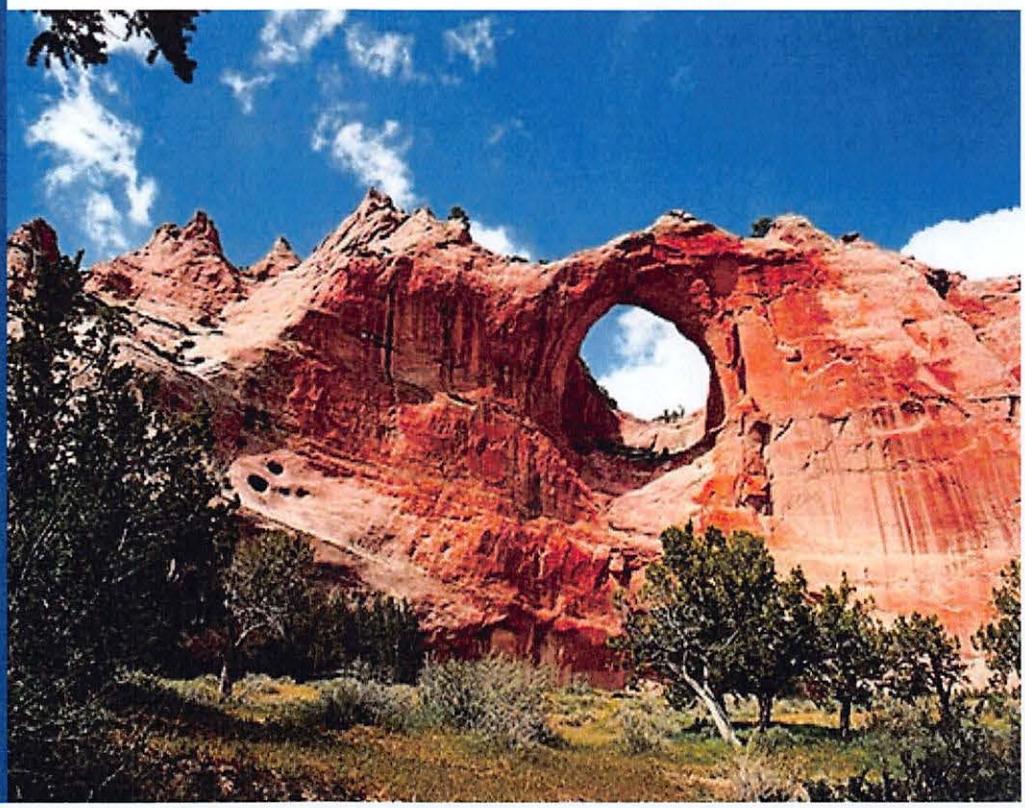
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-up Review of the Nahata Dziil Commission Governance Corrective Action Plan Implementation



Report No. 25-19
September 2025

Performed by:
Heinfeld, Meech & Co.

Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

September 2, 2025

Lorenzo Curley, President
NAHATA DZIIL COMMISSION GOVERNANCE
P.O. Box 400
Sanders, AZ 86512

Dear Mr. Curley:

The Office of the Auditor General (OAG), in conjunction with Heinfeld, Meech & Co., P.C., herewith transmits Audit Report No. 25-19, a follow-up review of the Nahata Dziil Commission Governance Corrective Action Plan implementation.

BACKGROUND

In 2019, Newberry & Associates, Ltd performed an Internal Audit of the Nahata Dziil Commission Governance and issued audit report 20-04. A Corrective Action Plan (CAP) was developed by the Nahata Dziil Commission Governance in response to the audit. The audit report and CAP were approved by the Budget and Finance Committee on December 13, 2022, per resolution no. BFD-43-22.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether Nahata Dziil Commission Governance has fully implemented its CAP based on a six-month review period from October 1, 2024, through March 31, 2025.

SUMMARY

Of the 36 corrective measures, the Nahata Dziil Commission Governance implemented 14 (49%), leaving 22 (61%) not implemented as outlined in the Review Results section of this report.

CONCLUSION

The Nahata Dziil Commission Governance did not fully implement its CAP, and therefore, findings from the 2019 audit remain unresolved.

The Nahata Dziil Commission Governance had opportunities to address the audit issues, however, Heinfeld Meech and the Office of the Auditor General agreed to grant a six-month extension from the date of this report to continue implementing its CAP. The OAG will conduct a 2nd follow-up review after March 2026 and based on those results, an appropriate recommendation will be made in accordance with 12 N.N.C. Section 9 (B) and (C).

We thank the the Nahata Dziil Commission and officials for assisting in this follow-up review.

Sincerely,

Jeanine Jones, CFE, MFA
Auditor General

Attachment

xc: Jane Benally, Vice President
Nora Pahi, Secretary
Melinda Bigman Joe, Treasurer
Loretta Bahe, Member
Patricia Bitsue, Commission Manager
Arbin Mitchell, Council Delegate
NAATSIS'AAN (NAVAJO MOUNTAIN) CHAPTER
Jaron Charley, Department Manager II
Patricia Begay, Senior Programs and Projects Specialist
ADMINISTRATIVE SERVICES CENTER/DCD
Sara Kirk, CPA, Partner
HEINFELD, MEECH & CO., P.C.
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August 29, 2025

Office of the Auditor General of the Navajo Nation
P.O. Box 708
Window Rock, AZ 86515

We have completed our engagement to perform a follow-up review of the Nahata Dziil Commission Governance corrective action plan implementation and have provided the results in this report for your consideration. Our review consisted primarily of inquiries of Nahata Dziil Commission Governance personnel and also the examination of documents provided by Nahata Dziil Commission Governance personnel. The accompanying report includes the following:

- A table summarizing the number of audit issues that are resolved or not resolved
- Narrative explanations on the status of the corrective measures
- An overall conclusion on whether the Nahata Dziil Commission Governance resolved issues and made improvements through the implementation of its corrective action plan

To the extent we have performed our review using data and information obtained from the Nahata Dziil Commission Governance, we have relied upon such information to be accurate, and no assurances are intended, and no representation or warranties are made with respect thereto or the use made therein.

We would like to thank everyone at the Office of the Auditor General and the Nahata Dziil Commission Governance for their assistance and cooperation.

Sincerely,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona

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Executive Summary

Background

In 2019, Newberry & Associates, Ltd performed an Internal Audit of the Nahata Dziil Commission Governance and audit report 20-04 was subsequently issued. The internal audit was performed to verify whether Commission funds were spent in accordance with Navajo Nation laws and regulations and Commission policies and procedures. The internal audit resulted in nine (9) findings with six (6) of the findings related to payroll and personnel files, two (2) findings related to disbursement processing, and one (1) finding related to financial assistance disbursements. A corrective action plan (CAP) was developed by the Nahata Dziil Commission Governance in response to the audit. The audit report and CAP were approved by the Budget and Finance Committee on December 13, 2022 per resolution no. BFD-43-22.

The Nahata Dziil Commission Governance is a political subdivision of the Navajo Nation and is considered a general-purpose government local government for reporting purposes. Navajo Nation Chapter governments are required to operate under Title 26 of the Navajo Nation code, the Local Governance Act.

The majority of the Commission's resources are provided through appropriations from the Navajo Nation central government. These appropriations are intended to fund direct and indirect services at the local commission governmental level. The direct services are considered restricted funds with specific intended purposes. The Commission also generated internal revenues from fees collected for providing miscellaneous services.

The Nahata Dziil Commission Governance operated under the management of the Commission Manager (CM) who reports directly to the Commission's officials. As of the time of the CAP review, the Administrative Assistant (AA) position was vacant.

HeinfeldMeech was awarded a proposal issued by the Office of the Auditor General of the Navajo Nation to conduct the follow-up review and issue a written follow-up review report. The Office of the Auditor General commenced with this follow-up review based on the Commission's claim that it had implemented its corrective action plan.

Objective and Scope

The objective of the follow-up review is to determine the status of the corrective action plan implementation based on a 6-month review period of October 1, 2024 through March 31, 2025. The review consisted primarily of inquiries of Nahata Dziil Commission Governance personnel and also the examination of documents and records provided by Nahata Dziil Commission Governance.

HeinfeldMeech would like to express appreciation to Nahata Dziil Commission Governance personnel for their cooperation and assistance through the performance of this review.

Summary

Nahata Dziil Commission Governance did not fully implement the corrective action plan. As outlined in the *Review Results* section of this report, of the 36 corrective measures identified in the corrective action plan, Nahata Dziil Commission Governance implemented 14 (39%), with the remaining 22 (61%) not implemented.

Conclusion

The Nahata Dziil Commission Governance did not fully implement its corrective action plan, and therefore, findings from the 2019 audit remain unresolved.

The Nahata Dziil Commission Governance had opportunities to address the audit issues, however, HeinfeldMeech and the Auditor General agree to do the following:

- Grant Nahata Dziil Commission Governance a six-month extension from the date of this report to continue implementing its corrective action plan.
- Conduct a 2nd follow-up review six-months after the date of this report and based on those results, provide an appropriate recommendation in accordance with 12 N.N.C Section 9 (b) and (c).

Review Results

Nahata Dziil Commission Governance Corrective Action Plan Implementation
Review Period: October 1, 2024 to March 31, 2025

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	*Audit Issue Resolved?*	Review Details
1. Overtime is being paid to an exempt employee.	4	3	1	**Yes**	Attachment A
2. Advances are not being re-paid in a timely manner.	5	2	3	**Yes**	
3. Financial assistance disbursements were paid to individual employees and were not paid directly to vendors and were more than the limit of $250 each.	5	5	0	**Yes**	
4. Expenditures were made without proper supporting documentations to justify the expense.	4	3	1	**Yes**	
5. Personnel Action Forms not provided for some of the payroll samples selected and some of the Personnel Action Forms provided were incomplete and lacked necessary signatures.	4	0	4	**No**	Attachment B
6. Hourly rates on employees' paychecks varied from rates stated on Personnel Action Forms in their Personnel files.	4	0	4	**No**	
7. Stipend checks are issued without claim forms.	3	0	3	**No**	
8. Advances were allowed for non-family emergencies.	3	0	3	**No**	
9. Disbursements approved for payroll advances were incorrectly coded to expense accounts, and disbursements approved for supplies were incorrectly coded to professional and seminar fees.	4	1	3	**No**	
TOTAL:	**36**	**14**	**22**	**4 - Yes** **5 - No**	

Corrective Measure Evaluation Criteria

Implemented: Nahata Dziil Commission Governance provided sufficient and appropriate evidence to support all elements of the implementation of the corrective measure.

Not Implemented: Nahata Dziil Commission Governance did not provide evidence to support meaningful movement towards implementation, and/or where no evidence was provided.

Attachment A

◆ 2025 STATUS	**Overtime is being paid to an exempt employee.** **RESOLVED**

No overtime payments were made to exempt employees during the review period. The two exempt employees were paid the same amount each pay period based on the pay rate documented on the Personnel Action Form (PAF). Additionally, the general ledgers for the two previous years were scanned and exempt employees were paid the same amount each pay period.

In one corrective measure, the Commission indicated the payroll register would be reviewed monthly to verify overtime was not being paid to exempt employees. Monthly Compliance Review Forms noting Payroll Journals were reviewed were not completed or signed by the Commission Manager or Commissioners for the months of October – December 2024.

The Commission has discontinued the practice of paying overtime to exempt employees. Other than lack a documented review and oversight through the completion of the Monthly Compliance Review Forms, the finding has been reasonably resolved.

◆ 2025 STATUS	**Advances are not being re-paid in a timely manner.** **RESOLVED**

General ledger activity was reviewed beginning on October 1, 2022 for the payment of payroll or other advances. Four payroll advances were paid to the Commission Manager totaling $2,900 between January 2023 and August 2024. All advances were repaid to the Commission Governance within two months of the advance; however, it should be noted that the corrective action plan indicated no additional advances would be authorized until all outstanding advances were repaid. Based on the review of the Balance Sheet, that is not the case.

The following was noted related to other advances and payroll advances on the Balance Sheet as of March 31, 2025:

- Receivable balances of $27,840 and $148,799.24, respectively, in the other advances and payroll advances line items that were the result of transactions of the Commission from previous fiscal years. The most significant balances are in the Mining Fund and Surface Land Use Fund, the latter reporting a deficit cash balance of $45,620.13.
- The payroll advances receivable amount decreased over $6,145.40 in recent years due to repayments received by the Commission from a former employee.
- A Fraud Fund is reported on the Balance Sheet with a deficit balance of $20,822.63.
- A reserve for losses in advance accounts liability account is reported in multiple funds in the amount of $227,700.76.

Although the Commission is still dealing with prior policy violations that allowed for advances that have not yet been paid, recent advances were re-paid in a timely manner, therefore, the finding has been reasonably resolved.

◆ 2025 STATUS	**Financial assistance disbursements were paid to individual employees and were not paid directly to the vendors and were more than the limit of $250 each.** **RESOLVED**

For housing assistance disbursements, the Commission created an application stamp checklist to verify all documentation required by policy was obtained from each applicant. Five (5) housing assistance disbursements were reviewed for compliance with policy and all had the required documentation.

Similarly, for scholarship assistance disbursements, the Commission created a checklist to verify all documentation required by policy was obtained from each applicant. Ten (10) housing assistance disbursements were reviewed for compliance with policy and all had the required documentation.

Per review of the Fiscal Policies and Procedures, Section IV.N.4, the policy was updated to limit the amount of assistance any one individual can receive in a single fiscal year. The policy states "All assistance shall be awarded based on availability of funds and in accordance with the ceiling limit as set by the Nahata' Dziil Commission Governance". The "ceiling limit" as documented at IV.N.4 above, can be found in the Scholarship Policies ($300-$500), depending on type of student and schooling, and Procedures. For housing, there is not a set dollar limit. Instead, the policy at IV.A reads "All expenditures shall be duly approved by the chapter membership and set out in the budget." Funding is allocated based on the budgeted amount and student needs. Scholarship assistance policies and procedures do not require the payment be made to the educational institution.

We consider the finding to be reasonably resolved.

◆ 2025 STATUS	**Expenditures were made without proper supporting documentation to justify the expense.** **RESOLVED**

Thirty-one (31) disbursements were reviewed to determine if proper supporting documentation was on file. Only one transaction was missing a required Fund Approval Form (FAF).

The Commission Manager acknowledged that she does not conduct an overall monthly review of the filing system to verify that all disbursements have complete supporting documentation as noted in the corrective action plan. Instead, her review occurs during the signing process. The Office Assistant is responsible for ensuring all required documents are included in each packet before submitting to the Commission Manager for signature.

Based on our overall review, we consider the finding to be reasonably resolved.

Attachment B

◆ 2025 Status	**Personnel Action Forms not provided for some of the payroll samples selected and some of the Personnel Action Forms (PAFs) provided were incomplete and lacked necessary signatures.** NOT RESOLVED

During our review of ten Commission employee personnel files, the following was noted:

- Three (3) employee files contained initial employment PAFs that were not signed by the employee, Commission Manager, or a Commissioner.
- One (1) employee file contained an initial employment PAF that was not signed by the employee or a Commissioner.
- One (1) employee file had no initial employment PAF on file, although subsequent pay change PAFs were on file.
- One (1) employee file included a PAF for a change in pay, but it was not signed by the employee, Commission Manager, or a Commissioner.
- One (1) employee file had an initial PAF that was signed by the employee and Commission Manager after the date of hire. The employee hire date was 11/14/24 and the PAF signatures were obtained 11/25/24. The PAF was not signed by a Commissioner.
- One (1) employee file had an initial employment PAF that was not signed by a Commissioner. The employee was hired prior to 12/31/22 (the date by which the Commission committed to correcting the issue), however the lack of signature represents policy noncompliance.
- One (1) file did not contain an initial employment PAF or subsequent pay change PAFs.

The Commission Manager indicated PAFs are not reviewed quarterly as part of the monitoring process outlined in the corrective action plan.

Based on review procedures and discussions with Commission personnel, assurance that the corrective measures outlined were implemented was not provided. Therefore, the finding is not resolved and the risk of improper payments to individuals remains.

◆ 2025 Status	**Hourly rates on employees' paychecks varied from rates stated on Personnel Action Forms (PAFs) in their personnel file.** NOT RESOLVED

During our review of 21 payroll transactions for 10 individual employees, the following was noted:

- One (1) PEP employee did not have a PAF on file, therefore we were unable to determine if the rate of pay was proper for four (4) payroll transactions reviewed.
- One (1) salary transaction lacked the Commission Manager's signature on the Fund Approval Form (FAF).
- For all salary transactions reviewed, copies of the issued checks were not retained in the personnel files and therefore, were unable to review for signatures by the Commission Manager and Commissioners. For the 17 salary transactions that PAFs were provided, all of the hourly rates on the PAF agreed to the rate on the check stub.
- Four (4) salary transactions were missing employee signatures on the timesheets.

The corrective action plan outlined that upon the approval of a PAF, the Commission Manager shall obtain the employee listing report from the accounting system and ensure the approved PAF hourly wage for each employee is accurately recorded in the accounting system by the AA and document and sign the report after verification. The Commission Manager confirmed that this was not performed. Her understanding was that ITG, a third-party vendor utilized by the Commission, was responsible for verifying rate accuracy and flagging discrepancies. Further, there was not documented evidence that pay rates were reviewed and agreed to the PAF at the time of the signing of employee checks.

Although the results of payroll transaction sample was favorable overall, the Commission either did not implement or did not document evidence of implementation of the corrective measures outlined in the corrective action plan. Therefore, the finding is not resolved, as the risk that an employee could be paid the incorrect rate of pay has not been mitigated.

◆ 2025 Status	**Stipend checks are issued without claim forms.** NOT RESOLVED

Forty-six (46) stipend distributions totaling $18,000 were paid during the review period. The following was noted:

- For nine payments, stipends paid totaling $3,100 were not supported by documentation.
- For one $500 payment, the Treasurer signed in as having attended the Commissioner's meeting, however no claim form was on file.

Stipend checks continue to be issued without claim forms and are signed by the Commissioner without verifying proper meeting attendance. Therefore, the finding is not resolved.

◆ 2025 Status	**Advances were allowed for non-family emergencies.** NOT RESOLVED

General ledger activity was reviewed beginning on October 1, 2022 for the payment of payroll or other advances. Four payroll advances were paid to the Commission Manager, two of which were for non-family emergencies. The Commissioner was advanced $1,600 as follows:

- $800 on 9/11/23 to assist her son with a car payment
- $800 on 8/12/24 to purchase a laptop for her granddaughter

All four payroll advances were repaid.

The Commission Manager continued to violate policy by processing advances for non-family emergencies for herself and the Commissioners continued to approve the transactions well after the internal audit finding was communicated. Therefore, the finding is not resolved as the payment of ineligible advances and misappropriation of Commission assets remain risks.

◆ 2025 Status	**Disbursements approved for payroll advances were incorrectly coded to expense accounts, and disbursements approved for supplies were incorrectly coded to professional and seminar fees.** NOT RESOLVED

We reviewed all non-salary transactions (82) that reflected payments to the Commission Manager and Administrative Assistant during the review period totaling $12,888.92. All disbursements were correctly coded based on the nature of the underlying purchase and were not payroll advances.

Additionally, we reviewed a sample of 31 disbursements from expenditure codes identified in the internal audit report (6603, 6607, & 6604). None of the disbursements were payroll advances, however the following was noted:

- Two (2) disbursements were not coded in accordance with the Chart of Accounts.
- For five (5) disbursements, the account code reported on the FAF did not agree to the account code posted in the general ledger for various reasons. One FAF was missing, one FAF did not include an account code, and the remaining three just did not agree.

The Commission Manager noted that there is a heavy reliance on ITG, a third-party vendor utilized by the Commission, for assistance with coding accuracy and flagging coding discrepancies.

As was noted previously in the report, the Commission is reporting significant balances in the other advances, payroll advances and reserve for losses in advance accounts liability accounts at March 31, 2025. We were unable to verify the amounts noted in Internal Audit Report 20-04 were reclassified from expenditures to advances as directed. Communications with the third-party vendor indicated that any large-scale changes to the Commission's accounting system would not be completed until all investigations are complete.

Lastly, we noted no evidence of the underreporting of payroll taxes to the IRS during the review period. Form 941 *Employer's Quarterly Federal Tax Returns* were prepared for the two quarters in the review period.

Although the results of the non-salary transaction review were favorable overall, there is a lack of evidence that the prior miscoding of payroll advances has been corrected and too heavy of a reliance on a third-party vendor for account coding and coding reviews. Therefore, the finding is not resolved.