OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Internal Audit of the Low Mountain Chapter

Report No. 26-08
May 2026

Performed by:
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Office of the Auditor General
The Navajo Nation

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Auditor General

May 13, 2026

Ben L. Gonnie, President
LOW MOUNTAIN CHAPTER
P.O. Box 4416
Blue Gap, AZ 86520

Dear Mr. Gonnie:

The Office of the Auditor General herewith transmits Audit Report No. 26-08, an Internal Audit of the Low Mountain Chapter. The audit objective was to determine whether the Chapter maintains 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 April 30, 2025, our review revealed the Chapter needs to strengthen controls with activities addressed by its five-management system. The following issues were identified:

FINDING I: Undocumented delegation of DLS caused confusion amongst the Chapter staff and officials.

FINDING II: The Chapter did not disclose conflicts of interest.

FINDING III: Not all cash receipts were supported with documentation, reconciled, and deposited to the bank.

FINDING IV: Total fixed asset value reported on the balance sheet is unreliable.

FINDING V: Security controls are insufficient to protect Chapter property and equipment from theft and destruction.

FINDING VI: Property inventory is incomplete.

FINDING VII: Identification tags are missing from property/equipment.

FINDING VIII: Personnel action forms were not approved.

FINDING IX: Bank reconciliations were not timely completed or reviewed.

FINDING X: Wages cannot be justified.

FINDING XI: Internal controls over Summer Youth Employment and Public Employment Program projects were insufficient.

FINDING XII: Travel activities were not in compliance with policies.

FINDING XIII: Travel advances reported on the balance sheet exceeded 80%, were outstanding long term, and missing documentation.

FINDING XIV: A store charge account was established without policies.

FINDING XV: In-house policies are missing internal controls and DOJ review.

Detailed explanations of the audit issues can be found in the body of the report. The audit report provides recommendations for remediation of the reported findings.

If you have any questions regarding this report, please contact our office at (928) 871-6303.

Sincerely,

Jeanine M. Jones, CFE, MFA
Auditor General

Attachment

xc: Eric Denny, Vice President
Kurt James, Secretary/Treasurer
Ella Nelson, Community Services Coordinator
Crystalyne Curley, Council Delegate
LOW MOUNTAIN CHAPTER
Jaron Charley, Department Manager II
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FINDING I: **Undocumented delegation of DLS caused confusion amongst the Chapter staff and officials.**

Criteria:

The Administrative Service Center (ASC) Plan of Operation, Section A, states all prior appointments of direct local supervision (DLS) by Chapter officials will automatically end on December 29, 2022. Section C states the ASC Department Manager may delegate supervision as follows:

a. ASC Senior Programs and Projects Specialist (SPPS) may be delegated to supervise the Community Services Coordinator (CSC).
b. A Chapter official who has received training on personnel may be delegated to supervise the CSC.
c. The CSC reports to the delegated supervisor as provided herein.

Condition:

According to Dilkon ASC, the Department Manager assigned the SPPS to be the delegated DLS for the Low Mountain CSC and Accounts Maintenance Specialist (AMS), but a delegation memo was not provided by Dilkon ASC. Eventually the ASC Department Manager provided a letter issued to all non-certified Chapters in January 2025, which states the role of the DLS by Chapter officials will end on inauguration day and the SPPS will assume supervisory responsibilities until the Chapter officials attend training with Navajo Nation Department of Justice (DOJ) during the Chapter officials' orientation.

The ASC Department Manager stated that when a non-certified Chapter selects a Chapter official to be the DLS they will submit a request to the Department Manager for approval. ASC verifies that the Chapter official attended personnel training prior to authorizing the selected DLS.

In May 2025, the Chapter President, issued a memo with an approved Chapter resolution, identifying the Secretary/Treasurer (S/T) as the selected DLS however, evidence of the Chapter official attending personnel training was not provided. The Department Manager confirmed he received the memo and resolution, but he has not issued a response to approve or deny the request. As a result, Chapter staff, officials and community are under the impression that the S/T has been the DLS since May 2025. However, without the Department Manager's approval, ASC had supervision over the Chapter staff during the audit period; eight months by the Department Manager and four months by the SPPS.

Effect:

If the Chapter does not know the official DLS, the Chapter would not know the following:

- Who to report to or whose directives should be followed.
- Who has the authority to make decisions or resolve issues.
- Who has authority to approve Chapter actions.

Cause:

The CSC did not contact the ASC Department Manager to obtain a written delegation letter because she assumed that the letter issued by the

President designating the S/T as DLS was sufficient. Nor did the SPPS, as the delegated supervisor, provide written clarification to the Chapter.

Recommendations:

1. The CSC should obtain a documented delegation letter from the ASC Department Manager.
2. The CSC should obtain and maintain records of personnel training if a Chapter official is selected as DLS.

FINDING II: The Chapter did not disclose conflicts of interest.

Criteria:

The Chapter FMS Fiscal Manual, Section VII, states in the event of a real or potential conflict of interest where the Chapter official or employee is required to participate as part of his or her duties, the individual shall write a justification memorandum disclosing the real or potential conflict of interest and a copy shall be provided to the Navajo Nation Ethics and Rules Office (ERO).

Navajo Nation Personnel Policies, Section III.E., states that to promote consistency and equity in the treatment of all employees, to prevent breaches in confidentiality, to prevent improper influences in employment and to prevent the perception of favoritism, the Navajo Nation will not employ, in any position, the immediate relatives of current employees if: a) one is directly supervising the other on a regular basis and b) there is potential for creating an adverse effect on supervision, security, or morale, or the potential for a conflict of interest.

Condition:

The CSC had two of her children employed at the Chapter. There is no documented evidence that someone other than the CSC supervised these individuals. The conflicts of interest were not disclosed by the Chapter administration. In the employment of the CSC's children, the following issues were noted:

1. The CSC approved the employment notice for Public Employment Program (PEP) employment.
2. The CSC did not disclose the parent/child relationship upon hiring the AMS as a regular status employee in November 2024. The employee resigned in September 2025.
3. The ASC Department Manager was not aware of the conflict in hiring the AMS until after the employee completed the 90-day probationary period. No further action was taken to address the conflict.
4. The CSC did not disclose the parent/child relationship upon hiring as a summer youth employee.
5. The Chapter staff and officials attended Ethics training in February 2025 but failed to disclose the conflict.
6. The CSC approved fund approval forms (FAF) requested by the AMS.

Effect: There is an appearance of favoritism that can negatively impact Chapter operations and relationships with the community.

Cause: The Chapter officials nor ASC enforced policies or addressed supervision issues even after discovering the familial relationship between the CSC and Chapter staff.

Recommendations:
1. The CSC should establish a conflict-of-interest form and require all Chapter staff and officials to complete the form annually. If a potential conflict is identified, it should be reported to ERO, and the individual in question should remove themselves from participating in any manner.
2. The Chapter should not hire and supervise family members.
3. The Chapter officials should report and seek assistance from ASC to address conflict of interest issues.

FINDING III: Not all cash receipts were supported with documentation, reconciled, and deposited to the bank.

Criteria: The Chapter FMS Fiscal Manual, Section VII.A., requires the Chapter to record all cash received in the cash receipts journal at the end of each day, reconcile, and deposit on a weekly basis. The handling of all cash receipts shall be segregated to ensure that no one employee is able to solely collect, deposit, safeguard and reconcile all cash receipts. The AMS shall be designated the custodian of cash receipts by a Chapter resolution. All undeposited cash receipts shall be safeguarded in a locked cash box and safe at all times.

Condition: Three months of cash receipts totaling $1,029 were examined and the following discrepancies were noted:

1. At the start of the audit scope the Chapter was without a CSC, so the responsibility of cash custodian was reassigned from the AMS to the temporary employees since the AMS was delegated as CSC in July 2023. The temporary employees were not officially designated as cash custodians by a Chapter resolution, neither was the new AMS who was hired in November 2024 when the former AMS was promoted to CSC in July 2024.
2. Cash receipts for two of three months examined were posted three to five months after the month ended.
3. Cash receipts totaling $201 were posted by ASC three and a half months after the month ended and cash was not deposited and went undetected by the Chapter.
4. Cash receipts totaling $241 for two of three months examined did not have a deposit posted to the accounting system.
5. For one month, the cash was stolen before a deposit could be made. Cash totaling $420 was not safeguarded and was stolen during a break-in where the cash was placed in a desk. It was reported to

the police, but it is uncertain as to how the amount was identified since there were no supporting documents. The ASC SPPS stated they advised the Chapter to stop accepting cash and to offer free services after cash was stolen. However, the Chapter officials resumed cash collection.

In addition, the Chapter received a letter from the bank informing them that a deposit previously made by the Chapter was being reduced by $50. Although the CSC did not understand the reason for the reduction as explained in the letter, the CSC did not contact the bank to investigate any further and allowed ASC to adjust the deposit amount in the accounting system. The CSC did not fulfill her fiduciary responsibility, as custodian of Chapter funds, to investigate the matter to ensure actions taken by the bank are legitimate.

Effect: Insufficient cash receipt controls increase the risk of theft or misuse of cash assets. The financial statements are also likely to underreport revenues by $661.

Cause:

- The CSC relied on the reconciliation of cash completed by the AMS without reviewing for accuracy prior to deposit.
- The ASC Administrative Services Officer (ASO) claimed to have reviewed the reconciliation with the CSC, but discrepancies were not detected and there is no initial/date on documents as evidence of review.
- From September 2024 to March 2025, ASC posted the cash receipts, but there was no evidence of independent review by the CSC to verify the accuracy of the postings.
- The daily cash count form and monthly cash count form used to record reconciliation before deposits are not consistently utilized, which prevents detection of missing cash.

Recommendations:

1. The CSC and Chapter officials should obtain community approval to authorize cash collection by the cash custodian.
2. The AMS should reconcile cash to receipt tickets and document to the cash count form then post individual cash receipt tickets to the accounting system daily. The CSC should reconcile posted transactions to the cash count form and tickets for accuracy.
3. The CSC should reconcile the cash, receipt tickets, posted cash receipt report, daily cash count form, monthly cash count form and deposit slip each week prior to deposit then sign and date documents. Discrepancies should be resolved immediately and cash deposited immediately with the deposit receipt returned to the AMS for posting.
4. The CSC should safeguard cash in a safe.
5. The Chapter officials should verify the cash receipt process is complete during the monthly monitoring review.

FINDING IV: Total fixed asset value reported on the balance sheet is unreliable.

Criteria: The Chapter FMS Fiscal Manual, Section VII.F., states the Chapter shall maintain accurate and reliable records on all capitalized assets and the AMS shall record and report the capital assets into the accounting records and financial statements. Title 26, Section 2, identifies capitalized property as nonexpendable property having an acquisition value of $1,000 or more.

Condition: The balance sheet as of April 2025 is not reporting reliable fixed assets. The following discrepancies were noted with the reported fixed assets:

1. 15 fixed assets totaling $480,400 were identified on the property inventory but the balance sheet reported seven assets totaling $406,744, resulting in a variance of $73,656 in unreported assets.
2. Seven of eight fixed assets (two computers, projector, printer, water tank, vehicle and backhoe) examined totaling $100,504 did not have invoices, receipts, or appraisals to support recorded values.
3. Six of eight fixed asset items (two computers, projector, printer, water tank, and backhoe) examined totaling $100,504 were not posted to the accounting system.
4. A vehicle reported on the balance sheet totaling $38,535 did not have a value recorded on the property inventory.
5. Two fixed asset items (computer and refrigerator) totaling $4,038 that were acquired during the audit period were not included on the inventory nor balance sheet.
6. One building (warehouse) reported on the balance sheet totaling $18,000 did not reconcile to the inventory total of $75,000 resulting in a variance of $57,000.
7. The CSC has been employed with the Chapter since 2012 and last posted fixed assets in MIP in 2014.

Effect: The balance sheet is underreporting fixed assets by $73,656 and could hinder the Chapter from making informed financial decisions.

Cause:

- The Chapter staff and officials do not know policies for reporting fixed assets on the balance sheet but have not sought training from ASC.
- ASC advised the Chapter that the capitalized threshold is $5,000, however, per Local Governance Act (LGA), the threshold is $1,000.
- ASC stated the Chapter does not have a fixed asset module to report fixed assets however, a module is not needed to post fixed assets to the financial statements.

Recommendations:

1. The Chapter staff and officials should seek technical assistance and training from ASC on fixed assets.
2. The AMS should update the fixed asset inventory with all assets and values using the invoice, receipt, or appraisal, then report the values on the balance sheet and create files for the supporting documents.

3. The CSC should reconcile invoices, receipts, or appraisals, against the fixed asset inventory and balance sheet.
4. The S/T should verify the total fixed assets reported in the balance sheet against the fixed asset inventory each month.

FINDING V: Security controls are insufficient to protect Chapter property and equipment from theft and destruction.

Criteria: The Chapter Property Manual, Sections IV and IX, requires the Chapter to take adequate steps to safeguard Chapter premises and property from theft, vandalism and fire.

Condition: The Chapter reported the following break-ins:

1. In August 2024, a burglary was reported to the Chinle Police Department. Two hard drives and $420 were reported stolen and damage to a window and sensitive/confidential files.
2. In November 2024, a burglary was reported to the Chinle Police Department. No items were reported stolen only damage to a door.
3. In June 2025, the door to the Chapter house was kicked in but no items were stolen. There was also a break-in at the warehouse and personal tools of a PEP employee were stolen. The incident was not reported to the police.
4. The CSC stated in a break-in from a prior year, the old camera system was stolen but was not reported to the police.
5. The AMS stated during one of the break-ins, food intended for public distribution was stolen but was not reported to the police.
6. The Chapter staff are not reporting or documenting each break-in and cannot recall dates of break-ins or items stolen or damaged.
7. Only one of six cameras purchased in July 2025 is set up in the administration office and activated after 5 p.m.

The Chapter has replaced doors, locks, windows, added security bars to windows, and purchased new security cameras to address break-ins. However, the Chapter premises is surrounded by wire fencing and is easily accessible by the public.

Effect: There will be continued financial loss to the Chapter and disruption to Chapter operations. In addition, damaged or stolen items cannot be replaced through insurance without police reports documenting the incident.

Cause: There has been no action by the Chapter staff and officials to seek guidance from ASC or law enforcement to devise a security plan to prevent break-ins.

Recommendations:

1. The CSC should report any new break-ins to the police department and document the incident.
2. The CSC and officials should obtain assistance from ASC and law enforcement to evaluate security vulnerabilities and develop a security plan and budget.
3. The CSC and officials should present the security plan and budget to the Chapter membership for approval at a duly called Chapter meeting and implement the plan.
4. The CSC and Vice-President should monitor the plan on a quarterly basis and re-evaluate the safeguarding measures.

FINDING VI: Property inventory is incomplete.

Criteria: The Chapter FMS Property Manual, Section VII.A., requires the Chapter to conduct and maintain a complete, detailed, and accurate physical inventory of property and to reconcile annually or upon a change of Chapter staff or officials.

Condition: The fiscal year 2025 property inventory is missing pertinent information including assets such as computers, printers, new purchases, property numbers, serial numbers, location, purchase price, purchase date, and condition. Furthermore, the property inventory is also missing the signatures and date of the preparer and reviewer, as a result the last physical inventory date cannot be determined.

Effect: The Chapter may not be able to identify lost or stolen property items for insurance purposes, which would be a financial loss to the Chapter.

Cause:

- The Chapter staff and officials have not requested training on property management from the ASC.
- The Risk Management Program (RMP) insurance reporting form is used as the property inventory which does not require complete information consistent with policies.
- The last annual physical inventory was performed by temporary staff, but the CSC did not verify its accuracy before submittal to RMP. The Chapter officials also did not review the property inventory during routine monitoring reviews and were unaware of inventory issues.

Recommendations:

1. The Chapter staff and officials should obtain technical assistance and training on property management from ASC.
2. The AMS should complete an annual physical count and inspection of property, update the inventory with complete and pertinent information consistent with policies, and sign and date as the preparer. New purchases should be included immediately after purchase.
3. The CSC should review the inventory to verify its accuracy and completeness, then sign and date as the reviewer.

4. The Chapter officials should verify the inventory is complete and signed by the AMS and CSC during monitoring reviews.

FINDING VII: Identification tags are missing from property/equipment.

Criteria: The Chapter FMS Property Manual, Section IV.E., requires all Chapter property to be identified by tagging.

Condition: An examination of 17 property items totaling $109,072 had the following discrepancies:

1. Three property items (computer, water tank and backhoe) totaling $94,295 were not tagged with identification numbers and did not have a property number identified on the property inventory.
2. Three property items (computer, projector and refrigerator) totaling $3,044 were missing.
3. Two property items (projector and camera) totaling $4,036 had the same identification number.

Effect: Without identification tags, the Chapter cannot deter theft or may not be able to recover lost or stolen items which will be a financial loss to the Chapter.

Cause: The CSC did not tag items since they were having issues with finding a vendor to purchase identification tags.

Recommendations:

1. The AMS should research vendors to purchase pre-numbered identifications tags and affix tags to all property and record the identification numbers to the inventory.
2. The CSC should verify the tagging of property and accurate recording of identification numbers to the inventory prior to signing the inventory.
3. The Chapter officials should periodically inspect property items to ensure they have identification tags.

FINDING VIII: Personnel action forms were not approved.

Criteria: The Chapter FMS Fiscal Manual, Section VII.H., states that personnel records on each employee shall be maintained at the Chapter administration including but not limited to Personnel Action Forms (PAF). The AMS shall record employee PAF information on the employee earning subsidiary ledger. The ledger shall contain the employee's name, Social Security number, mailing address, authorized pay rate, date of employment, payment due, hours earned, gross pay, etc.

Condition: An examination of 26 personnel files noted the following deficiencies:

1. 16 PAFs to hire employees were not approved by the CSC and three PAFS for the hiring of CSC's relatives were not approved by the ASC Department Manager.
2. 14 PAFs were signed by the employees on the first day of employment but were not approved by the CSC.
3. Four PAFs to hire employees were not signed by the employee.
4. Seven PAFs did not have a change notice to document the extension of employment.
5. 24 PAFs did not identify a termination date for temporary employment.
6. 21 PAFs to terminate employees were not approved by the CSC, two PAFs for the CSC's relatives were not approved by the ASC Department Manager and one was not approved by ASC SPPS.
7. Six PAFs to terminate employees approved by the CSC were not acknowledged by employees.

Effect: The Chapter cannot demonstrate that temporary employees were properly hired, wages were paid to legitimate employees and pay rates recorded in the accounting system were authorized.

Cause:

- Termination notices do not have a signature line to allow for employee acknowledgement.
- Employment, termination and change notices for employees were not approved by the CSC due to oversight. She stated during the first day of employment, staff were busy and must have forgotten to go back and sign the documents.
- The CSC does not periodically review PAFs to verify they are complete with signatures.

Recommendations:

1. The CSC and AMS should seek technical assistance and training from ASC on completing PAFs.
2. The CSC should require the AMS to complete a PAF for employees immediately upon the hiring, termination, or change in employment, obtain approval signatures, and file in personnel files. The employee and authorized individual, who is not a relative, should sign/date the PAF prior to starting employment or immediately upon any changes.
3. The CSC should reconcile approved PAFs against the accounting system employee profiles and pay rates for accuracy and confirm terminated employees are deactivated.
4. The CSC should periodically review PAFs to verify they are complete with signatures.

FINDING IX: Bank reconciliations were not timely completed or reviewed.

Criteria: The Chapter FMS Fiscal Manual, Section VII.C., states one person, other than the primary signatories, shall be designated to prepare the bank reconciliation. The reconciliation shall be accomplished within one day upon receipt of the bank statement and the AMS shall sign and date the computation and reconciliation. The CSC shall review the reconciliation, check register, validated bank deposit receipt slips and bank statements for accuracy. Any unexplained discrepancies shall be reported immediately to the CSC for corrective action, and any outstanding check that exceeds 90 calendar days from issue date shall be automatically voided.

Condition: An examination of four monthly bank reconciliations identified the following discrepancies:

1. All four months of bank statements and reconciliations were not date stamped and signed upon completion.
2. For May 2024 and August 2024, 43 to 46 checks were outstanding anywhere from 4 to 11 months until September 2024.
3. The CSC does not have online banking access to timely access bank statements and obtains bank statements from ASC. ASC stated that the CSC had access in the past but as of November 2025, has not attempted to regain access.

Effect: Financial system errors, theft, and misuse of funds could go undetected and unresolved.

Cause:

- The CSC has not made it a priority to obtain online banking access.
- The Chapter officials did not verify the timely completion of bank reconciliations during the monthly monitoring review.
- The ASC ASO and CSC worked together to complete bank reconciliations thereby hindering the independent review process.

Recommendations:

1. The CSC should request online banking access.
2. The AMS should date the bank statements upon receipt.
3. The AMS should complete the reconciliation within one day of receiving the bank statement then sign and date the reconciliation after completion as the preparer.
4. The CSC should verify the bank reconciliations are signed and dated by the preparer then review the reconciliations for completeness and accuracy and sign and date as evidence of approval.
5. The AMS should review outstanding checks monthly and issue a stop payment if a check has been outstanding for over 90 calendar days.
6. The CSC and Chapter officials should verify timely completion and review of bank reconciliations each month.

FINDING X: Wages cannot be justified.

Criteria: The Chapter FMS Fiscal Manual, Section VII.H., states the Chapter shall maintain attendance sheets to record employees' arrival and departure time. The AMS shall prepare timesheets with supporting documents and submit to the CSC and S/T for review and approval.

The Chapter PEP Policy does not address working hours, therefore, the Transportation and Community Development Committee (TCDC) PEP Policy was utilized. The TCDC PEP Policy at Section III and the Chapter SYETP Policy at Section VIII states participants shall not work more than eight hours per day, 40 hours per week, or 80 hours per period and may not make up for hours missed.

The Navajo Nation Personnel Policies, Section V.E., states the Basic Tour of Duty is 8:00 a.m. to 12:00 p.m. and 1:00 p.m. to 5:00 p.m., Monday through Friday and time records shall be maintained for each employee to report the following: hours worked, hours absent, hours on approved leave, type of approved leave, and hours of unauthorized absence. Section VII.H. states any employee who is required to work on a holiday shall be paid twice his/her regular rate of pay for hours worked. Holiday pay will cover only those hours worked in one day. Section VIII.C. states the Program Manager (CSC) may authorize overtime consistent with these policies, however, non-exempt employees must agree to the type of compensation preferred such as cash payment, compensatory time off, or a combination of the two. The CSC shall notify the employee in advance that overtime is necessary, and the employee is expected to work.

Condition: An examination of 24 payroll disbursements totaling $19,147 noted the following discrepancies:

1. Two employee wages totaling $1,543 were paid compensatory time without approval and reliable tracking of earned and used hours.
2. One employee wage totaling $872 was paid even though the employee did not sign in/out on a sign-in sheet.
3. 10 employee wages totaling $8,409 were paid to employees for hours worked on a holiday but employees were not paid twice their regular rate of pay.
4. 10 employee wages totaling $8,077 were prepaid for hours not yet earned to make up for missed hours.
5. 14 timesheets show employees working through lunch, on weekends or holidays, but the requirement to work these days was not documented and approved by a supervisor.
6. All timesheets were signed by the CSC but did not identify the preparer to demonstrate recorded time was verified by an independent individual to be accurate.
7. The Chapter does not separate timesheet hours by actual hours worked, administrative leave, and compensatory time for verification purposes.

Effect: Wages totaling $19,147 may have been paid for hours not actually worked and fraudulent activities could go undetected.

Cause:

- The CSC and officials did not verify sign-in sheet hours against timesheets for accuracy prior to approving payment.

- ASC processed payroll checks without reconciling payroll documents.
- The CSC issued payroll beyond the end of the pay period to avoid running payroll for another pay period.

Recommendations:

1. The CSC should require staff to work the basic tour of duty from 8:00 a.m. to 12:00 p.m. and 1:00 to 5:00 p.m. from Monday to Friday with no work on holidays and no making up missed hours or days.
2. The CSC should require staff to sign in/out with the actual time (hours/minutes) when reporting and leaving work and require the employee and supervisor's signature.
3. The AMS and CSC should revise the timesheet form to record hours by actual hours worked, leave, and compensatory time. Timesheets should identify the preparer and reviewer.
4. The CSC should reconcile and approve the sign-in sheet and timesheet before approving the FAF and signing checks.
5. The CSC should document the approval of compensatory time and tracking of hours earned and used on the compensatory time form.
6. The CSC should not allow employees to work beyond their approved end date.
7. The Chapter officials should verify the CSC reconciled sign-in sheets against timesheets prior to approving the FAF and signing checks for payroll processing.

FINDING XI: Internal controls over Summer Youth Employment and Public Employment Program projects were insufficient.

Criteria:

The Chapter Fiscal Manual, Section VII, states it is the policy of the Chapter to establish internal controls to ensure its assets and resources are protected against waste, fraud, and inefficiency.

Condition:

One SYE project totaling $9,886 and eight PEP projects totaling $70,425 were examined and the following discrepancies were noted:

<u>SYE:</u>

1. Job vacancy announcements (JVAs) were advertised without a job description. CSC stated job descriptions were included in a resolution, however, upon review there was no evidence of this.
2. Positions were filled without first developing job descriptions or skills to be learned.
3. The Parental Consent forms have sections to document the project name and number, worksite location, job title, start and end date, job description to be performed, equipment and tools to be used, but the information is incomplete or is filled out by the parent with no indication of the source of information used by parents to complete the consent form.
4. There was no worksite agreement for a student placed at the Senior Center.
5. There was no evidence that projects were completed.

PEP:

All projects did not have project applications, personnel rosters, completion reports and advertisements of job vacancies on file. The CSC stated project applications were not prepared but in March 2024 a project application was community approved, indicating the Chapter previously had the application as part of the process. The CSC stated advertisements were posted but there is no evidence of job posting.

Effect: Without controls to plan, monitor, and announce job vacancies, there are no established project objectives to verify project completion and no assurance that qualified individuals apply for positions, which is an inefficient use of resources. The Chapter cannot justify the use of $9,886 in SYE funds and $70,425 in PEP funds.

Cause:

- The Chapter did not obtain assistance from ASC to review the policies to verify controls were sufficient for project management.
- Although the CSC has been employed with the Chapter since 2012, she claims she was never provided project management training by ASC.

Recommendations:

1. The CSC should seek assistance from ASC to review and strengthen controls in the PEP and SYE policies and procedures.
2. The CSC should prepare job vacancy announcements to include the job title, description of roles and responsibilities, and minimum requirements.
3. The AMS should create project files and establish and use a checklist consistent with SYE and PEP policies to verify required tasks and documents are complete and on file. The CSC should review the checklist against documents for compliance. Both staff should sign the checklist after completion.
4. The Chapter officials should review SYE and PEP project checklist during monthly monitoring reviews to verify tasks are completed then sign and date after review.

FINDING XII: Travel activities were not in compliance with policies.

Criteria: The Chapter FMS Fiscal Manual, Section VII.I., requires travel authorizations to be prepared and approved by the CSC prior to travel. Only reasonable and necessary travel expenses are to be reimbursed, and the traveler shall submit a report for each trip describing what was accomplished and how the Chapter and community benefited from the trip. Each traveler shall submit the completed travel authorization (TA) form with attached receipts and a trip expense report (TER) within ten calendar days of his/her return, and it shall be reviewed and approved by the CSC. The duty station for Chapter officials and employees is the Chapter house and shall be used to calculate all travel mileage claims. Travel advances up to 80% of the total estimated travel expense with only one outstanding pay advance at any one time is allowable. Travel advances delinquent over ten days after completion of travel shall be deducted from salaries or stipends.

Condition: An examination of nine travel expenditures totaling $2,699 identified the following discrepancies:

1. Two travel packets for the former S/T totaling $363 were missing.
2. Three travel requests and TERS for the CSC totaling $1,369 and one travel request and TER totaling $141 for the AMS were not approved by the ASC Department Manager who was supervisor at the time.
3. One travel request for the CSC totaling $57 was not approved by the ASC SPPS who was supervisor at the time.
4. Two travel requests for CSC and Grazing officials totaling $768 were not on file.
5. CSC was reimbursed for meals totaling $44 but travel did not exceed 12 hours and should not have been paid.
6. Two travel expenditures for the CSC totaling $605 and one travel expenditure for the Grazing official totaling $220 were missing expense reports.
7. Three TERs for the CSC totaling $1,874 were not submitted within 10 calendar days of traveler return. Submittals ranged from 11 to 18 days after return.
8. One TER for the CSC totaling $676 did not have departure and arrival times documented.
9. Two travel expenditures for the CSC totaling $605 and one travel expenditure for the Grazing official totaling $220 were missing trip reports.
10. Two travel expenditures for the CSC totaling $1,325 and one travel expenditure for the AMS totaling $141 were missing justifications for taking longer travel routes.
11. Two travel expenditures for the CSC totaling $605 were missing mileage reports.
12. One travel expenditure for CSC totaling $44 was missing an approved trip report.
13. Three travel expenditures for the CSC totaling $1,382 and one travel expenditure for the AMS totaling $141 were missing a photocopy of the traveler's insurance information for POV mileage.
14. The CSC and Grazing official were advanced 100% of the total estimated travel cost totaling $869 but ASC posted the payments as expenses rather than travel advances.

Effect: The Chapter cannot provide reasonable assurance that travel expenditures totaling $2,699 were for legitimate purposes and beneficial for the Chapter.

Cause:

- The CSC's travel was approved by a Chapter official, but as of January 2025, the SPPS was the DLS of the CSC.

- The ASC ASO stated she verified supporting documents before processing reimbursement checks and is unsure why the Chapter is missing documents.
- The CSC did not monitor travel activities to confirm documents were on file and complied with policies.

Recommendations:
1. The Chapter staff and officials should obtain technical assistance and training from ASC to ensure compliance with travel policies.
2. The Chapter staff and officials should comply with travel policies and verify authorized approvals and required documents are on file.
3. The CSC and Chapter officials should require travelers to complete required reports within ten days after travel is completed and prior to approving reimbursement to travelers.

FINDING XIII: Travel advances reported on the balance sheet exceeded 80%, were outstanding long term, and missing documentation.

Criteria: The Chapter FMS Fiscal Manual, Section VII.I., requires each traveler to submit a completed travel authorization (TA) form with attached receipts and a trip expense report (TER). Travel advances should be up to 80% of the total estimated travel expense with only one outstanding pay advance at any one time is allowable. Travel advances delinquent over ten days after completion of travel shall be deducted from salaries or stipends.

Condition: The Balance Sheet reported five travel advances totaling $3,322 for two Chapter staff and two officials which have been outstanding for seven to eight months. Travel documents for the five outstanding advances were examined, and the following discrepancies were noted:

1. The AMS was missing a travel request form and supporting documentation.
2. The CSC, AMS, President and S/T expense reports were on file but were missing trip reports, mileage logs, agenda, sign-in sheets, etc.
3. The Chapter President's insurance information was missing from the TA.
4. The AMS had more than one travel advance outstanding.
5. Chapter President's travel advance was not approved by an authorized individual.
6. The Chapter President used their personal residence as the designated duty station.
7. The AMS, CSC and Chapter President's TER was not approved by an authorized individual.

Effect: For travel funds advanced at 100% totaling $3,322, there is no incentive for travelers to submit supporting documents to justify their travel expenses and any reimbursement due to the Chapter would be a financial loss.

Additionally, travelers could incur expenses unrelated to chapter business, and receive reimbursements based on inaccurate travel claims.

Cause:

- ASC posted travel advances but did not monitor their repayment.
- The CSC did not monitor travel activities to confirm documents were on file and complied with policies.
- The Chapter officials did not question the outstanding advances that were reported in the balance sheet each month.

Recommendations:

1. The CSC should not advance more than 80% of the total estimated travel cost and travelers who are advanced more than the actual travel costs should be required to reimburse the Chapter promptly.
2. Any outstanding travel advances delinquent over ten days should be deducted from the employee's salary or the Chapter official's meeting stipend.

FINDING XIV: A store charge account was established without policies.

Criteria: The Chapter FMS Fiscal Manual, Section VII, states it is the policy of the Chapter to establish internal controls to ensure its assets and resources are protected against waste, fraud, and inefficiency.

Condition: A charge account was established with a local gas station to purchase fuel for the Chapter vehicle and heavy equipment. The CSC and Project Coordinator are the primary account users. An approved Chapter resolution authorized the charge account for FY2025 without policies to manage the account.

Five disbursements totaling $2,628 were examined and the following discrepancies were noted:

1. Two fuel disbursement files totaling $789 were not on file.
2. Two invoices totaling $396 did not reconcile to the fuel receipts.
3. Two invoices totaling $359 were not on file.
4. The Chapter is using the fuel statements instead of original invoices when making payment.
5. Diesel was purchased in a 55-gallon drum but there were no records to track usage, identification of vehicle or heavy equipment fueled, or the purpose for fuel usage.
6. Diesel totaling $1,135 is posted to GL Code 6321 gasoline instead of 6322 diesel.
7. There is no documented approval prior to the purchase of fuel.
8. There is no mileage log for FY2024 and the mileage log for FY2025 does not account for all miles driven.

Effect: There is a risk that fuel purchases were not for legitimate Chapter business.

Cause:

- The Chapter has not been trained in how to manage the store account.
- ASC managed the accounting system and misposted diesel purchases but the CSC did not detect the error.
- ASC stated all required documents were verified before processing payment and returned to the CSC for filing, but files were missing.
- The CSC stated the Chapter had a break-in which caused some files to go missing. Files were not secured in locked cabinets.

Recommendations:

1. The CSC and Chapter officials should establish, adopt, and implement policies and procedures to include authorized purchases, account users, Chapter vehicles, spending limits, and monitoring requirements.
2. The CSC should develop an inventory log to document the purchase and use of the fuel in the 55-gallon drum.
3. The CSC should require all drivers to complete the mileage log.
4. The CSC should use the chart of accounts to verify the correct GL code is used to post transactions.
5. The CSC should file all required documents that support payments in locked file cabinets.

FINDING XV: In-house policies are missing internal controls and DOJ review.

Criteria:

The Budget Instructions Manual (BIM), Appendix M-1, explains that Chapters creating their own policies rather than following standard policies for PEP, SYE, Housing and Scholarship assistance are required to consult with the DOJ. Resolution RDCMY-47-17 also directed all Chapters to prepare a comprehensive Emergency Management Plan that includes mitigation activities, spending priorities, and emergency response actions. LGA, Sub Chapter 5 § 1001, states that elected officials are prohibited from direct involvement in the management and operations of the Chapter administration. Lastly, the Chapter FMS Fiscal Manual, Section VII, states the Chapter is to establish internal controls to ensure its assets and resources are protected against waste, fraud, and inefficiency.

Condition:

The Chapter adopted in-house policies that were missing internal controls and were not reviewed by DOJ. The following discrepancies were noted:

1. <u>Housing:</u> The policies are incomplete and are missing controls to explain the process and documents needed for obtaining assistance. It also does not explain the roles and responsibilities of the Chapter staff and officials in determining eligibility, awarding assistance, and monitoring completion of projects.
2. <u>Scholarship</u>: The policies are incomplete as they do not explain the roles and responsibilities of the Chapter staff and officials in determining eligibility and awarding assistance. Furthermore, there is no application form or policies for the student enrichment program.

3. Emergency: The Community Emergency Response Team (CERT) policies do not include mitigation activities, spending priorities, emergency response actions including steps to address high-risk medical situations, road closures, food and water supplies, livestock feed, fuel for heating and cooking, and establishment of emergency shelters as required by the BIM.
4. SYE: The Chapter used the TCDC policy as a template, then amended the following:
   a. Covid-19 protocols were added to the policy.
   b. The Chapter removed processes for documenting the worksite description and the supervisor's verification of project progression.
   c. The Chapter officials selected temporary employees for hire, contrary to LGA.
5. PEP: The policies are incomplete as the roles and responsibilities of the Chapter staff and officials in determining eligibility to be hired are unclear, controls for project planning are missing, and Covid-19 protocols are still included. It also allows Chapter officials to select temporary employees for hire, contrary to LGA.

Effect: There is a risk for unfair and inconsistent assistance practices and possible favoritism by staff and officials.

Cause:

- The Chapter staff and officials did not request technical assistance from ASC to strengthen their policies and procedures. The ASC SPPS stated they were not invited to the Chapter's most recent policy review meeting held in September 2025.
- The CSC and officials were unaware of the funding guidelines that require legal review of revised PEP, SYE, housing and scholarship policies.

Recommendations:

1. The Chapter staff and officials should obtain technical assistance from ASC to strengthen and complete all policies.
2. The Chapter staff and officials should incorporate procedures for the roles and responsibilities for the Chapter staff and officials.
3. The Chapter staff and officials should incorporate policies and procedures for mitigation activities, spending priorities, and emergency response actions.
4. The Chapter staff and officials should obtain review and approval from DOJ for all revised policies.

Conclusion

Undocumented delegation of DLS caused confusion amongst the Chapter staff and officials. The Chapter did not disclose conflicts of interest. Not all cash receipts were supported with documentation, reconciled, and deposited to the bank. Total fixed asset value reported on the balance sheet is unreliable. Security controls are insufficient to protect Chapter property and equipment from theft and destruction. Property inventory is incomplete. Identification tags are missing from property/equipment. Personnel action forms were not approved. Bank reconciliations were not timely completed or reviewed. Wages cannot be justified. Internal controls over Summer Youth Employment and Public Employment Program projects were insufficient. Travel activities were not in compliance with policies. Travel advances reported on the balance sheet exceeded 80%, were outstanding long term, and missing documentation. A store charge account was established without policies. In-house policies are missing internal controls and DOJ review.

Overall, internal controls were not functioning as designed to ensure the safeguarding of assets, reliability of financial reporting, and compliance with applicable laws, regulations, policies and procedures. During fieldwork, auditors determined that the Low Mountain Chapter did not know policy requirements and did not seek training or technical assistance from ASC.

ASC's primary purpose is to provide Chapters with technical assistance and training. The technical assistance provided by ASC was primarily for managing the accounting system. There is no evidence that the staff and officials were given training, guidance, or increased monitoring to ensure compliance with policies. The auditor observed that training and technical assistance is still needed for the staff and officials so that they know their roles and responsibilities, understand policies and procedures, and can improve Chapter operations. Therefore, the Office of the Auditor General recommends that ASC take a more active role with Low Mountain Chapter and provide training, technical assistance and routine monitoring.

Background

The Navajo Nation Office of the Auditor General has conducted an Internal Audit of the Low Mountain Chapter for the 12-month period ending April 30, 2025. The Low Mountain Chapter is a political subdivision of the Navajo Nation and is considered a general-purpose local government for reporting purposes. The Low Mountain Chapter is located within the Fort Defiance Agency of the Navajo Nation.

The local Chapter government is currently managed by the CSC. However, the Chapter was without a CSC from January 2022 until July 2024 when the AMS was promoted into the position. Prior to promotion, the current CSC was delegated as the CSC in July 2023, but there was no documentation to formerly assign the delegation. When the AMS position became vacant, the Chapter was without an AMS from July 2024 until November 2024 when a temporary employee, employed since 2021, filled the position. The new AMS later resigned in September 2025. About seven months of the audit period covers a time when ASC managed the Chapter's accounting system. Additional oversight is provided by the elected Chapter officials (President, Vice-President and Secretary/Treasurer) and Navajo Nation Division of Community Development/Administrative Service Center.

The Low Mountain 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 Low Mountain Chapter are enumerated in Title 26, Local Governance Act of the Navajo Nation Code.

The majority of the Chapter's resources are provided through annual appropriations from the Navajo Nation central government. These appropriations are intended to fund direct and indirect services at the local Chapter government level. Funds for direct services are considered restricted funds with specific intended purposes. Other revenue is generated from miscellaneous user charges assessed by the Chapter for services and/or goods provided to its community members. Low Mountain Chapter's operating budget for FY2024 was $624,102 and FY2025 was $475,793.

Objective, Scope, and Methodology

The Office of the Auditor General conducted an Internal Audit of the Low Mountain Chapter pursuant to the authority vested in the Office of the Auditor General by Title 12 Navajo Nation Code, Chapter 1, Sections 1 to 10.

The following sub-objectives were established to address the main objective for this audit:

Determine if controls are functioning as designed to ensure:

1. Delegation of Direct Local Supervisor is documented.
2. Conflicts of interest are disclosed.
3. Cash receipts have support documentation, are reconciled, and deposited to the bank.
4. Total fixed asset value reported on the balance sheet is reliable.
5. Security controls are sufficient to protect Chapter property and equipment.
6. Property inventory is complete.
7. Property/equipment have identification tags.
8. Personnel action forms are approved.
9. Bank reconciliations are timely completed or reviewed.
10. Wages are justified.
11. Internal controls over Summer Youth Employment and Public Employment Program projects are sufficient.
12. Travel activities comply with policies.
13. Store charge account has policies established.
14. In-house policies have internal controls and Department of Justice review.

The audit covers activities for the 12-month period of May 1, 2024 to April 30, 2025.

In meeting the audit objectives, we interviewed the Chapter administration and officials, observed Chapter operations, and examined available records. More specifically, we tested samples of expenditures, payroll, PEP, SYE, personnel records, travel, cash receipts, fixed assets and property for internal controls and compliance requirements by using a non-statistical, judgmental method.

Government Auditing Standards

We conducted this performance audit in accordance 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the Auditor General expresses its appreciation to the Low Mountain Chapter administration and officials for their cooperation and assistance throughout the audit.

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March 23, 2026

Jeanine Jones, Auditor General

Office of Navajo Nation Auditor General

Window Rock, Arizona 86515

RE: RESPONSE – LOW MOUNTAIN CHAPTER AUDIT.

Ms. Jones,

I am writing this letter as a response to the draft audit report of the Low Mountain Chapter audit submitted to Low Mountain Chapter in March 2026 and an exit meeting and the Chapter Officials are unwilling to accept this audit report due to the majority of findings initiated by the ASC program staff, yet I am obligated to accept the audit report with prejudice.

Ms. Jones, given the numerous problem issues with the ASC Program Staff whom took total control of the chapter MIP system creating several critical errors beginning from August 13, 2024 resulted in some findings and moreover, staff shortage, it would have been prudent to consider evolving circumstances. During preliminary exit meeting, the Low Mountain Chapter Officials and Staff have raised certain concerns and provided clarifications regarding some of the findings, which are outlined below:

FINDING I: Undocumented delegation of DLS caused confusion amongst the Chapter staff and officials.

A memorandum requesting Direct Local Supervision was hand-delivered to Mr. Jaron Charley on March 22, 2025 seeking his prompt response and guidance; despite this, no action has been taken thus far, given one year. The ASC program failed to meet the chapter's need for technical assistance and support as stipulated in the ASC Plan of Operations, specifically sections, C. Authorities and Responsibilities, d. Assist Chapters with any coordination needed with other Navajo Nation Department and Programs.

As newly elected chapter officials assume their roles with limited familiarity with the Navajo

Nation government and chapter operations, they will likely require guidance and direction from the ASC program. Consequently, Mr. Charley and his staff should provide direction and support in organizing a personnel management policy training for the selected official, specifically focusing on acquiring the DLS. It is essential for the ASC program manager and staff to fulfill their duties and responsibilities by offering necessary technical assistance rather than maintaining a passive stance over the course of one year. Moreover, attributing this solely to the Chapter CSC is unjustified, given that the responsibility also rests with the ASC program, and during this period, the CSC was on extended medical leave, rendering it incapable of providing effective guidance on this matter. FINDING II: The Chapter did not disclose conflicts of interest.

The ASC SPPS hired the AMS, who is the son of the CSC, and subsequently claimed to be the AMS's immediate supervisor. However, according to chapter community-approved policies, chapter officials are responsible for hiring, which implies that CSC does not get involved in hiring PEP or SYETP. Notably, the chapter selected a supervisor for the SYETP, and CSC did not supervise her son. Therefore, this matter should not be considered a finding, and the hiring and supervision findings related to the AMS should be attributed to ASC SPPS. Furthermore, ASC's negligence led to their failure in performing their duties, specifically in initiating the memo for AMS supervision.

FINDING IV: Total fixed asset value reported on the balance sheet is unreliable.

The Dilkon ASC program staff assumed responsibility for the chapter's MIP system on August 13, 2024. Given that the ASC SPPS had recently hired the AMS, who was still undergoing training at the time, and the CSC's passcode was deactivated effective August 13, 2024 for any MIP transactions, it was incumbent upon the ASO to assume these duties and responsibilities to ensure all financial matters were up-to-date, which includes the general fixed assets adjustments, thereby ensuring all the chapter's compliance.

On January 8th, Mr. Jaron Charley attended the chapter meeting and reiterated our discussion regarding financial discrepancies, stating that the Dilkon ASO's knowledge and understanding of the MIP system is limited to approximately 40%. Consequently, the chapter has been categorized under financial discrepancies and non-compliance. And at this meeting, Jaron Charley assured me that he will have another ASC Staff to member to assist the ASO in rectifying the financial discrepancies. Consequently, seeking financial technical assistance from the ASO is both critical and risky at the present time. Additionally, the AMS was relatively new to his role and was still undergoing training when he was released of his position and thereby complicating the implementation of these recommendations. Nevertheless, the ASO's negligence and limited MIP knowledge has resulted in the chapter facing these findings and these findings should not reflect adversely on the chapter's administrative staff.

FINDING IX: Bank reconciliations were not timely completed or reviewed.

These finding should be reflected in the actions of the Dilkon ASC program ASO, effective August 13, 2024 when they assumed responsibility for the MIP system and financial management, discontinued the MIP passcode for the CSC to assist with reconciliations. These findings should highlight the ASC program staff's negligence and the resultant financial discrepancies experienced by the chapter thus far. Again, nevertheless, the ASO's negligence and limited MIP knowledge have led to these findings, which should not unfairly impact and/or reflect adversely on the chapter's administrative staff.

The CSC managed the CEO's online banking account with Wells Fargo until the username was changed. Subsequently, The Chapter was directed to contact Ms. Edgerton Gene, who possess the sole authority to facilitate access to the CEO's online banking. According to the auditor, Mr. Kurt James was advised to submit a request to Edgerton Gene. Despite sending an email, Mr. James received no response. It wasn't until the preliminary exit meeting that the CSC informed Mr. James that he had been tasked with relaying a message to Edgerton Gene, which he claimed not to have received. Ultimately, Ms. Gene instructed the CSC to collaborate with Tia Yazzie, enabling the chapter to obtain the necessary information to regain access.

Collaborating with the Dilkon ASC staff poses challenges and owing to insufficient technical proficiency in specific areas of expertise and certain areas of behaviors such as bullying and controlling, which raises significant reservations regarding future cooperation given their lack of diligence in technical assistance, and the chapter is the entity impacted by these findings.

The ASC staff lacks effective collaboration skills and prohibits any involvement of the Chapter CSC in financial responsibilities, despite the Fiscal Management policy allowing the CSC full financial responsibility and the sole person to exercise accountability for all chapter financial matters, yet is verbally relieved of all financial duties. This behavior constitutes another form of bullying and control, demonstrating a clear failure to adhere to the established policies of the FMS Fiscal Management.

The Chapter AMS was hired by Dilkon SPPS, but shortly thereafter his commencement, AMS was released from the position while still undergoing training, despite having financial responsibilities. Subsequently, with the ASC relieving the CSC of her MIP access, the ASO conducted the reconciliation at her convenience, albeit in belated manner. Thus, this encompasses the ASC's negligence, and the chapter is the entity being held accountable for the finding.

The Chapter Officials have sent numerous letters to the ASC Program Manager regarding these financial discrepancies; however, he has failed to effectively and promptly address the matter, leaving it unresolved thus far. The ASC program is designed and obligated to provide technical assistance and support to ensure sound financial accountability within the chapter's operations, yet the chapter has been allowed to continue with these financial discrepancies, created by its own staff, to persist, rendering the chapter non-compliance.

I, further believe that since the ASC deactivated the CSC passcode, it is their responsibility to ensure the chapter's compliance with monitoring requirements with the ASO and to participate in reviewing all financial reports using the monitoring tool form. However, she failed to fulfill this obligation thus far, which constitutes a violation of the ASC Plan of Operations, Navajo

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Nation BIM and the Chapter Five Management System, Fiscal Management Policy, and this

should not be attributed to the chapter.

In closure, the Low Mountain Chapter hereby, disagree with the unfair audit and above finding initiatives. The unfair audit includes some of the above findings relates to the ASC program Dilkon Office Staff's negligence and putting the chapter in these non-compliances. The ASC

program failed to educated the newly elected chapter officials to better understand the chapter operations and financial management, instead of providing guidance, directions, support and technical assistance as outlined in their ASC Plan of Operations, instead they targeted the Chapter Officials and Staff as their enemies, which lack the collaborations and good sound working relationship and this led to a lot of confusion, financial discrepancies, bullying, demanding, intimidations, harassment and controlling. The auditor mainly focuses on the CSC's personal endeavors and was not willing to come to an understanding with the chapter staff and officials in areas of the findings especially relating to the CSC and did not acknowledge the ASC staff's discrepancies. The auditor needs to understand and conduct audit with credibility and fairness of her conclusions of this audit proceedings. Therefore, the Low Mountain Chapter requests the Auditor General to conduct audit with fairness and accordingly. These mentioned findings mostly relates to the negligence of the ASC program staff's procedural deficiencies that impacted the accuracy of the chapter's accountability. Most of the findings relate to the bullying, demanding, and controlling of the ASC staff, which prohibited the chapter officials and staff with the involvement of any and all financial management; Therefore, the ASC program should be responsible for these findings.

Sign,

Eric D. Denny for Ben Gonnie

Ben Gonnie, Chapter President

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Low Mountain Chapter

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Kurt D. James, Chapter Secretray/Treasurer

Ella F. Nelson, Chapter CSC

Jaron Charley, ASC Program Manager II

Eunice Begay, SPPS – ASC

Rena Dodson, Deputy Director

Candice Yazzie, Executive Director – DCD

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FILE

DR. BUU NYGREN PRESIDENT
RICHELLE MONTOYA VICE PRESIDENT

The Navajo Nation | Yideeskáądi Nitsáhákees

MEMORANDUM

To: Jeannine Jones, Auditor General
Office of the Auditor General
Navajo Nation

From: Eunice Begay, Senior Program and Project Specialist
Administrative Service Center - Dilkon
Navajo Nation Division of Community Development

Date: April 10, 2026

Subject: Response-Low Mountain Chapter Audit

Finding II The chapter did not disclose conflict of interest Low Mountain Chapter is noncertified, therefore it must follow the Navajo Nation Personnel
Policies Manual and Title 26 without exception.
Title 26

1. Separation of Powers at the Chapter Level
   Title 26 establishes a clear division between:
   - Elected officials – legislative and oversight roles
   - Administrative staff – executive and operational roles

Elected officials do not have authority to direct, supervise, or control daily administrative operations.

2. Prohibition on Micromanagement
   Title 26 explicitly prohibits elected officials from:
   - Interfering in personnel matters
   - Directing or supervising Chapter staff
   - Involving themselves in procurement, purchasing, or financial processing
   - Making administrative decisions or giving staff instructions
   - Overriding or bypassing established administrative procedures

The AMS position was advertised and the only applicant was Mr. Everett Lee who was interviewed and selected November 18, 2024 (Attachment-I), with the understanding that I, SPPS/ASC Dilkon would provide supervision. (Attachment- II)
The AMS successfully completed his 90 days, attending a week-long orientation with ITG of Albuquerque, NM (Attachment III).
On September 18, 2025, Mr. Everett Lee submitted his resignation. (Attachment IV)

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Finding IV: Total Fixed Asset Value Reported on the Balance Sheet Is Unreliable.
The Administrative Service Center Dilkon (ASC) acknowledges Finding IV regarding the unreliability of the total fixed asset value reported on the Low Mountain Chapter's balance sheet. However, ASC finds it necessary to clarify the roles, responsibilities, and transition conditions that materially affected the circumstances underlying this finding.

On July 13, 2023 (Attachment V), Dilkon ASC was assigned to provide technical assistance to the Low Mountain Chapter at the request of Chapter Officials as part of an administrative transition related to the MIP financial system. At the time of assignment, the Account Maintenance Specialist retained full system access and responsibility for entering all MIP transactions. Chapter Officials continued to exercise oversight of financial operations and retained authority over role assignments and system control.

During the audit period of May 2024 through April 2025, responsibility for the maintenance, reconciliation, and reporting of fixed assets within the MIP system resided with the CSC, who had previously served as Accounts Maintenance Specialist (AMS) for over five years, and the former AMS (Mr. Lee). These roles were responsible for ensuring the accuracy of fixed asset records, processing adjustments, and maintaining compliance with applicable accounting and financial reporting requirements.

From September 19, 2024 through October 22, 2024 (Attachment VI), the MIP system was temporarily retained at the Dilkon ASC location. During this period, Mrs. Nelson assisted with check processing activities onsite while seated adjacent to the Administrative Services Officer (ASO). This assistance was limited in scope and did not include responsibility for fixed asset accounting.

An AMS was hired on November 18, 2024, having previously assisted the CSC with select MIP-related tasks prior to formal hiring. The former AMS completed Basic MIP training between February 25, 2024 and February 28, 2025 (Attachment III). Dilkon ASC continued providing technical assistance until the AMS demonstrated sufficient technical proficiency in MIP on May 6, 2025 (Attachment VII), at which point the AMS assumed full operational responsibility for MIP functions, including fixed asset accounting and related adjustments.

The combination of Chapter-level retention of system access and control, extended training timelines, overlapping responsibilities, and a phased transition of authority adversely affected continuity and contributed to delays in identifying and correcting long-standing fixed asset discrepancies. Assigning overall responsibility to ASC for these conditions does not align with established governance structures, as Chapter Officials and designated Chapter personnel retained ownership of system access, transactional authority, and accountability for financial records throughout the audit period.

The ASO did not hold primary responsibility for fixed asset management or accounting and was not designated as the custodian of the Chapter's asset records. Fixed asset reconciliation and balance sheet adjustments are accounting functions assigned to the CSC/AMS role. While administrative coordination and support were provided where feasible, available supporting documentation related to fixed assets was incomplete, inconsistent, or insufficient. These documentation deficiencies impaired the ability to accurately identify, value, and reconcile fixed assets in accordance with applicable accounting standards and limited independent verification by ASC staff.

During the January 8, 2025 Chapter meeting, ASC staff discussed persistent financial discrepancies and compliance concerns associated with staffing transitions and capacity constraints. During this meeting, the ASO did not indicate a lack of general knowledge or working proficiency in the MIP system. Rather, the ASO noted that formal, module-specific training related to the Fixed Asset module would be required once available, as this module had not previously been used and required specialized instruction.

ASC acknowledges that the need for module-specific training, combined with staffing changes and limited technical resources during the transition period, constrained timely remediation of fixed asset issues. Accordingly, ASC committed to providing additional technical assistance and training support to facilitate corrective actions and strengthen financial compliance.

Further complicating remediation efforts, the AMS resigned effective September 17, 2025 (Attachment IV), which delayed implementation of corrective measures and prolonged resolution of fixed asset-related issues.

ASC concludes that the conditions contributing to this finding primarily stem from legacy fixed asset management deficiencies, staffing turnover, system access limitations, and transitional capacity constraints, which were outside the ASO's scope of responsibility and control.

ASC remains committed to supporting the Low Mountain Chapter in achieving full financial compliance and will continue providing technical assistance to ensure fixed asset records are properly reconciled and accurately reflected in the Chapter's financial statements. ASC further notes that this finding should not reflect adversely on Chapter administrative staff, who acted within their defined roles and limitations during the transition period.

Finding IX: Bank Reconciliations Were Not Timely Completed or Reviewed
The Dilkon Administrative Service Center (ASC) submits the following response to the Low Mountain Chapter's letter disputing Finding IX and alleging negligence by ASC program staff. ASC respectfully disagrees with the assertions presented and provides the following clarification of roles, responsibilities, and governance.

ASC Role and Authority
The Dilkon ASC's function is limited to technical assistance, oversight, and advisory support. ASC is not the fiscal agent, custodian of Chapter funds, or the entity responsible for originating, approving, or ensuring the timeliness of Chapter financial transactions. Ultimate accountability for compliance with financial policies—including timely bank reconciliations—rests with Chapter Officials and designated Chapter financial staff in accordance with the Five

Management System (FMS) and Fiscal Management Policies.
At no point did ASC assume ownership of the Chapter's financial operations or relieve the Chapter of its responsibility to maintain accurate and timely accounting records, with the limited

exception of the period from September 18, 2024 through October 22, 2024 (Attachment VI), during which ASC temporarily relocated the MIP system to the ASC Office in Dilkon.

MIP System Access and Reconciliations
Effective August 13, 2024, ASC provided enhanced oversight and technical support related to the MIP system. The decision to restrict the CSC's MIP passcode was made in response to segregation-of-duties concerns, internal control requirements, and oversight integrity, and was not intended to remove Chapter accountability or impede reconciliation processes. The CSC remains to have view only access to the MIP system.

Bank reconciliations remained a Chapter responsibility, regardless of system access changes. ASC assistance did not eliminate the obligation of Chapter Officials to ensure reconciliations were completed timely, reviewed, and certified. Delayed reconciliations—including those completed after the fact—reflect process and accountability gaps at the Chapter level, not ASC negligence.

Online Banking Access
ASC notes that access to Wells Fargo online banking is governed by bank controls and authorized signatory protocols outside ASC authority. The Chapter's difficulties obtaining access were attributable to internal communication breakdowns and approval dependencies, not actions taken by ASC. ASC neither controlled bank credentials nor obstructed Chapter access to financial information.

Staffing and Training
ASC acknowledges that staffing changes and ongoing training impacted continuity; however, training and technical assistance were provided within ASC's scope and consistent with the ASC Plan of Operations.

Allegations of Bullying or Control
The allegations of bullying, intimidation, or intentional exclusion are unsubstantiated and inconsistent with the professional oversight role of ASC. Actions taken by ASC—such as limiting system access or requiring adherence to controls—were grounded in policy compliance, risk mitigation, and audit readiness, not personal conduct or punitive intent.

ASC's role includes advising when practices place the Chapter at risk of noncompliance. Enforcement of policy and internal controls should not be misconstrued as harassment or control.

Monitoring and Oversight
While ASC participates in monitoring and review activities, monitoring does not replace Chapter responsibility. The Chapter retains the obligation to complete reconciliations, resolve discrepancies, and submit accurate financial reports. ASC cannot certify or correct financial records without Chapter execution and documentation.
The absence of timely reconciliations and unresolved discrepancies indicates a failure of execution at the Chapter level, not a failure of technical assistance.

Conclusion

ASC rejects the assertion that Finding IX should be attributed to ASC negligence. The finding reflects Chapter non-performance of required financial duties, despite ongoing technical assistance and oversight support. Assigning responsibility to ASC for the Chapter's inability to meet basic fiscal compliance requirements is inconsistent with established governance and accountability frameworks.

ASC remains committed to providing technical assistance, guidance, and oversight to support the Low Mountain Chapter's return to compliance. However, responsibility for financial accountability, timeliness, and accuracy remains with the Chapter.

Accordingly, ASC respectfully submits that Finding IX is appropriately attributed to Chapter-level control and execution deficiencies, and should not be reassigned to ASC.

cc: Jaron Charley, Department Manager II
NN DCD/ Administrative Service Centers
Benjiman Gonnie, Chapter President
Low Mountain Chapter