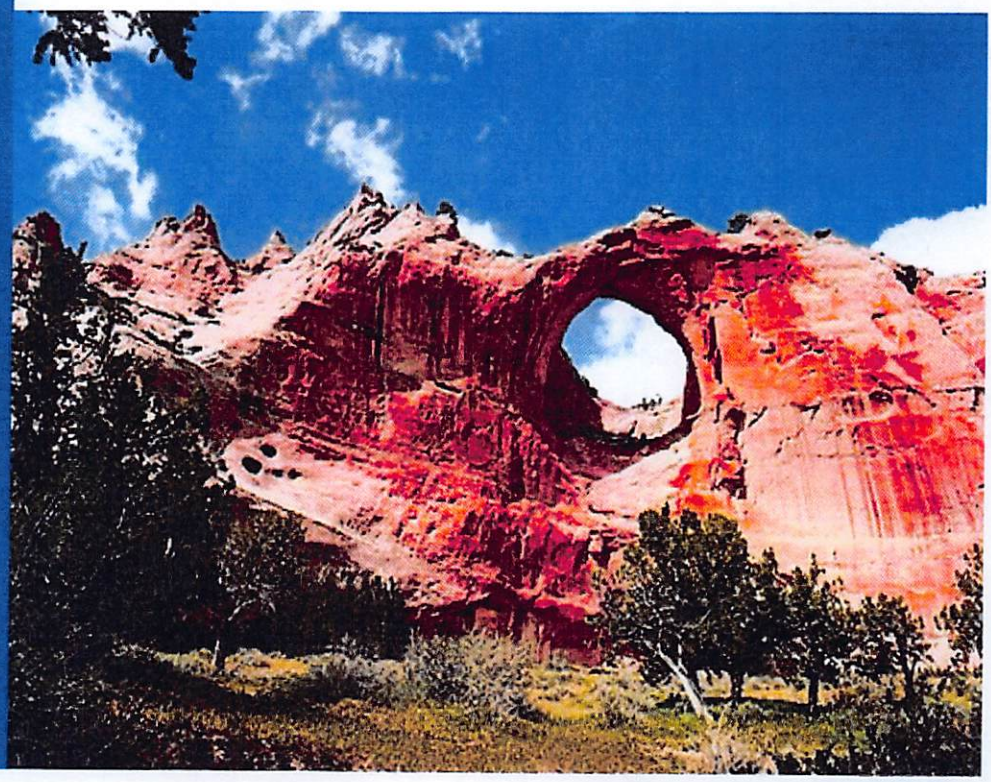
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-up Review of the Lukachukai Chapter Corrective Action Plan Implementation



Report No. 25-20
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

Paula S. Begay, President
LUKACHUKAI CHAPTER
P.O. Box 248
Lukachukai, AZ 86507

Dear Ms. Begay:

The Office of the Auditor General, in conjunction with Heinfeld, Meech & Co., P.C., herewith transmits Audit Report No. 25-20, a follow-up review of the Lukachukai Chapter Corrective Action Plan implementation.

BACKGROUND

In 2019, the Office of the Auditor General performed a Special Review of the Lukachukai Chapter and issued audit report 19-22. A Corrective Action Plan (CAP) was developed by the Lukachukai Chapter in response to the review. The audit report and CAP were approved by the Budget and Finance Committee on May 4, 2021, per resolution no. BFMY-15-21.

OBJECTIVE AND SCOPE

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

SUMMARY

Of the 45 corrective measures, the Lukachukai Chapter implemented 39 (87%), leaving 6 (13%) not implemented as outlined in the Review Results of this report. The corrective measures related to Finding 6 could not be assessed due to lack of renovation activities at the Chapter in recent years.

CONCLUSION

Although the Lukachukai Chapter did not fully implement all corrective measures, the measures implemented allowed for the resolution of a majority of the audit findings from the 2019 audit. Therefore, the Office of the Auditor General does not recommend sanctions on the Lukachukai Chapter in accordance with 12 N.N.C. Section 9.

We thank the Lukachukai Chapter and officials for assisting in this follow-up review.

Sincerely,

Jeanine Jones, CFE, MFA
Auditor General

Attachment

xc: Connette Blair, Vice President
Mary Ann Leonard, Secretary/ Treasurer
Marla Sandoval-Redhouse, Community Services Coordinator
Carl Slater, Council Delegate
LUKACHUKAI CHAPTER
Jaron Charley, Department Manager II
Edgerton Gene, Senior Programs and Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Sara Kirk, CPA, Partner
HEINFELD, MEECH & CO., P.C.
Chrono

HeinfeldMeech

Tucson • Phoenix • Flagstaff
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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 Lukachukai Chapter corrective action plan implementation and have provided the results in this report for your consideration. Our review consisted primarily of inquiries of Lukachukai Chapter personnel and also the examination of documents provided by the Lukachukai Chapter personnel. The accompanying report includes the following:

- A table summarizing the number of audit issues that are resolved, not resolved, or were unable to be evaluated
- Narrative explanations on the status of the corrective measures
- An overall conclusion on whether the Lukachukai Chapter 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 Lukachukai Chapter, 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 Lukachukai Chapter 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, the Office of the Auditor General performed a Special Review of the Lukachukai Chapter and issued audit report 19-22. The purpose of the special review was to verify whether Chapter funds were spent in accordance with Navajo Nation laws and regulations and Chapter policies and procedures. The review resulted in six findings with three of the findings related to payroll and personnel files, one finding related to property control, one finding related to housing assistance award documentation and one finding related to the management of a chapter renovation project. A corrective action plan (CAP) was developed by the Lukachukai Chapter in response to the review. The special review report and CAP were approved by the Budget and Finance Committee on May 4, 2021 per resolution no. BFMY-15-21.

The Lukachukai 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.

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

The Lukachukai Chapter operates under the management of the Community Services Coordinator (CSC), who was hired in 2023 and reports directly to the Chapter's officials. The Accounts Maintenance Specialist was newly hired in May 2025, shortly before the commencement of the follow-up review.

HeinfeldMeech was awarded a proposal issued by the Office of the Auditor General of the Navajo Nation to conduct the review of the Lukachukai Chapter's corrective action plan implementation status and issue a written follow-up review report. The Office of the Auditor General initiated this follow-up review based on the Chapter'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 Lukachukai Chapter personnel and also the examination of documents and records provided by the Lukachukai Chapter.

Summary

Lukachukai Chapter did not implement all measures within the corrective action plan. As outlined in the *Review Results* of this report, of the 45 *applicable* corrective measures identified in the corrective action plan, Lukachukai Chapter implemented 39 (87%), with the remaining 6 (13%) not implemented.

The 7 corrective measures related to Finding 6 could not be assessed due to lack of renovation activities at the Chapter in recent years.

Conclusion

Although the Lukachukai Chapter did not fully implement all corrective measures, the measures implemented allowed for the resolution of a majority of the audit findings from the 2019 audit. Therefore, the Office of the Auditor General does not recommend sanctions on the Lukachukai Chapter in accordance with 12 N.N.C. Section 9.

Review Results

Lukachukai Chapter 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	# of Corrective Measures Not Applicable	*Audit Issue Resolved?*	Review Details
1. Payroll taxes were remitted late.	7	7	0		**Yes**	Attachment A
2. New hires were not being reported to the State of Arizona.	4	4	0		**Yes**	
3. Personnel action forms were not properly processed for temporary employees.	5	5	0		**Yes**	
4. Controls over chapter property need improvement to ensure property is adequately identified, tracked, insured and well documented.	20	14	6		**Yes**	
5. Controls over Chapter housing assistance need improvement to ensure home ownerships are properly verified and building materials are used as intended.	9	9	0		**Yes**	
6. Chapter renovation projects exceeding $62,000 was improperly managed.	7	N/A	N/A	7	**Not applicable**	Attachment B
TOTAL:	52	39	6	7	**5 - Yes**	

Corrective Measure Evaluation Criteria

Implemented: Lukachukai Chapter provided sufficient and appropriate evidence to support all elements of the implementation of the corrective measure.

Not Implemented: Lukachukai Chapter did not provide enough evidence to support meaningful movement towards implementation, and/or where no evidence was provided.

Not Applicable: Lukachukai Chapter has not engaged in this type of activity since the 2019 audit.

Attachment A

◆ 2025 STATUS	**Payroll taxes were remitted late.** **RESOLVED**
For the six months under review, the Chapter's payroll taxes were deposited to the bank by the 15th day of the following month and remitted through the EFTPS system. Monthly system reports supported the amounts reported on Form 941 *Employer's Quarterly Federal Tax Return* for each quarter in the review period. Form 941s were submitted timely to the Internal Revenue Service. Based on this, the finding was deemed resolved.	
◆ 2025 STATUS	**New hires were not being reported to the State of Arizona.** **RESOLVED**
We confirmed that all five employees hired during the review period were reported to the Arizona New Hire Reporting Center. Documentation of the date each employee was submitted was not on file, but the Chapter had Confirmation of Submission of New Hire Reports dated December 11, 2024 and January 27, 2025 containing submission information on all the new hires. Hire dates reported on the Confirmation of Submission of New Hire Reports from the Arizona New Hire Reporting Center were supported by the Personnel Action Forms (PAFs) for the employees on file at the Chapter. The Chapter demonstrated a process was developed and is being adhered to prevent legal violations. Based on this, the finding was deemed reasonably resolved.	
◆ 2025 STATUS	**Personnel action forms were not properly processed for temporary employees.** **RESOLVED**
We examined 7 Personnel Action Forms (PAFs) for completeness and approval. All PAFs were complete and contained a signature of authorization as of the effective date of the hire or discharge. Based on this, the finding was deemed resolved.	
◆ 2025 STATUS	**Controls over chapter property need improvement to ensure property is adequately identified, tracked, insured, and well documented.** **RESOLVED**
We examined the Underwriter Exposure Summary (UES) report for fiscal year 2025, the Statement of Values for Property Insurance Underwriting Exposure Summary Information submitted with the UES and payment documentation for insurance coverage. Chapter property was insured for fiscal year 2025.	

The Chapter utilizes the Statement of Values for Property Insurance Underwriting Exposure Summary Information spreadsheet as a perpetual asset listing. The Chapter utilizes this excel document to perform the annual inventory. The Community Services Coordinator indicated an inventory was performed on September 12, 2024, however documentation of this was not maintained. Further, the Property Insurance Underwriting Exposure Summary Information spreadsheet utilized as the property inventory sheet for the inventory process does not contain all fields required in the Property Management Policies and Procedures. Condition, last inventory, date acquired, invoice number, vendor, fund source, date of disposition and method of disposition were not included and as a result, the listing was incomplete.

The Chapter acquired prenumbered property tags. We examined 10 assets totaling $14,736 selected from the listing and all were tagged with a number and identified on the Chapter's premises.

The Chapter created a form to document the assignment of Chapter property. A Chapter Equipment and Property Form was completed and on file for a laptop assigned out to the Chapter Secretary/Treasurer. There is no indication of review and approval on the form and no Chapter resolution was provided as documentation of community approval. The Community Services Coordinator indicated the existence of the laptop is verified at each Chapter meeting; however, this verification is not documented. A Chapter resolution or CSC signature on the form should be obtained.

Five asset items purchased in recent years were reviewed and all five had supporting documentation such as invoices, however the Chapter acknowledged they have yet to obtain an appraiser to value the older buildings and equipment items. As a result, the asset values reported on the Balance Sheet continue to not be supported by documentation, are significantly understated, and the financial statements are unreliable. As of March 31, 2025, the variance between the amounts reported in the Balance Sheet and on the listing were as follows:

Description	Account Code	Balance Sheet March 31, 2025	Property Listing	Variance
Office Equipment	1311	$ 5,086.00	$ 30,280.19	$ (25,194.19)
Heavy Equipment	1312	$ -	$ 410,611.15	$ (410,611.15)
Buildings	1318	$ 311,583.29	841,400.00	$ (529,816.71)
	TOTAL	$ 316,669.29	$1,282,291.34	$ (965,622.05)

To fully implement the corrective measures, we recommend the Chapter obtain a property appraisal and update the listing and Balance Sheet asset values based on the results so that accurate information is reported to stakeholders. Further, the physical inventory process should be better documented. Overall, the Chapter improved the property control records and has reduced risks related to property loss by obtaining insurance coverage. The finding has been reasonably resolved.

◆ 2025 STATUS	**Controls over chapter housing assistance need improvement to ensure home ownerships are properly verified and building materials are used as intended.** **RESOLVED**

Ten housing assistance disbursement transactions were reviewed. For all 10 reviewed, home ownership was verified prior to the disbursement of funds to the applicant. Further, checklists were completed by the Community Services Coordinator as evidence of the verification of required documents. Lastly, Project Progress Reports were on file documenting home visits to verify building materials were utilized for their approved purpose. The finding was deemed resolved.

Attachment B

2025 STATUS	**Chapter renovation project exceeding $62,000 was improperly managed.** **NOT APPLICABLE**
During our period review and the two fiscal years prior, no projects were identified that require the use of the project management controls outlined in the corrective action plan. As a result, implementation of planned corrective measures could not be verified. The project management controls outlined in the corrective action plan should be used to develop written policies and procedures to adhere to for future Chapter projects.	