII.H.2.a, states that the Accounts Maintenance Specialist will record an employee's Personnel Action Form (PAF) information on the employee's earning subsidiary ledger. The ledger will contain the employee's name, social security number, mailing address, authorized pay rate, date of employment, payment due, hours earned, gross pay, withholdings for FICA and federal taxes, any other deductions, net pay and leave account. Additionally, section VII.H.2.e, indicates the Community Services Coordinator shall review all timesheets, and sign the payroll checks.

Condition

A sample of disbursements and payroll records were reviewed, and the following was identified:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	Lack of Approval	Amount
General disbursement selections totaling $14,047.49	24	For 3 of 24 disbursements reviewed, the expenditure was not included the approved budget. Two expenditures were to the Navajo Tribal Utility Authority and one was to the United States Postal Service.	415.36
		For 3 of 24 disbursements reviewed, the narrative explanation in the approved budget did not align to the actual expenditures. The budget narrative indicated water but the actual expendiures were for internet.	450.68
Payroll disbursement selections totaling $3,792	6	For all six employee files reviewed, Personnel Action Forms (PAFs) were not prepared when temporary employees were hired.	3,792.00
		For one of six employee files reviewed, the employee's timesheet was not signed by a supervisor.	880.00
		TOTAL	$ 5,538.04

Effect

Transactions totaling $5,538.04 were executed without following policy. When transactions lack authorization, there is a greater risk of the misuse or misappropriation of Chapter funds.

Cause

The Community Services Coordinator and former Chapter officials neglected to thoroughly review documentation to ensure it was complete and authorized prior to signing checks. The CSC and prior officials lacked knowledge of existing Five Management System policies and procedures.

Recommendation

1. The Account Maintenance Specialist, Community Services Coordinator, as well as the Chapter officials should review expenditures for budget capacity prior to the authorization of expenditures. Budget adjustments should be initiated if needed and approved through a Chapter resolution.
2. The Accounts Maintenance Specialist should complete a PAF when an employee is hired. The Community Services Coordinator should approve the PAF.
3. The time and attendance records should be signed by the employee and supervisor as outlined in Five Management System policy.

Finding VI: Bank reconciliation requirements were not adhered to.

Criteria

The Fiscal Policies and Procedures, section VII.C.2.g states that the Accounts Maintenance Specialist shall sign and date the reconciliation. Once completed, the reconciliation shall be forwarded to the Community Services Coordinator for review. Additionally, Fiscal Policies and Procedures, section VII.C.1.b. indicates that bank reconciliations must be performed within one day of receiving bank statements. Additionally, Fiscal Policies and Procedures section VII.C.2.b states that the Accounts Maintenance Specialist shall prepare a list of outstanding checks. If the list of outstanding checks discloses checks that have been outstanding for three months (90 calendar days) or longer, the Accounts Maintenance Specialist shall delete those checks and shall credit the checkbook register and the fund balance ledgers by the amount of the voiced checks. Lastly, Fiscal Policies and Procedures, Section VII.C.2.i states that the Community Services Coordinator shall review the reconciliation for accuracy and completeness.

Condition

The following was noted during our review of bank reconciliations for the audit year:

1. The Accounts Maintenance Specialist did not sign and date reconciliations for the months of January 2024 through September 2024.
2. For all months, evidence that reconciliations were prepared within one day of receipt of the bank statement was not on file.
3. Five checks totaling $1,259.90 were outstanding longer than 90 days as of December 31, 2024. The checks were written between May 2022 and January 2023.
4. A reviewer signature was not on the Monthly Compliance Review Form for the months of November and December 2024.

Effect

Risk of theft and misuse of Chapter resources is increased when reconciliations and financial information are not reviewed by the CSC or Chapter officials. Accounting errors or issues may go undetected and unresolved.

Cause

The Accounts Maintenance Specialist was not aware of the need to note the date the bank statements were received as evidence of compliance with Chapter policy or that checks outstanding in excess of 90 days should be voided. Lack of reviews were the result of vacancies and lack of consistency in Chapter officials and an oversight on the part of the Community Services Coordinator.

Recommendation

1. The Accounts Maintenance Specialist should sign and date the reconciliation.
2. The Accounts Maintenance Specialist or Community Services Coordinator should record the date the bank statements are received, as support that the reconciliations were performed within a day of the receipt of the bank statements.
3. The Community Services Coordinator should review the outstanding check listing on a monthly basis to identify checks that are outstanding longer than 90 days and initiate voids as required.
4. The Community Services Coordinator and Chapter Officials should verify the bank reconciliations are signed and dated by the preparer before signing off as evidence of approval.

Finding VII: Chapter procurement guidelines were not adhered to.

Criteria

Section V Micro-purchases of the Navajo Nation Procurement Rules and Regulations states that soliciting competitive price or rate quotations for Micro-purchases shall not be required if the procuring party considers the price to be reasonable based on research, experience, purchase history or other relevant information and documents it in the purchasing files accordingly.

Condition

During our review of vendor payments and discussions with the Community Services Coordinator, the selection of the vendor and reasonableness of the price paid was not documented.

Effect

The Chapter may have purchased more costly goods and services.

Cause

The Accounts Maintenance Specialist and Community Services Coordinator were unaware of micro-purchase requirements.

Recommendation

1. The Accounts Maintenance Specialist and Community Services Coordinator should obtain training on current Navajo Nation procurement rules.
2. The Accounts Maintenance Specialist should document vendor selection and the Community Services Coordinator should approve the determinations for micro-purchases.

Finding VIII: Cash receipts were not deposited timely.

Criteria

The Fiscal Policies and Procedures Section VII.A.1.c states that cash receipts shall be deposited (if practical) on a weekly basis to the Chapter's checking account.

Condition

Ten cash receipts totaling $5,587.39 were reviewed. Four cash receipts totaling $2,127.50 were not deposited timely. The number of days between date of receipt and date of deposit ranged from 8 days to 33 days.

Effect

When cash receipts are not deposited timely, financial activity reports used to make decisions will not be up to date, cash flows cannot be managed effectively and exposure to theft increases.

Cause

Oversight by the Accounts Maintenance Specialist and lack of review by the Community Services Coordinator contributed to the untimely deposits.

Recommendation

Bank deposits should be made by the Community Services Coordinator within one week of receipt as outlined in the Fiscal Policies and Procedures.

Finding IX: The Chapter is not in compliance with the Office of the Navajo Tax Commission.

Criteria

The Tax Administration Regulations, section 1.146.D, in order to be considered filed with the Office of the Navajo Tax Commission, for purposes of determining timeliness of filing, an actual, original signed return or report must be submitted to the Office of the Navajo Tax Commission, The submission of facsimiles, PDF filings, or other types of email or electronic filing will not constitute filing. Per the Office of the Navajo Tax Commission, the due dates for sales tax filings are February 15th, May 15th, August 15th and November 15th.

Condition

A 6% Navajo Nation Sales tax applies to all retail sales of goods and services occurring within the exterior boundaries of the Navajo Nation. Sales tax was collected as part of the fee for facilities rental services at the Chapter in the amount of $3.60, however the monies were not remitted. Further, the Office of the Navajo Tax Commission confirmed the Chapter is not registered and not in compliance.

Effect

The Chapter is in violation with Tax Administration Regulations.

Cause

The Community Services Coordinator was unaware of the sales tax reporting requirements to the Office of the Navajo Tax Commission.

Recommendation

The Community Services Coordinator should verify that sales tax is remitted in accordance with the Office of the Navajo Tax Commission regulations.

Finding X: Transactions were not coded in accordance with the Chart of Accounts.

Criteria

The Fiscal Management Policies and Procedures, section V.A.2 states the Chapter shall have a records system capable of identifying the source and use of funds. Further, the Fiscal Management Policies and Procedures, section VII.B.1.e, states the Chapter chart of accounts shall be used to determine the appropriate accounts to which the disbursement will be charged.

Condition

The following coding errors were noted during the audit:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	GL Account Code	Description	Amount
Cash receipt selections totaling $5,587.39	10	4213 - Telephone Revenue	For three of 10 cash receipt selections reviewed, the 4213 - Telephone Revenue code was used for Verizon Scholarship deposits instead of 4305 - Donations.	3,095.85
General disbursement selections totaling $14,047.49	24	6303 - Operating Supplies	For one of 24 disbursement selections, the code 6303 - Operating Supplies was used instead of 6390 - Other Supplies Expense for the purchase of six flags.	81.60
		6305 - Dues and Subscriptions	For one of 24 disbursement selections, the code 6305 - Dues and Subscriptions was used instead of 6600 - Consultant Expense for the purchase of technical support for the MIP system.	243.75
			TOTAL	$ 3,421.20

Effect

Lack of accuracy in coding results in misstated reporting to internal stakeholders and misstated financial statements.

Cause

The coding errors were the result of the misapplication and misunderstanding of the chart of accounts by the Account Maintenance Specialist and the lack of a review of transactions by the Community Services Coordinator.

Recommendation

1. The Accounts Maintenance Specialist should consult the chart of accounts when preparing a FAF and the Community Services Coordinator should consult the chart of accounts when approving the FAF.
2. The Community Services Coordinator should perform an independent review of posted transactions for adherence to the chart of accounts.

Appendix

Background

The Navajo Nation Office of the Auditor General engaged Heinfeld, Meech, & Co. P.C. to perform an internal audit of the Navajo Mountain Chapter for the 12-month period ended December 31, 2024.

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

The Navajo Mountain 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 Navajo Mountain Chapter are enumerated in Title 26, Local Governance Act (LGA) of the Navajo Nation Code.

The local chapter government is managed by the Community Services Coordinator (CSC) with administrative support provided by an Accounts Maintenance Specialist (AMS). The CSC has been in this position at the Chapter since October 2023 and the current AMS was hired into the position in March 2024. Oversight is provided by the elected chapter officials comprised of the President, Vice-President and Secretary/Treasurer. Additional oversight is provided by the Navajo Nation Division of Community Development/ Administrative Service Centers (ASC).

The majority of the Chapter's resources are provided through appropriations from the Navajo Nation central government. Other revenue is generated from miscellaneous user charges assessed by the Chapter for services and donations and/or goods provided to its community members.

Objective

The objective of the internal audit was to evaluate the Chapter's internal controls; how well controls are designed, implemented, and operated to meet the Chapter's objectives in the following areas:

1. Financial transactions are authorized, valid, and properly recorded to permit the preparation of financial statements and other financial reports.
2. Assets are safeguarded against loss or misuse.
3. Chapter activities addressed by the five-management system comply with applicable laws and regulations.

Audit Methodology

In meeting the audit objectives, we interviewed the Chapter administration and officials and examined available records. More specifically, we tested samples of cash receipts, payroll and nonpayroll disbursements for internal controls and compliance requirements by using a non-statistical, judgmental method.

Chapter Response

Willie Grayeyes
President

Alexander Bitsinnie
Vice President

Pearlinda Folgheraiter
Secretary/Treasurer

Levon Kinsel
Grazing Officer District II

Herman Daniels, Jr.
Council Delegate

RECEIVED
MAY 19 2025
OFFICE OF THE AUDITOR GENERAL

May 14, 2025

TO: Jeanine Jones, CFE, MFA
Auditor General
Navajo Nation Office of the Auditor General
P.O. Box 708 Window Rock, AZ 86515

FROM: Alta R Isaac
Alta Isaac, Community Service Coordinator
Willie Grayeyes, Chapter President
Alex Bitsinnie, Chapter Vice-President
Pearlinda Folgheraiter, Chapter Secretary Treasurer

RE: Response to the Naatsis'Aan (Navajo Mountain) Chapter Internal Audit

Dear Madam Jeanine Jones,

The Naatsis'Aan (Navajo Mountain) Chapter Administration has received and shared the audit report with Naatsis'Aan (Navajo Mountain) for reviewing the final draft of the Internal Audit on May 02, 2025. We, the Naatsis'Aan Chapter Officials and our chapter administration agree with the audit findings and will commence a formal process of the Corrective Action Plan based on the recommendations provided by Heinfeld Meech, CPA.

Naatsis'Aan (Navajo Mountain) Chapter is committed to correcting all of the listed findings. We will work closely with the Kayenta ASC Office and other entities to ensure we remain in good standing to secure the LGA Certified Chapter of the Navajo Nation, in accordance with NNC Title 26 as we go forward. If you have any questions or concerns, please contact us at 928-672-2915 or Email Address: navajomountain@navajochapters.org

XC: Honorable Herman Daniels, Jr., Council Delegate
Lena Poyer, SPPS, Kayenta ASC Office

Navajo Mountain Chapter
Phone#: (928)672-2915/2916
P.O. Box# 10070
Fax#: (928)672-2917
Navajo Mountain, Utah 86044
navajomountain@navajochapters.org