OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-up Review of the Shonto Community Governance Corrective Action Plan Implementation

Report No. 26-07
March 2026

Performed by:
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Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

March 31, 2026

Marsha Greyeyes, President
SHONTO COMMUNITY GOVERNANCE
P.O. Box 7800
Shonto, AZ 86054

Dear Ms. Greyeyes:

The Office of the Auditor General herewith transmits audit report no. 26-07, a Follow-up Review of the Shonto Community Governance Corrective Action Plan Implementation.

BACKGROUND

In 2020, the Office of the Auditor General performed a Special Review of the Shonto Community Governance and issued audit report 20-09. A corrective action plan (CAP) was developed by the Shonto Community Governance in response to the audit. The audit report and CAP were approved by the Budget and Finance Committee on January 17, 2024, per resolution no. BFJA-02-24.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Shonto Community Governance fully implemented its CAP based on a six-month review period from May 1, 2025 to October 31, 2025.

SUMMARY

Of the 79 corrective measures, the Shonto Community Governance implemented 48 (61%) corrective measures, leaving 31 (39%) not fully implemented. See Exhibit A for the details of our review results.

CONCLUSION

Title 12 N.N.C Section 8 imposes upon the Shonto Community Governance the duty to implement the CAP according to the terms of the plan. As for this follow-up review, the Shonto Community Governance did not fully implement its CAP. Therefore, some audit issues remain unresolved.

It has been six years since the issuance of the initial audit report. Although the Chapter had ample opportunity to implement the corrective action plan, we also recognize the Chapter has newly elected officials. Considering this, the Auditor General hereby grants the Shonto Community Governance a six-month extension from the date of this report to continue implementing its CAP. The Office of the Auditor General will conduct a 2nd follow-up review after September 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 Shonto Community Governance administration and officials for assisting in this follow-up review.

Sincerely,

Jeanine Jones, CFE, MFA
Auditor General

xc: Robert K. Black, Jr., Vice President
Arlene Laughter, Secretary/Treasurer
Elizabeth Whitethorne-Benally, Governance Manager
Herman M. Daniels, Jr., Council Delegate
SHONTO COMMUNITY GOVERNANCE
Jaron Charley, Department Manager II
Lena Poyer, Senior Programs & Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

Exhibit A

REVIEW RESULTS
Shonto Community Governance Corrective Action Plan Implementation
Review Period: May 1, 2025 to October 31, 2025

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	*Audit Issue Resolved?*	Review Details
1. Five Management System policies and procedures are inconsistent with applicable Navajo Nation Law.	4	4	0	**Yes**	Attachment A
2. The Chapter's accounting system does not provide reliable financial information.	6	6	0	**Yes**	
3. The Chapter does not comply with cash receipt policies and procedures.	9	6	3	**Yes**	
4. Chapter property is not insured.	4	4	0	**Yes**	
5. Travel expenditures are not properly approved, accurately calculated, and supported with appropriate documentation.	6	6	0	**Yes**	
6. Wages totaling $19,454 were paid for hours not worked by employees.	6	5	1	**Yes**	
7. $129,952 of PEP/SYE expenditures cannot be supported with documentation.	7	6	1	**Yes**	
8. The Chapter's current filing system is inconsistent with its FMS records management policy.	4	4	0	**Yes**	
9. The Chapter was LGA certified in 1999 but to date, only two financial audits were	3	2	1	**No**	Attachment B

completed and no corrective action plans to address the findings.					
10. Poor property controls impede proper identification, tracking and recordkeeping of Chapter property.	5	2	3	**No**	
11. Fixed assets are not reported in the financial statements and cannot be supported with documentation.	6	1	5	**No**	
12. Contractors are hired contrary to procurements policies and procedures.	4	0	4	**No**	
13. A contractor was paid $30,400 for work that could not be verified.	5	1	4	**No**	
14. Staff earned and used leave hours that were not due to them.	6	1	5	**No**	
15. The Chapter arbitrarily changed the Office Specialist's employment status from temporary to permanent without following personnel policies and used PEP funds for a permanent position.	4	0	4	**No**	
TOTAL:	**79**	**48**	**31**	**8 - Yes 7 - 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.

◆ 2026 STATUS	**Issue 1: Five Management System policies and procedures are inconsistent with applicable Navajo Nation Law.** **RESOLVED**

Since the initial 2020 audit, the Shonto Community Governance (SCG) made amendments to the FMS manual and submitted it for Department of Justice (DOJ) review. Comparison of the amended policies to the 1999 FMS manual noted that SCG made updates to staff position titles and made minor policy updates. DOJ reviewed the revised FMS manual and provided feedback to SCG which did not include major policy changes or edits.

The Fiscal policy was selected for review, and it was noted that some areas may benefit from further clarification. Areas for the SCG to consider include the following:

Fiscal Policy

1. Cash receipts: a) segregate responsibilities for posting receipts and depositing and b) require the Governance Manager to reconcile cash, receipt tickets, daily cash count form, receipt summary sheet, posted receipts, and deposit slip prior to deposit.
2. Disbursement: a) include a policy against loans and signing blank checks and b) clarify individuals responsible for each step of the process.
3. Bank account: require electronic transfers to be documented and approved.
4. Bank reconciliation: require the Governance Manager to verify the accuracy of the bank reconciliation before presenting it to the membership.
5. Payroll: a) include procedures for review and approval of the Governance Manager payroll.
6. Travel: a) include procedures for review and approval of the Governance Manager travel.
7. Include policies for documenting and approving journal vouchers.

Regular updates to policies are beneficial to improve operational efficiency, identify clear roles and responsibilities, clarify expectations, and reduce vulnerabilities that may interfere with meeting goals and objectives. SCG should routinely evaluate policies and make amendments as needed.

Overall, SCG amended the FMS manual, held public hearings on the changes, obtained community approval through resolution, and obtained legal review. As such, SCG has reasonably resolved the audit issue.

◆ 2026 STATUS	**Issue 2: The Chapter's accounting system does not provide reliable financial information.** **RESOLVED**

In FY2025 and FY2026, all internal, external, and Navajo Nation funds were accurately posted to the accounting system in accordance with approved budgets. However, SCG did not have a detailed budget for the FY2025 2nd allocation totaling $197,261.

In addition, the bank reconciliation matched the balance sheet as of September 2025. The Governance Manager and officials review the bank reconciliation and balance sheet for accuracy during the monthly monitoring reviews.

SCG should verify that all funds have a detailed budget in place in accordance with the Navajo Nation Budget Instruction Manual. Overall, SCG made improvements by developing budgets and accurately posting approved budgets to the accounting system. Therefore, SCG has reasonably resolved the audit issue.

◆ 2026 STATUS	**Issue 3: The Chapter does not comply with cash receipt policies and procedures.** **RESOLVED**

Cash receipt activity for three weeks (92 cash receipt tickets) of the review period was examined. All funds were reconciled daily, posted, safeguarded in a safe, and deposited intact. However, the following control issues were noted:

1. Cash receipts were posted monthly instead of daily. However, all receipts were posted and the Administrative Assistant recently made the change to post daily.
2. Deposits were made monthly rather than weekly due to the distance to the bank. However, SCG recently made a change to deposit cash more often.
3. The Governance Manager verifies the cash against the cash receipt tickets and cash count form daily and signs the cash count form. However, the Governance Manager is not reconciling cash receipt tickets to the posted receipts for accuracy before depositing cash.

SCG should continue to improve controls to comply with policies. Considering all cash is reconciled daily, posted, safeguarded and deposited, SCG has reasonably resolved the audit issue.

◆ 2026 STATUS	**Issue 4: Chapter property is not insured.** **RESOLVED**

SCG timely submitted the Underwriting Exposure Summary with the inventory to the Risk Management Program. Premiums were paid timely to ensure property and equipment were covered by insurance.

SCG has reasonably resolved the audit issue.

◆ 2026 STATUS	**Issue 5: Travel expenditures are not properly approved, accurately calculated, and supported with appropriate documentation.** **RESOLVED**

Ten travel expenditures totaling $4,985 were examined. SCG approved travel authorization forms, advances and reimbursements were accurately paid, and expenses were supported with required documentation including travel authorization forms, expense reports, travel reports, and receipts.

SCG has reasonably resolved the audit issues.

◆ 2026 STATUS	**Issue 6: Wages totaling $19,454 were paid for hours not worked by employees.** **RESOLVED**

32 payroll expenditures totaling $38,022 were examined. Wages were paid for actual hours worked by the administrative staff and temporary employees. However, the following control issues were noted:

1. Absences for four payroll expenditures did not have approved leave forms on file for temporary employees, but hours were not paid.
2. Compensatory time absences for five payroll expenditures were not recorded to leave forms but were recorded to the sign in sheet and timesheet.

The Governance Manager should consistently require employees to submit leave forms for all absences from work. Overall, wages were paid for actual hours worked, therefore, SCG has reasonably resolved the audit issues.

◆ 2026 STATUS	**Issue 7: $129,952 of PEP/SYE expenditures cannot be supported with documentation.** **RESOLVED**

Three PEP/SYE projects were examined. Two projects had all support documents in accordance with PEP policies. However, one project was missing a project application and job vacancy announcements because SCG has employed the same Maintenance Technician since 2022. This is addressed in Issue 15. SCG should establish project applications for the Maintenance Technician to evaluate if project objectives are being met.

Overall, SCG has made improvements since the initial audit by supporting PEP/SYE expenditures with project applications, job vacancy announcements and completion reports. As such, SCG has reasonably resolved the audit issue.

◆ 2026 STATUS	**Issue 8: The Chapter's current filing system is inconsistent with its FMS records management policy.** **RESOLVED**

The filing system was organized by fiscal year, in alphabetical order, and stored in file cabinets within the staff offices. During fieldwork, the governance staff were able to easily retrieve records upon request.

Overall, SCG has made improvements to the filing system. Therefore, SCG has reasonably resolved the audit issues.

◆ 2026 STATUS	**Issue 9: The Chapter was LGA certified in 1999 but to date, only two financial audits were completed and no corrective action plans to address the findings.** **NOT RESOLVED**

Since the initial 2020 Office of the Auditor General (OAG) internal audit, SCG obtained financial statement audits for FY2017 and FY2018 which were issued in 2023. No other financial statement audits have been completed to date. Policies require audits to be done biennially. In FY2026, SCG budgeted $25,000 for an audit. Currently, SCG is in communication with other certified chapters to potentially combine efforts to procure an auditor, but no procurement has been initiated.

In addition, the 2020 OAG audit reported that SCGs financial statement audit findings for FY2012 and FY2016 were unresolved. SCG has since resolved these findings. Resolution of these findings was reported in the FY2017 financial statement audit.

Overall, SCG is not in compliance with policies to obtain financial audits biennially. The risk of generating unreliable financial statements still exists. Therefore, the audit issue remains unresolved.

◆ 2026 STATUS	**Issue 10: Poor property controls impede proper identification, tracking and recordkeeping of Chapter property.** **NOT RESOLVED**

SCG uses the Risk Management Program insurance forms as the primary property inventory. However, the form does not require all information consistent with SCG policies which require the inventory to be complete and detailed with information including the item description, property number, serial number, date of purchase, and purchase price. The following discrepancies were noted with the inventory:

1. Eight fixed assets totaling $154,262 were reported to the balance sheet but not recorded on the inventory.
2. Four heavy equipment items totaling $534,944 recorded on the inventory do not have an assigned property number. Model numbers and VIN numbers were documented.
3. Purchase date is not recorded for any of the property items.

Fifteen property items totaling $129,650 were examined and all were tagged with property identification numbers.

Summer youth students under the supervision of the governance staff completed the physical inventory of property. Staff used the information collected by the students to update the inventory but did not ensure all pertinent information was included and did not reconcile against the reported fixed assets. Therefore, the audit issue remains unresolved.

◆ 2026 STATUS	**Issue 11: Fixed assets are not reported in the financial statements and cannot be supported with documentation.** **NOT RESOLVED**

Fixed assets reported on the balance sheet is unreliable. The following discrepancies were noted:

1. Ten fixed assets totaling $1,723,616 were examined. Two of 10 fixed assets did not have an appraisal, invoice, or receipt to support the cost of the items.
2. Four fixed assets totaling $40,412 reported on the property inventory were not reported to the balance sheet.
3. Comparison of the fixed assets reported on the property inventory to the fixed assets reported on the balance sheet show a $200,247 variance.

The Governance Manager should reconcile appraisals/invoice/receipt to the property inventory and balance sheet. Overall, the audit issue remains unresolved.

◆ 2026 STATUS	**Issue 12: Contractors are hired contrary to procurements policies and procedures.** **NOT RESOLVED**

Procurement policies require compliance with the Navajo Nation Procurement Act. One payment to an attorney, totaling $10,254, was identified. SCG did not follow the bidding process in the selection of the vendor. There is no request for proposal or bid proposal evaluations, but instead the vendor was selected based on their knowledge of SCG legal issue. In addition, there is no contractual agreement in place between SCG and the attorney.

Compliance with procurement policies protects the community governance, clarifies SCG and vendor expectations, and reduces risk in the event of a dispute. However, SCG did not comply with policies, therefore, the audit issue remains unresolved.

◆ 2026 STATUS	**Issue 13: A contractor was paid $30,400 for work that could not be verified.** **NOT RESOLVED**

Services provided by the attorney noted in Issue 12 was evaluated. Since there was no contract in place, there was no documented scope of work. SCG did not document the attorney's progress and completion of services as required by the corrective action plan. Although the invoice detailed the services completed and hours spent on providing services to SCG, there is no scope of work for the Governance Manager and officials to reconcile against the invoice to confirm services were provided as intended. As such, the audit issue remains unresolved.

◆ 2026 STATUS	**Issue 14: Staff earned and used leave hours that were not due to them.** **NOT RESOLVED**

The FMS Personnel Policies, Section VIII, allow permanent staff who have three to 12 years of service to earn six hours of annual leave per pay period. The Governance Manager has been employed since 2019 but is still earning four hours of annual leave. The Governance Manager's annual leave rate has not been updated in four years.

In addition, Personnel Policies, Section VIII allow for staff to carryover 120 hours of annual leave and 120 hours of sick leave from one calendar year to the next. However, the leave report for three permanent staff was not adjusted down to 120 hours at the start of the year 2025. Although absences are recorded to the leave report, the report cannot be relied on to report accurate available leave hours.

Lastly, the Governance Manager and Administrative Assistant earn compensatory time for hours worked beyond the regular tour of duty. However, the staff are classified as exempt employees and are not eligible for overtime pay in accordance with Personnel Policies, Section VII. Three pay periods were reviewed and discrepancies noted include a) the Governance Manager earned and used 10 hours of compensatory time and b) the Administrative Assistant earned and used 22 hours of compensatory time. Absences from work for exempt employees should be deducted from annual or sick leave hours.

The risk that staff could use leave hours that are not actually available to them still exists. As such, the audit issue remains unresolved.

◆ 2026 STATUS	**Issue 15: The Chapter arbitrarily changed the Office Specialist's employment status from temporary to permanent without following personnel policies and used PEP funds for a permanent position.** **NOT RESOLVED**

The initial 2020 audit reported that SCG converted the Office Specialist position to a permanent position using PEP funds and with no records to show Personnel policies were followed. Since the initial audit, there has been no change with the Office Specialist position. It remains a permanent position funded by PEP funds. The same individual has held the position since 2015. SCG intends to maintain the position, as it currently is, and to continue funding it with PEP funds because it is a necessary position needed for maintaining segregation of duties and continuing operations. SCG does not have other funds available to fund this position.

In addition, SCG has a Maintenance Technician who has been employed since 2022 as a temporary employee. The individual holding the position is approved by resolution to continue employment without readvertising the position. SCG considers the Maintenance Technician a needed position and the individual currently employed addresses and manages all maintenance needs for all governance property.

PEP policies require funds to be used for short term employment and on the job training. SCG explained that they have spoken to Navajo Nation leaders about the PEP funds and the limits on its use, but funding guidelines established by the Navajo Nation remain the same. Considering SCGs use of the funds is contrary to policies and funding guidelines, the audit issue remains unresolved.