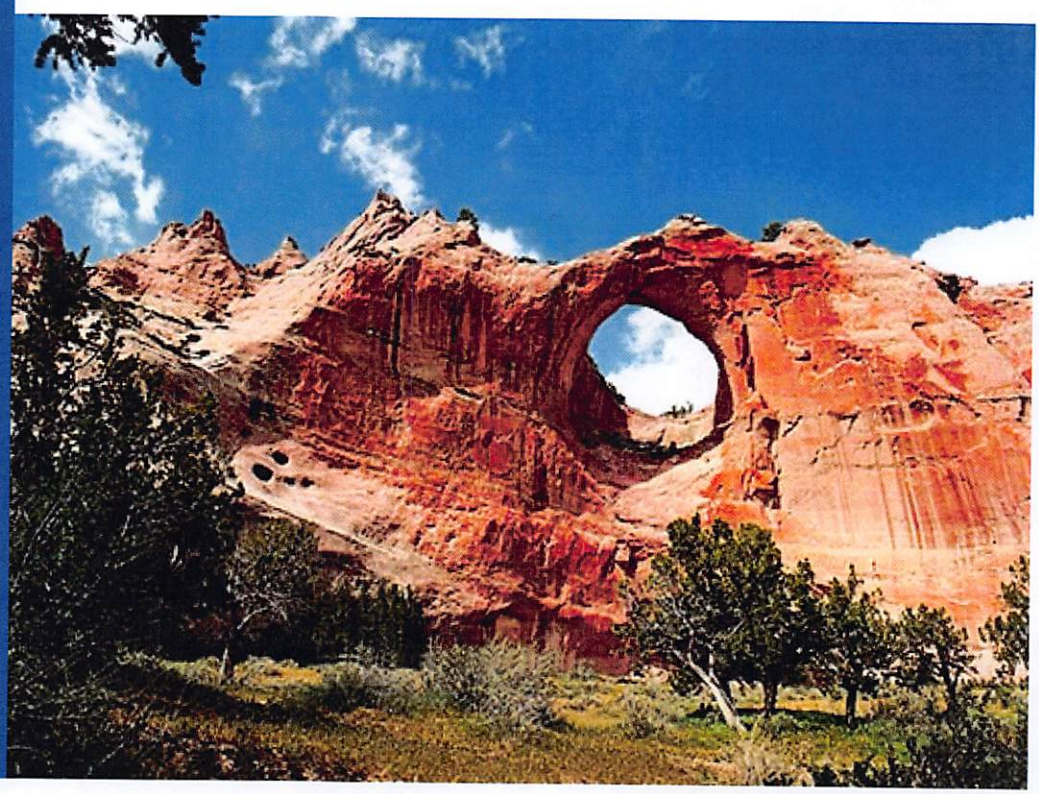
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

4th Follow-Up Review of the Leupp Chapter Corrective Action Plan Implementation



Report No. 26-05
March 2026

Performed by:
Jimmizan Redhorse, Associate Auditor
Beverly Tom, Principal Auditor

Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

March 27, 2026

Leota Jordan, President
LEUPP CHAPTER
CPO Box 5428
Cuba, NM 87013

Dear Ms. Jordan:

The Office of the Auditor General (OAG) herewith transmits audit report no. 26-05, a 4th Follow-up Review of the Leupp Chapter Corrective Action Plan (CAP) Implementation.

BACKGROUND

In 2014, OAG performed a Special Review of the Leupp Chapter and issued audit report no. 14-20. A CAP was developed by the Leupp Chapter in response to the review. The audit report and CAP were approved by the Budget and Finance Committee on April 7, 2015, per resolution no. BFAP-10-15.

In 2017, a follow up review was completed and determined the chapter did not fully implement the CAP. As such, OAG recommended imposing sanctions on the Chapter and Chapter officials in accordance with 12 N.N.C Section 9. However, the Budget and Finance Committee, per resolution no. BFO-28-17, approved to extend the implementation of the CAP to January 12, 2018, to allow the newly elected Chapter officials additional time to implement the CAP. The resolution authorized the recommended sanctions to be implemented if it is deemed the Leupp Chapter did not fully implement its CAP based on a subsequent review by the Auditor General.

In 2018, a 2nd follow-up review was completed and concluded that the Leupp Chapter still had not fully implemented the CAP. Therefore, in accordance with resolution no. BFO-28-17, sanctions on the Chapter and its officials went into effect on March 30, 2018.

In 2020, a 3rd CAP follow-up review was conducted, and sanctions remain impose on the Chapter and its officials since the Leupp Chapter did not fully implement its CAP.

OBJECTIVE AND SCOPE

The objective of the 4th follow-up review is to determine whether Leupp Chapter has fully implemented its CAP based on a six-month review period from July 1, 2025, to December 31, 2025.

SUMMARY

Of the 15 corrective measures, the Leupp Chapter implemented 3 (20%) corrective measures, leaving 12 (80%) not fully implemented. See Exhibit A for the details of our review results.

CONCLUSION

Based on the review results and the risks that remain as a result of the non-implementation, OAG concludes that sanctions shall remain imposed on the Chapter and its officials pursuant to 12 N.N.C. 9 (B) and (C). Once the Leupp Chapter fully implements its CAP, all withheld funds will be released to the Chapter and officials.

We thank the Leupp Chapter administration and officials for assisting in this 4th follow-up review.

Sincerely,

Jeanine Jones, CFE, MPA
Auditor General

xc: Raymond Thompson, Vice-President
Vaughntrevia Biakeddy, Secretary/Treasurer
Vida Golaway, Chapter Manager
Casey Allen Johnson, Council Delegate
LEUPP CHAPTER
Jaron Charley, Department Manager II
Milford Maloney, Senior Programs & Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

REVIEW RESULTS
Leupp Chapter Corrective Action Plan Implementation
Review Period: July 1, 2025 to December 31, 2025

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	*Audit Issue Resolved?*	Review Details
1. Chapter projects were not properly managed.	1	1	0	**Yes**	Attachment A
2. No inventory controls for unused housing materials.	4	1	3	**Yes**	
3. Fixed assets were not recorded in the accounting system and the financial statements.	2	0	2	**No**	Attachment B
4. Annual physical count of Chapter property/equipment was not performed.	1	0	1	**No**	
5. Perpetual inventory was not maintained for resale items.	4	0	4	**No**	
6. Monitoring of Chapter activities was not performed.	3	1	2	**No**	
TOTAL:	**15**	**3**	**12**	**2 - Yes 4 - 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.

◆ 2025 STATUS	**Chapter projects were not properly managed.** **RESOLVED**

For the review period, the Chapter did not have any capital outlay expenditures. As of December 31, 2025, the Chapter had capital outlay funds available in the amount of $56,166.

In accordance with the CAP, the Chapter developed a checklist for planning construction projects, advertising and selecting qualified contractors, and monitoring projects. The checklist improves project management to meet their intended purposes.

Overall, the risk of misuse and waste of chapter's resources has been minimized, and the audit issue is reasonably resolved.

◆ 2025 STATUS	**No inventory controls for unused housing materials.** **RESOLVED**

The prior review cited the Chapter did not have information on housing-related materials stored in the warehouse. As of June 2025, an inventory sheet was prepared with information about the remaining quantity of the materials. A walk through was conducted of two warehouses to find toilets, fencing materials, boards, insulation, and cement which remain to be stored in the warehouse. The Chapter Manager explained the materials were purchased in prior years by the former Chapter administration. The Chapter Manager further stated the materials have not been used and remain stored in the warehouse.

Disbursements for eight housing assistance recipients totaling $7,345 were examined for accountability of housing materials. The Chapter established a project confirmation form to account for housing materials with photos. All housing materials are accounted for on the form.

Overall, the risk that the Chapter will not detect materials that may have been stolen or misused has been minimized, and the audit issue is reasonably resolved.

◆ 2025 STATUS	**Fixed assets were not recorded in the accounting system and the financial statements.** **NOT RESOLVED**

The Chapter reported 40 fixed assets totaling $1,317,456 in the financial statements as of December 31, 2025. In verifying the reliability of this reported value, we noted the following discrepancies:

- Values for the chapter house, community center, senior center, yellow warehouse, galvanize warehouse, old fire station, log splitter, and John Deere 310 SL backhoe did not reconcile between the chapter inventory and accounting system.
- Security bars, computers, brown leather desk chairs, security cameras, chapter parking lot, record fixed assets, and GIS mapping software totaling $27,834 were reported in the accounting system but not on the chapter inventory.
- Old preschool, storage shed, mailboxes, stove hood – green heck, xerox workcentre, quartet enclosed cabinet whiteboard, gooseneck trailer, and two flatbed trailers totaling $100,355 were not reported in the accounting system.
- There is a variance of $704,124 between the total value of fixed assets posted in the accounting system and the total value recorded in chapter inventory.
- Supporting documentation for the fixed assets could not be found on file. The audit staff provided documentation of the December 11, 2019 appraisal and invoices/receipts on file from the prior audit to assist the Chapter administration to start reconciling fixed asset values in the accounting system.

Since the prior review and staff turnover, the Chapter has yet to address this finding. As of this review, the Chapter administration and officials were not fully informed by Tuba City Administrative Service Center (ASC) that fixed assets were posted in the accounting system. The accounting system was returned to the Chapter on November 4, 2025, and the Chapter administration have not received a walk through on the accounting system for the period it was managed by ASC to verify the accuracy of the accounting system. Furthermore, the Chapter administration continues to wait on ASC to provide training on the fixed asset module. The fixed assets reported in the financial statements continue to be misstated thus rendering financial statements as unreliable. Therefore, the audit issue remains unresolved.

◆ 2025 STATUS	**Annual physical count of Chapter property/equipment was not performed.** **NOT RESOLVED**

The Chapter administration, with the assistance of the Summer Youth Employees, performed an annual physical count of property in June 2025 and documented a handwritten physical inventory. The physical inventory is missing pertinent information such as property identification numbers and values. A comparison of the handwritten physical inventory to the finalized chapter inventory identified 96 property items reported on the chapter inventory were not reported on the physical inventory. Furthermore, the Chapter purchased a storage shed and received donated items of televisions and blue chairs which were not added to the physical inventory. With the missing information and omissions, the Chapter's physical inventory was deemed incomplete.

There is still no full accountability of chapter property, and the risk of monetary losses remains if items go missing without detection. Overall, an annual physical count of the Chapter's

property was completed but the physical inventory was not updated to include new items. Therefore, the audit issue remains unresolved.

◆ 2025 STATUS	**Perpetual inventory was not maintained for resale items.** **NOT RESOLVED**

For the review period, the Chapter did not have any resale activity however the Chapter distributed hay, grain, mineral blocks, salt blocks, and firewood and were free to community members with grazing permit(s) and registered voters. The Chapter resale policies and procedures have been in place since 2010 which requires perpetual inventory for resale activities as well as physical counts of inventories on a monthly basis, recording of sales and spoilage and the reconciliation of inventories. Nonetheless, to verify if sufficient controls are in place to ensure a perpetual inventory is maintained for future resale activities, we evaluated the distributions of hay, grain, mineral blocks, salt blocks, and firewood. The following discrepancies were noted:

- A physical count was not documented by the chapter staff and Public Employment Program workers at the time of delivery and at the end of each day during the distribution.
- A perpetual inventory was not completed with distribution and adjustments by Chapter staff and Grazing Official to ensure all items were distributed to community members.
- The Chapter administration and/or officials did not reconcile physical count to the perpetual inventory.

A compilation using chapter records for each distribution activity was used and found the following discrepancies:

Time period for distribution (Approximately)	Items	Quantity	Unit Cost	Distributed with no cost	Adjustments	Quantity On Hand	Total $ Amount On Hand
March 2024 to May 2024	Hay	1,968	$17.50	1,430	12	526	$9,205
December 2024 to January 2025	Grain	250	$14.00	118	0	132	$1,848
December 2024 to January 2025	Mineral Blocks	100	$9.00	41	0	59	$531
December 2024 to January 2025	Salt Blocks	150	$9.00	37	0	113	$1,017
July 2025 to December 2025	Firewood	331	$0.00	260	0	71	$0

*Compiled using the chapter's distribution listing and acknowledgement forms.

On March 20, 2026, the Chapter administration compiled the hay distribution shown below at the end of fieldwork. Using the Chapter's confirmation letter which documents how many bales of hay an individual received with a signature, the Chapter compiled the hay distribution and reported that 77 hay bales remain on hand. However, the Chapter administration also compiled the distribution listings which provide how much hay was distributed and it was identified that 526 hay bales remain on hand. The Chapter did not reconcile between the confirmation letter and distribution listings.

	Item	Quantity	Distributed	Adjustments	Quantity On Hand
Confirmation Letter	Hay	1,968	1,880	11	77
Distribution Listings			1430	12	526

There were no distribution items on hand, however the tables above shows items to be on hand. Overall, the Chapter did not maintain a perpetual inventory system of their distributions in accordance with resale policies and procedures. Therefore, audit issue is unresolved.

◆ 2025 STATUS	**Monitoring of Chapter activities was not performed.** **NOT RESOLVED**

Monitoring chapter activities has not improved. In the absence of effective monitoring, the Chapter Manager and officials did not detect the following:

- The fixed assets amount reported in the financial statements has yet to be verified for accuracy since the prior 2020 follow up review.
- Property inventory is not verified for completeness and accuracy.
- Perpetual inventory of distributions shows items remain on hand however there were no items found in the warehouses except for wood which is an ongoing distribution for the community membership.
- Based on a sample of 29 disbursements, totaling $34,873, the following discrepancies were noted:
    - Eleven disbursements totaling $11,375 did not have quotations as supporting documentation to provide proof of competitive procurement.
    - Sixteen disbursements totaling $18,202 were not supported with an original invoice/receipt.
    - Three disbursements totaling $1,357 did not have fund approval forms approved by Chapter Manager and/or Chapter official.
    - Food purchases totaling $842 did not comply with the Unhealthy Food Tax Fund since the items 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 does not have a system of independent checks in place to ensure chapter operations are transparent, resources are utilized with accountability, and the Chapter complies with applicable laws and regulations. Without proper monitoring by the Chapter Manager and officials, deficiencies were not detected and addressed in a timely manner. Consequently, corrective actions for improvements were not fully implemented and various risks remain.

Overall, the monitoring by Chapter officials is not consistent with LGA. Therefore, audit issue is unresolved.