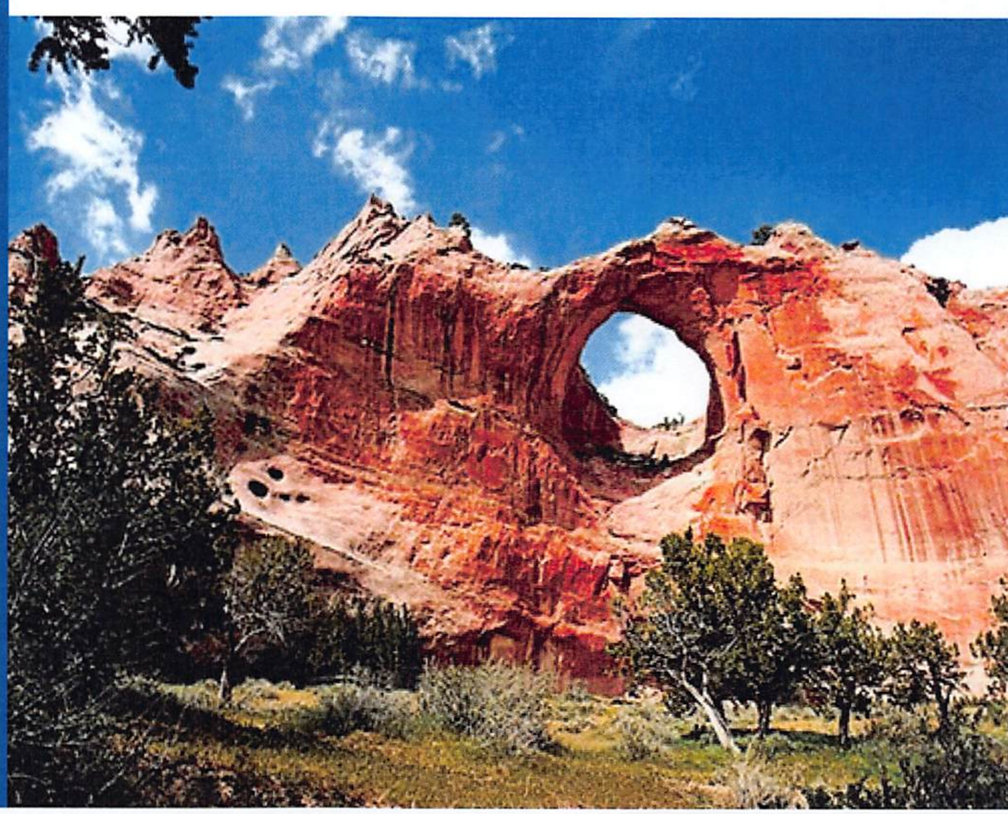
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Internal Audit of the San Juan Chapter



Report No. 26-01
October 2025

Performed by:
Heinfeld, Meech & Co.

Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

October 21, 2025

Angelita A. Benally, President
SAN JUAN CHAPTER
P.O. Box 1636
Fruitland, NM 87416

Dear Ms. Benally:

The Office of the Auditor General, in conjunction with Heinfeld, Meech & Co., P.C., has completed the internal audit of the San Juan Chapter. The audit objective was to determine whether the chapter maintained adequate internal controls to safeguard assets, ensure reliability of its financial reporting, and comply with applicable laws, regulations, policies and procedures. During the 12-month audit period ending March 31, 2025, our review has revealed the Chapter needs to strengthen controls with activities addressed by its five-management system. The following issues were identified:

FINDING I	:	The Chapter's financial audits are not current.
FINDING II	:	The Chapter's financial statement balances contained accounting errors and were unsupported. Financial reports were not shared with the community.
FINDING III	:	Chapter financial transactions were not supported by documentation.
FINDING IV	:	Banking activities were not administered to ensure Chapter financial activities was reconciled timely and reviewed.
FINDING V	:	Several Chapter transactions lacked proper authorization.
FINDING VI	:	Capital asset and depreciation records are not up-to-date resulting in incomplete reporting to the community.
FINDING VII	:	Chapter procurement policies were not adhered to.
FINDING VIII	:	The Chapter is not in compliance with the Office of Navajo Tax Commission and with IRS tax filing requirements.
FINDING IX	:	Scholarship assistance was not distributed in accordance with Chapter policy.
FINDING X	:	Segregation of duties were not documented for journal entries and Chapter policies do not include the procedures to be followed.
FINDING XI	:	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: Sophina A. Tyler, Vice President
Deidra Cly-Ryals, Secretary/Treasurer
Dinah Paul, Chapter Manager
Rickie Nez, Council Delegate
SAN JUAN CHAPTER
Jaron Charley, Department Manager II
Eliza-Beth Washburne, Senior Programs and Projects Specialist
ADMINISTRATIVE SERVICES CENTER/DCD
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Office of the Auditor General - The Navajo Nation
San Juan Chapter

We have completed our internal audit of San Juan Chapter for the 12-month period ended March 31, 2025. 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 expressed 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 the 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 San Juan 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 San Juan 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
September 30, 2025

Table of Contents

Findings and Recommendations

Finding I: The Chapter's financial audits are not current.

Criteria

Fiscal Management Policies and Procedures, section V.Q.1. states the San Juan Chapter shall require an audit of its financial operations as required by the funding sources or when deemed necessary that includes funds from the Navajo Nation, federal, state, county, and other sources.

Condition

The Chapter became Local Governance Act (LGA) certified in 2007. The most recent audit of the Chapter was for the fiscal year ended September 30, 2016, which was issued on July 20, 2018, and included an unmodified opinion.

Effect

Due to the lack of adherence to policy, the Chapter did not receive regular feedback on the financial statements' adherence to the accounting principles generally accepted in the United States (GAAP) and Government Auditing Standards (GAS).

Cause

There has been turnover in the Chapter Manager position since the last audit was conducted. The Chapter Manager only recently became aware of the requirement to obtain a financial audit.

Recommendation

1. The Chapter Manager should issue the request for proposal to solicit for an audit firm.
2. The Chapter Manager should work to obtain an audit of the most recent fiscal year and should share the results of the audit with chapter stakeholders, such as Chapter officials and community members.

Finding II: The Chapter's financial statement balances contained accounting errors and were unsupported. Financial reports were not shared with the community.

Criteria

Fiscal Policies and Procedures, section III.D.1. states the accounting system's primary objective is to provide reliable, accurate, and consistent financial information on a timely basis; safeguard the Chapter's assets; and provide reasonable assurance that the Chapter complies with all applicable laws and regulations.

Fiscal Management Policies and Procedures, section V.B.1 states the San Juan Chapter shall maintain at least one checking and one savings account at a financial institution with deposit insurance. Further, section V.G.1d. states that petty cash shall be maintained on an impress basis (cash in the petty cash box plus petty cash vouchers with receipts shall equal the petty cash fund amount of $100 at all times). Section V.G.1f. states the petty cash fund shall be replenished when equal to or less than $25, upon availability of funds.

Lastly, the Fiscal Policies and Procedures, section II.F indicates the Secretary/Treasurer is responsible for providing all financial reports to the Chapter membership at a duly called Chapter meeting.

Condition

During our review of the Chapter's Balance Sheet as of March 31, 2025, the following was noted:

- The Certified Chapter Fund 160K had a negative checking account balance of $150.20 and a negative fund balance of the same amount as a result of expenditures exceeding revenue in a prior year.
- Negative liabilities were reported in the CM/AA Salary Fund, LGA Grant Fund, and Chapter Stipend Fund. Chapter personnel did not reconcile payroll withholdings and payments each pay period.
- The Chapter had a balance of $35 reported in a savings account. The Chapter does not have a savings account; therefore, the balance was not supported.
- The Chapter had a petty cash balance of $100 reported on the Balance Sheet. The petty cash fund was not operated on an impress basis.

Lastly, during a review of Chapter meeting minutes, as of March 2025, financial information has not been presented for December 2024 or January 2025.

Effect

Monthly financial reports shared with internal and external stakeholders of the Chapter contained inaccurate financial information. Account balances were not reported in accordance with GAAP. The use of $100 in petty cash may not be documented. Financial information was not communicated by the Chapter administration and officials to the community as required, which impacts their ability to make informed decisions. A lack of transparency can impact the public's trust in the Chapter and in the officials and management.

Cause

The Chapter Manager and officials did not identify the negative balances as incorrect during the review of financial reports. The $35 savings account balance was not questioned by the Chapter Manager. The Chapter Manager was not aware that a petty cash fund had been established, nor of the requirement to maintain the account on an impress basis. The Administrative Assistant resigned in February 2025, and the Chapter Manager and Chapter Secretary/Treasurer did not step in to prepare the financial reports for the Chapter meetings. Because this task was not part of the Chapter Manager's job duties, it was overlooked once the Administrative Assistant position went vacant.

Recommendation

1. The Chapter officials, the Chapter Manager, and the Administrative Assistant should review Balance Sheet and Income Statement line items monthly for accuracy. Negative balances and unknown accounts should be investigated.
2. The Chapter Manager and Administrative Assistant should work with the Administrative Service Center (ASC) office to resolve the negative balances within the accounting records.
3. The Chapter Manager should perform a detailed accounting for the petty cash fund and should request training from the ASC on how to maintain the account properly and on an imprest basis.
4. The Chapter Manager and the Secretary/Treasurer will verify that all required financial statements are prepared prior to each monthly Chapter meeting.
5. In the event that the Administrative Assistant is absent or the position is vacant, the Chapter Manager should work with the ASC office to prepare the financial reports.

Finding III: Chapter financial transactions were not supported by documentation.

Criteria

Fiscal Management Policies and Procedures section V.E.2.b indicates that the Administrative Assistant will ensure that adequate supporting documents, such as invoices, quotes, claim forms, timesheets, etc., support the disbursements. Additionally, section V.E.2.c states the Administrative Assistant will review invoices to ensure that goods and/or services have been received, determine if funds are available, and submit the documents to the Chapter Manager. Further, per section V.E.2.d, the Chapter Manager will ensure all expenditures are allowable or comply with policies and procedures, if discounts apply, goods have been received, goods and services are acceptable and reasonable. The Chapter officials as check co-signers are also responsible for ensuring expenditures are properly and adequately supported prior to signing checks.

As noted in the Fiscal Management Policies and Procedures section V.H.1.g, personnel records for each employee shall be maintained at the Chapter Administration office. These records shall include but not be limited to Personnel Action Form, Employment Application Form, Employee Federal Withholding Allowance Certificate (W-4), Copy of Social Security Card, Voluntary Deductions Authorization, Employee Performance Evaluation Form, New Mexico New Hire Form, and Wage Garnishment.

Finally, as noted in the Fiscal Policies and Procedures section III.D.2, the accounting system is to provide accounting records that support all account balances, and must be properly maintained to provide financial accountability for the Chapter. Accounting records include source documents, journals, registers, ledgers, financial statements and other supplementary records.

Condition

The following was noted during a review of financial transactions during the audit year:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	Missing Documentation	Amount
General disbursement selections totaling $15,369.93	33	For one disbursement reviewed, the Chapter was unable to provide supporting documentation.	$ 51.57
		For five reviewed, a Fund Approval Form (FAF) was not maintained.	2,272.04
		For five disbursements reviewed, a vendor invoice was not maintained.	2,140.00
		For one disbursement reviewed, the Chapter was unable to provide the check and proper cancellation of supporting documentation.	125.00
Housing discretionary and archaeological assistance disbursements totaling $5,231.58	5	For one housing discretionary and archaeological assistance disbursement reviewed, proof of three quotes obtained was not provided. Only one quote was on file.	2,166.71
Scholarship assistance disbursements totaling $1,100	3	For one scholarship assistance disbursement reviewed, the Chapter did not maintain copies of the voter card, social security card, and Certificate of Indian Blood.	300.00
Journal entries totaling $132,863.35	5	For two of five journal entries reviewed, the entry was not supported by documentation.	5,691.58
Personnel files	9	For two personnel files reviewed, a copy of the employee's or parent's (if the employee was a minor) voter registration was not on file.	n/a
Payroll transactions totaling $14,131.52	13	For one employee payroll record reviewed, a FAF and check was not provided.	758.63
Payroll tax forms		The Form 941 for October-December 2024 was not provided.	n/a
Bank reconciliations		For five of 12 bank statements reviewed, the end of month checklist was not provided.	n/a
		For August 2024, the bank reconciliation was not provided.	n/a
		TOTAL	$ 13,505.53

Effect

When source documentation is not on file, the use of Chapter funds cannot be supported. Unsubstantiated purchases may result in financial losses to the Chapter. The Chapter is also unable to provide evidence of compliance with applicable laws and regulations.

Cause

The Chapter Manager and officials did not follow policies and procedures to verify supporting documentation prior to authorizing disbursements. The Chapter Manager was unaware the documentation was missing and that the filing systems were inadequate. Checklists were not utilized to the extent possible by the Chapter Manager or officials to verify documentation for completeness.

Recommendation

1. The Administrative Assistant should not prepare a FAF or check without verifying that all supporting documentation for the disbursement is on file (invoice, quotes, etc.).
2. The Chapter Manager and officials should verify documentation prior to signing FAFs or checks.
3. The Administrative Assistant should ensure that all documents are filed and kept according to the Chapter's record keeping policies.
4. The Administrative Assistant should utilize a comprehensive checklist to ensure vendor and personnel files contain all required documents.
5. The Chapter Manager should conduct regular reviews of Chapter files and checklists to verify supporting documentation is in order.

Finding IV: Banking activities were not administered to ensure Chapter financial activity was reconciled timely and reviewed.

Criteria

Fiscal Management Policies and Procedures section V.F.1.b. indicates the reconciliation shall be completed within three (3) days of receipt of a bank statement, dated and initialed by the reviewer. Also, as noted in the Fiscal Management Policies and Procedures section V.F.2.f-g, the preparer will sign and date the reconciliation and the Chapter Manager will verify for accuracy and initial to acknowledge review.

Condition

The following was noted during review of the Chapter's checking account bank reconciliations for the year:

- For 11 of 12 bank statements reviewed, the date the statement was received was not documented; therefore, it could not be determined if the reconciliation was completed within three days of receipt.
- The bank reconciliations reviewed for 11 of 12 months were not signed by the preparer or approver.

Effect

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

Cause

The Chapter Manager prints the statement when retrieved online and was not aware of the need to document the date. In addition, the Chapter Manager was not aware the policies and procedures state that the reconciliation should be signed by the preparer and reviewer.

Recommendation

1. The Chapter Manager should record the date the bank statements are downloaded from the bank, as support for compliance with Chapter policy.
2. The Administrative Assistant should sign and date the reconciliations as the preparer before sending them to the Chapter Manager for approval. The Chapter Manager should verify the bank reconciliations are signed and dated by the preparer and then review the reconciliations for completeness and accuracy and sign and date as evidence of approval.
3. Chapter officials should verify bank reconciliations are performed and reviewed timely as evidenced by signatures and dates during the monthly financial review process.

Finding V: Several Chapter transactions lacked proper authorization.

Criteria

Fiscal Management Policies and Procedures section V.E.1,b. states the Chapter Secretary/Treasurer and Chapter Manager shall ensure cash disbursements comply with fund guidelines and conditions of appropriations. Additionally, Procurement Policies and Procedures Manual section IV.A.4, states the Chapter Manager will review the request for expenditure for reasonableness, necessity, budget and fund expenditure compliance and either approves or denies the request. Lastly, Fiscal Management Policies and Procedures section V.H.3.j, states the Chapter Manager's timesheet and payroll check will be reviewed and signed by the Chapter Manager's immediate supervisor.

Condition

Chapter disbursements were reviewed and the following transactions lacked proper authorization:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	Lack of Approval	Amount
General disbursement selections totaling $15,369.93	33	For 19 disbursements reviewed, the FAF was approved after the invoice date.	$ 9,152.72
		For two disbursements reviewed, the vendor invoice was not maintained, so it could not be determined if the FAF was approved before goods/services were received.	400.00
Payroll transactions totaling $14,131.52	13	For two employee payroll records reviewed, the timesheet was not signed by the supervisor.	3,860.00
		For one employee payroll record reviewed, a FAF did not have two authorized signatures.	382.25
		TOTAL	$ 13,794.94

Effect

Transactions totaling $13,794.94 were executed without following policy. When transactions lack authorization, there is a greater risk of the misuse or misappropriation of Chapter funds.

Cause

The Chapter executed purchases without preauthorization. The Administrative Assistant did not prepare and the Chapter Manager did not approve the FAFs prior to the initiation of purchases. The Chapter lacked an effective process to document the receipt of goods and services. Chapter officials lacked consistent oversight over Chapter Manager pay.

Recommendation

1. The Administrative Assistant should prepare a FAF indicating the date, amount, check number, account number and fund availability.
2. The Chapter Manager should review each fund disbursement for necessity, reasonableness and budgetary authorization.
3. The Chapter Manager's immediate supervisor should review and sign all timesheets before payroll is processed.

Finding VI: Capital asset and depreciation records are not up-to-date resulting in incomplete reporting to the community.

Criteria

Property Management Policies and Procedures section II.J states that Chapter property and equipment of significant values ($1,000.00 and over) shall be capitalized and recorded in the Chapter's fixed asset accounts. Additionally, Property Management Policies and Procedures section III.A.1.e states the Chapter Manager shall reconcile the chapter inventory list maintained by the Office Specialist on an annual basis. Lastly, the Property Management Policies and Procedures, section V.B.3 lists out the procedures for identifying, classifying, and recording inventory.

Condition

The following was noted during the review of Chapter asset information:

- Asset and accumulated depreciation amounts have not been updated in the MIP system or in the General Fixed Assets Fund on the Balance Sheet since 2019.
- During the review of capital purchases totaling $96,871:
  - The purchase of a truck for $78,559 was not added to the inventory listing nor posted to the MIP system.
  - The purchase of a dump trailer for $13,900 was not added to the inventory listing nor posted to the MIP system.
- The Summary Asset Ledger from the MIP system included three asset IDs containing multiple assets that would require separate reporting and tags.
  - Asset ID 037 – 2 HP Probook laptops valued at $2,293.24 in total
  - Asset ID 034 – 3 HP computers valued at $4,405.01 in total
  - Asset ID 019 – 3 tables with benches valued at $4,776.57 in total
- An inventory is completed annually for insurance purposes, but the results were not comprehensive nor reconciled to the Summary Asset Ledger from the MIP system for proper Balance Sheet reporting.

Effect

The Chapter is misstating the value of total assets and is understating annual depreciation expense and accumulated depreciation in the financial statements. Further Chapter property may be underinsured, leaving the Chapter exposed to full or partial liability in the event of property loss.

Cause

Chapter personnel lack an understanding of asset management and reporting requirements.

Recommendation

1. The Chapter Manager and Administrative Assistant should request training in the area of property control and asset reporting from the ASC office.

2. The Administrative Assistant and Chapter Manager should identify all assets requiring capitalization and should review items currently grouped. Additionally, assets requiring capitalization purchased since September 30, 2019 should be identified for entry into MIP. Any assets in MIP disposed of since September 30, 2019 should be removed.
3. The Chapter Manager should reconcile the yearly inventory to the MIP Summary Asset Ledger so that the financial statements will be complete and accurate. This should be verified by the Chapter officials.

Finding VII: Chapter procurement policies were not adhered to.

Criteria

Procurement Policies and Procedures section II.J.3 states that for any check disbursed that is equal to or greater than $2,500 [and less than $50,000], the Chapter shall obtain three (3) written quotations. Further, section II.J.5 states procurement contracts exceeding $50,000 shall be governed by the rules and procedures pursuant to the Navajo Nation Business Opportunity Act, N.N.C. Title 5, and enumerated herein at Section V of the procurement policy and procedures manual.

Condition

The following was noted during our review of three transactions requiring procurement action:

- Written quotations were not obtained for purchases with two vendors totaling $38,604.02.
- A competitive sealed bid was not obtained for a vehicle purchase totaling $78,558.98.

Effect

When procurement procedures are not followed, the Chapter prohibits competition and transparency, which may lead to the purchase of less effective or more costly goods and services.

Cause

The Chapter Manager indicated a lack of knowledge regarding the procurement practices to be followed.

Recommendation

1. The Chapter Manager should review the Chapter's Procurement Policies and Procedures Manual.
2. The Chapter Manager should request procurement training from the ASC office.
3. The Administrative Assistant should obtain written quotations and work with the Chapter Manager to issue a competitive sealed bid or proposal when required.

Finding VIII: The Chapter is not in compliance with the Office of Navajo Tax Commission and with IRS tax filing requirements.

Criteria

The Tax Administration Regulations, section 1.146.D, state 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.

Form 941 *Employer's Quarterly Federal Tax Return* is due at the end of the month following the quarter end to the Internal Revenue Service (IRS).

Condition

As of April 15, 2025, the Chapter is registered and not in compliance with the Office of the Navajo Tax Commission. The Chapter was not timely in the submission and payment of the sales tax return for the first quarter of 2024. The Chapter did not file and did not pay the sales tax return for the third quarter of 2024.

Form 941 for the first quarter of 2025 ending March 31, 2025 was not submitted timely. The form was filed May 5, 2025.

Effect

The Chapter is in violation with Tax Administration and IRS Regulations, which could result in monetary penalties.

Cause

The late filings were due to absences of the Administrative Assistant and later the vacancy of the position. The Chapter Manager was unaware of the sales tax form and Form 941 filing dates when completing the task. Because this was not originally part of the Chapter Manager's job duties, it was overlooked once the Administrative Assistant position was vacant.

Recommendation

1. The Administrative Assistant should prepare the information and remit the Navajo Nation sales tax and federal tax filings in a timely manner.
2. The Chapter Manager should verify the information and timeliness prior to submission to the Navajo Nation Tax Commission and the IRS.
3. In the event of an Administrative Assistant position vacancy, the Chapter Manager should work with the ASC office to ensure tax documents and reports are prepared and filed in a timely manner.

Finding IX: Scholarship assistance was not distributed in accordance with Chapter policy.

Criteria

The Fiscal Management Policies and Procedures section V.K.3 states that all assistance shall be awarded based on availability of funds and in accordance with the limits set forth in the policies approved by the Chapter.

Condition

The Chapter awarded scholarship funds to two individuals totaling $800. The amounts distributed were not in accordance with the Chapter's Scholarship/Student Financial Assistance policies. The Chapter student scholarship program offers $700 for full-time students and $350 for part-time students. The Chapter Manager indicated the underlying funds came from Navajo Transitional Energy Company (NTEC), however there was no written documentation as to how the award amounts were determined.

Effect

It is undeterminable as to whether locally received funds were expended appropriately.

Cause

The Chapter Manager was unable to locate documentation related to the NTEC scholarship disbursement criteria and award amounts.

Recommendation

1. The Chapter officials and Chapter Manager should research and identify what the Chapter approved the monies from NTEC is to be utilized for. The Chapter Manager could contact the vendor or ASC office for information if needed.
2. The Chapter Manager should outline the use of NTEC funds for approval by the community if documentation cannot be located prior to authorizing future disbursements.

Finding X: Segregation of duties were not documented for journal entries and Chapter policies do not include the procedures to be followed.

Criteria

The Fiscal Management Policies and Procedures section III.D.2 states the accounting system is to provide accounting records that support all account balances, and must be properly maintained to provide financial accountability for the Chapter. Accounting records include source documents, journals, registers, ledgers, financial statements and other supplementary records. As a best practice, adequate separation of duties over initiating, approving, and recording must be in place related to journal entries. The Chapter Manager should review and approve journal entries before they are recorded in the accounting records.

Condition

For all five journal entries reviewed totaling $132,863.35, the entry was not prepared and approved by different individuals. In addition, the Chapter's Fiscal Management Policies and Procedures manual do not reference controls over journal entries.

Effect

Without adequate internal controls in place over journal entries, financial data can be modified without review or authorization which could lead to misuse of Chapter funds or fraud.

Cause

The Chapter Manager was not aware that journal entries require the involvement of a minimum of two individuals and that the Fiscal Management Policies and Procedures do not include the process to be adhered to for journal entries at the Chapter.

Recommendation

1. The Administrative Assistant, Chapter Manager, and ASC office should work together to ensure two individuals, at minimum, are involved with each journal entry.
2. The preparer and approver of each journal entry should be required to sign and date the system journal entry report as evidence of segregation of duties.
3. The Chapter Manager should develop written procedures for journal entry processing at the Chapter.

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

Criteria

Fiscal Management Policies and Procedures section V.E.1.g states the Chapter chart of accounts shall be used to determine the appropriate accounts to which the disbursement shall 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 Used	Description	Amount
Capital disbursement selections totaling $96,871.08	6	6813 - Infrastructure - Land Improvement	Three building repairs were coded to 6813 - Infrastructure - Land Improvement rather than 6504 - Repair and Maintenance - Buildings.	$ 4,050.00
General disbursement selections totaling $15,369.93	33	6600 - Consultant Expense	An alarm system with installation was coded to 6600 (Consultant Expense) rather than 6802 (Equipment).	2,170.24
		6302 - Printing/Binding	A newspaper ad was coded to 6302 (Printing/Binding) rather than 6610 (Advertisement/Promotional Expense).	407.04
		6351 - Purchases - Grain	General supplies from Sam's Club were coded to 6351 (Purchases - Grain) rather than 6300 (Office Supplies).	5.40
		6353 - Purchases - Wood	The cost to pay an individual to haul wood was coded to 6353 (Purchases - Wood) rather than 6603 (Other Professional Services).	1,440.00
		6503 - Repair & Maintenance - Vehicles	Late charges were coded to 6503 (Repair & Maintenance - Vehicles) rather than 6617 (Late Charges). Additionally, late charges are not an appropriate use of Chapter funds.	47.24
		6608 - Training and Tuition	Meal preparation services and a Zumba exercise class were coded to 6608 (Training and Tuition) rather than 6603 (Other Professional Services).	300.00
			TOTAL	$ 8,419.92

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 Administrative Assistant and Chapter Manager.

Recommendation

1. The Administrative Assistant should consult the chart of accounts when preparing a FAF and the Chapter Manager should consult the chart of accounts when approving the FAF.
2. The Chapter Manager 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 San Juan Chapter for the 12-month period ended March 31, 2025.

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

The San Juan 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 San Juan Chapter are enumerated in Title 26, LGA of the Navajo Nation Code. San Juan Chapter has been LGA certified since 2007.

The local chapter government is managed by the Chapter Manager with administrative support provided by an Administrative Assistant. The Chapter Manager has been in this position at the Chapter for 3 years and the Administrative Assistant position was vacant as of February 2025. 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/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/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 including financial assistance, capital and travel disbursements for internal controls and compliance requirements by using a non-statistical, judgmental method.

Chapter Response

SAN JUAN CHAPTER

October 13, 2025

RECEIVED
OCT 17 2025
OFFICE OF THE AUDITOR GENERAL

ATTN: Jeanine Jones, CFE, MFA
Auditor General
PO Box 708
Window Rock, AZ 86515

FROM: Angelita A. Benally, President
Sophina A. Tyler, Vice-President
Deidra Cly-Ryals, Secretary/Treasurer
Dinah Paul, Chapter Manager

Subject: San Juan Chapter Written Response of Internal Audit Report and Corrective Action Plan

The San Juan Chapter has received and reviewed the final draft of the Internal Audit report. The Chapter acknowledges and accepts the audit findings presented during the Exit Meeting held on September 19, 2025, and has formally begun developing a Corrective Action Plan (CAP) based on the recommendations provided.

The San Juan Chapter is taking immediate steps to address all audit findings and remains committed to fully implementing all recommendations to strengthen operations and improve internal controls.

As a LGA Certified Chapter, the San Juan Chapter will work closely with the Shiprock Administrative Service Center and other appropriate agencies to obtain technical assistance and ensure the chapter is in full compliance. We remain dedicated to maintaining accountability, transparency, and sound governance through the continued implementation of the Five Management System.

The San Juan Chapter reaffirms its commitment to upholding the highest professional standards and maintaining the trust and confidence of our community.

If you have any questions, please contact us or the San Juan Chapter at (505)9606916 or via email at sanjuan@navajochapters.org.

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