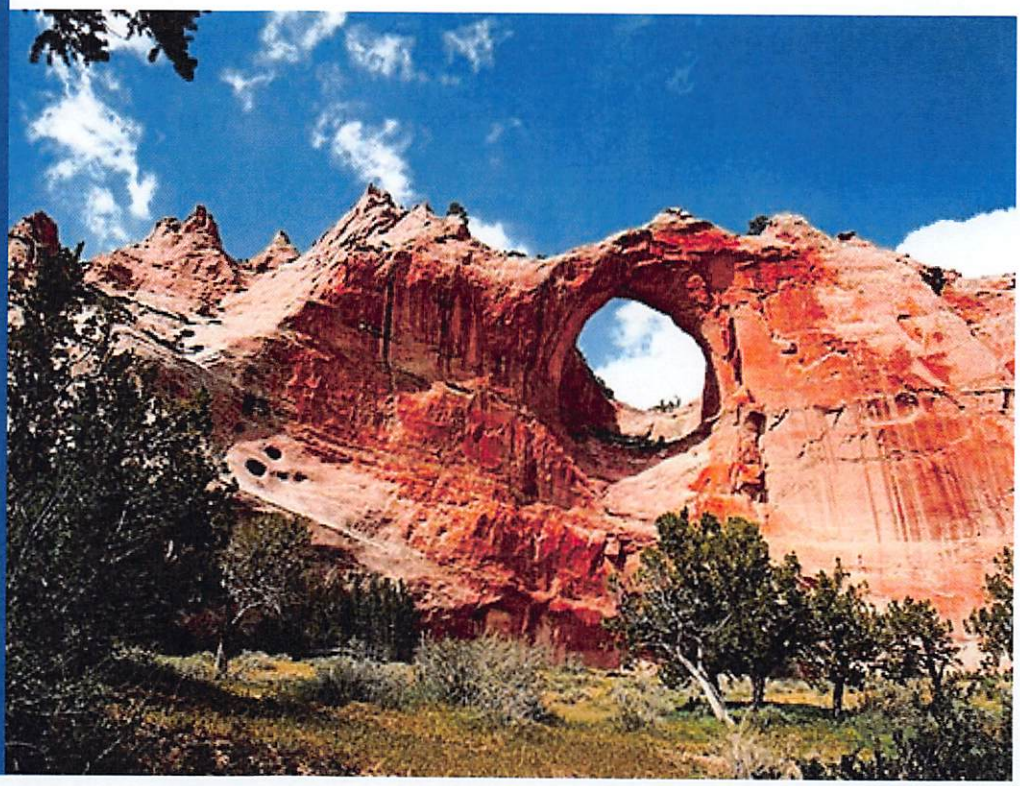
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A 3rd Follow-Up Review of the Hardrock Chapter Corrective Action Plan Implementation



Report No. 25-14
June 2025

Performed by:
Danielle Allison, Auditor
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Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

June 30, 2025

Dr. Dolly Manson, Vice President
HARDROCK CHAPTER
P.O. Box 20
Kykotsmovi, AZ 86039

Dear Dr. Manson:

The Office of the Auditor General herewith transmit Audit Report No. 25-14, the 3rd Follow-up Review of the Hardrock Chapter's Corrective Action Plan Implementation.

BACKGROUND

In 2018, the Office of the Auditor General (OAG) performed a Special Review of the Hardrock Chapter and issued audit report no 18-23. A corrective action plan (CAP) was developed by the Hardrock Chapter in response to the audit. The audit report and CAP were approved by the Budget and Finance Committee (BFC) on October 22, 2018, per resolution no. BFO-40-18.

In 2020, a follow-up review determined the Chapter did not fully implement the CAP. Of the 39 total corrective measures, the Chapter did not implement 56% of the corrective measures. The Auditor General recommended sanctions, however, the BFC tabled the legislation and provided six months for the Chapter to fully implement the CAP.

In 2024, a 2nd follow-up review determined the Chapter did not fully implement the CAP. Of the 25 total corrective measures, the Chapter did not implement 56% of the corrective measures. The Auditor General revised the initial recommendation to sanction only 10% of all monies allocated to the Hardrock Chapter from any Navajo Nation government fund. OAG shall conduct a 3rd follow-up review and if the Chapter has not implemented its CAP, the BFC approved for sanctions to go in effect July 7, 2025, per resolution no. BFJA-01-25 approved on January 7, 2025.

OBJECTIVE AND SCOPE

The objective of the 3rd follow-up review is to determine whether the Hardrock Chapter fully implemented the outstanding corrective measures based on a six-month review period from July 1, 2024 to December 31, 2024.

SUMMARY

Of 15 corrective measures, the Hardrock Chapter implemented nine (60%) corrective measures, leaving six (40%) not implemented. See attached Exhibit A for the details of our review results.

CONCLUSION

Although the Hardrock Chapter did not implement all corrective measures, the measures implemented allowed for the resolution of a majority of the audit findings from the 2018 audit. Therefore, the Office of the Auditor General rescinds the recommendation for sanctions to be imposed on the Hardrock Chapter in accordance with 12 N.N.C. Section 9.

We thank the Hardrock Chapter for assisting in the 3rd follow-up review.

Sincerely,

Jeanine Jones, CFE, MFA
Auditor General

Attachment

xc: Vacant, President
Tania Begaye, Secretary/Treasurer
Christina Howard-Coranguez, Community Services Coordinator
Germaine Simonson, Council Delegate
HARDROCK CHAPTER
Jaron Charley, Department Manager II
Edgerton Gene, Senior Program & Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

Exhibit A

REVIEW RESULTS
Hardrock Chapter Corrective Action Plan Implementation
Review Period: July 1, 2024 to December 31, 2024

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	*Audit Issue Resolved?*	Review Details
1. $19,000 in food purchases may not have been for Chapter related events and were not community approved.	4	3	1	**Yes**	Attachment A
2. The Chapter cannot demonstrate that the housing assistance projects are complete.	2	1	1	**Yes**	
3. Consulting services were not procured competitively.	2	2	0	**Yes**	
4. Consulting services were obtained without a service contract that was reviewed and approved by the Navajo Nation.	2	2	0	**Yes**	
5. The fixed assets value of $138,553 that is reported in the financial statements cannot be supported with documentation.	2	1	1	**Yes**	
6. The Chapter awarded housing assistance to seven applicants whose eligibility was not verified.	3	0	3	**No**	Attachment B
TOTAL:	**15**	**9**	**6**	**5 - Yes 1 - No**	

WE DEEM CORRECTIVE MEASURES: **Implemented** where the Chapter provided sufficient and appropriate evidence to support all elements of the implementation; and **Not Implemented** where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided.

REVIEW RESULTS
Hardrock Chapter Corrective Action Plan Implementation
Review Period: July 1, 2024 to December 31, 2024

◆ 2025 STATUS	**Issue 1: $19,000 in food purchases may not have been for Chapter related events and were not community approved.** **RESOLVED**

For the review period, we examined seven food expenditures totaling $2,686. The Chapter demonstrated improvements by ensuring food expenditures were budgeted and approved, receipts and sign-in sheets supported the food purchases, and food items were for Chapter-related events. However, in the process of reviewing documents it was noted that the Chapter utilized the Unhealthy Food Tax Fund to purchase pizzas and wings, candy, and roast beef totaling $949. These food items were for a Summer Youth Employment luncheon and Community Christmas dinner which contradict the intent of the fund which is to improve health and prevent and reduce the incidence of obesity, diabetes, and other health conditions. The Chapter should abide by the Budget Instruction Manual guidelines to comply with funding guidelines to avoid further audit issues.

Overall, the Chapter has reasonably resolved the finding and the audit issue is deemed reasonably resolved.

◆ 2025 STATUS	**Issue 2: The Chapter cannot demonstrate that the housing assistance projects are completed.** **RESOLVED**

For the review period, we identified one disbursement for 18 recipients receiving septic tank cleaning services totaling $6,678. Therefore, the scope was expanded an additional six months (January 1, 2024 to June 30, 2024) and identified 22 housing recipients totaling $9,028. Five disbursements with eight recipients totaling $3,750 were examined and all provided sufficient evidence of project completion. Overall, the audit issue is deemed reasonably resolved.

◆ 2025 STATUS	**Issue 3: Consulting services were not procured competitively.** **RESOLVED**

The Chapter did not enter into any contractual agreements during the review period. However, the Chapter procured five services totaling $14,659. The services met the requirement of Micro-Purchases in accordance with the Navajo Nation Procurement Regulations approved by the Budget and Finance Committee in May 2023 and were further examined against the Procurement Policies for compliance.

One expenditure totaling $1,356 did not have documentation indicating priority vendors were considered before selecting non-priority vendors. The Chapter stated this expenditure was for an emergency when pipes burst inside the Chapter. Overall, despite the minor discrepancy, the Chapter made improvements in its procurement of services by documenting communication with priority and non-priority vendors except for one expenditure, obtaining adequate documentation to justify purchases of services, and original invoices/receipts are on file. The audit issue has been reasonably resolved.

REVIEW RESULTS
Hardrock Chapter Corrective Action Plan Implementation
Review Period: July 1, 2024 to December 31, 2024

◆ 2025 STATUS	**Issue 4: Consulting services were obtained without a service contract that was reviewed and approved by the Navajo Nation.** **RESOLVED**
The Chapter is currently going through the 164 Review process to procure IT services. The Community Services Coordinator (CSC) sought assistance from ASC and the Navajo Nation Department of Justice for review and approval of services. Overall, the CSC has an adequate understanding of the process of procuring a contract in accordance with the Procurement Regulations and monitors these activities to ensure compliance. Therefore, the audit issue is deemed reasonably resolved.	
◆ 2025 STATUS	**Issue 5: The fixed assets value of $138,553 that is reported in the financial statements cannot be supported with documentation.** **RESOLVED**
For the review period, we identified 36 fixed assets totaling $2,892,893. Of these, 10 assets valued at $598,681 were examined. All assets were supported with documentation such as invoices, receipts, or evidence of research to determine the Fair Market Value. The balance sheet ending June 20, 2025, reported the fixed asset value at $2,863,058 which does not reconcile to the property inventory value of $2,892,893, leaving a variance of $29,835, which is a nominal amount of less than 1%. Other than the minor discrepancy noted above, the Chapter has made improvements by posting over $2 million in fixed asset values, compared to none being reported in the last review. Also, the current fixed asset items reported to the balance sheet are supported with documentation. To maintain progress, the Chapter should work with ASC to report all fixed assets and correct the discrepancies between the property inventory and the balance sheet and establish independent review procedures to ensure the values reported are accurate, complete, and supported with adequate documentation. Overall, the audit issue is deemed reasonably resolved.	

REVIEW RESULTS
Hardrock Chapter Corrective Action Plan Implementation
Review Period: July 1, 2024 to December 31, 2024

◆ 2025 STATUS	**Issue 5: The Chapter awarded housing assistance to seven applicants whose eligibility was not verified.** **NOT RESOLVED**

As stated previously in Issue 2, eight housing recipients totaling $3,750 were examined. The following discrepancies were noted:

1. 2 of 8 (25%) recipient files did not have required evidence of the applicant's primary residence.
2. The corrective action plan requires the Chapter to use a checklist to document the receipt of all required documents. However, the Chapter has four separate policies for assistance funded by the housing discretionary fund including a) pellet or wood stove purchases, b) septic tank clean-out, c) building material/construction, and d) homesite lease assistance. Policies for c and d have an established checklist, while policies for a and b do not, which creates inconsistency in the processes.
3. The corrective action plan requires the Chapter to establish a housing committee. A housing committee was established and met once between the 2nd and current review. The Chapter discontinued the committee since it would not financially benefit the Chapter. As a result, the CSC solely evaluated applicants for eligibility against policies, but the housing policies have not been revised.

There is still a risk that ineligible applicants will be awarded in the absence of sufficient controls. To maintain progress, the Chapter should create checklists for all assistance funded by the housing discretionary funds, revise housing policies to be consistent with current practices, and Chapter officials should monitor these activities for complete implementation. Overall, the audit issue remains unresolved.