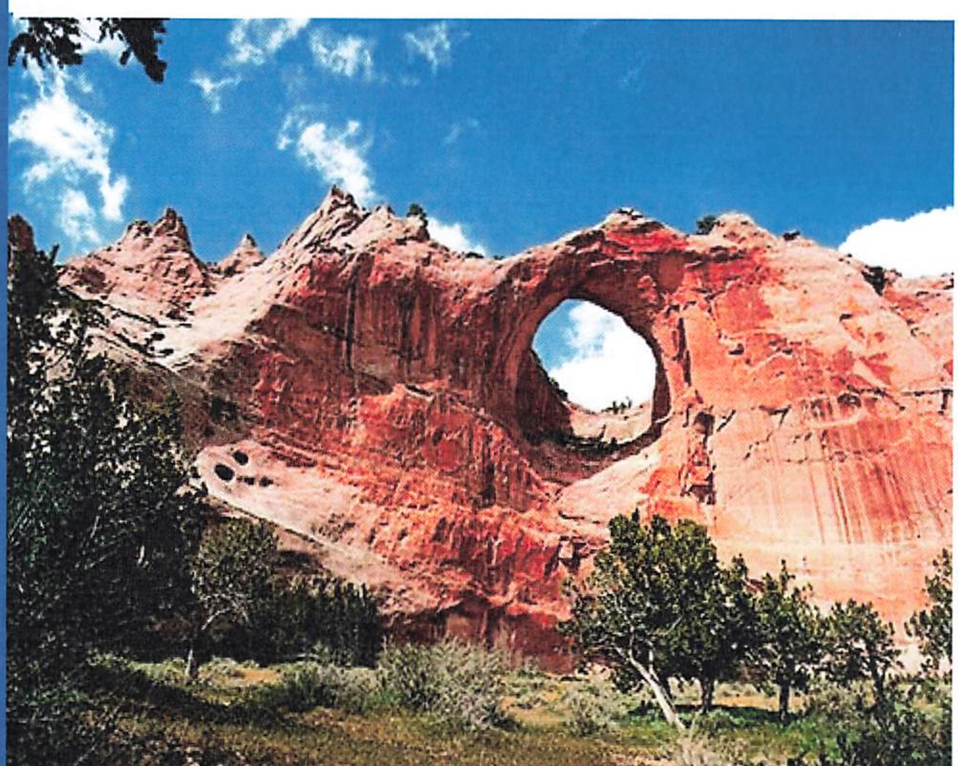
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Black Mesa Chapter Corrective Action Plan Implementation



Report No. 26-10
June 2026

Performed by:

Judith Sam, Associate Auditor
Beverly Tom. Principal Auditor

Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

June 10, 2026

Wilson Gilmore, President
BLACK MESA CHAPTER
P.O. Box 189
Pinon, AZ 86510

Dear Mr. Gilmore:

The Office of the Auditor General (OAG) herewith transmits audit report no. 26-10, a Follow-up Review of the Black Mesa Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2021, the OAG performed an Internal Audit of Black Mesa Chapter and issued audit report no. 21-20. A corrective action plan was developed by the Black Mesa Chapter in response to the audit. The audit report and corrective action plan (CAP) were approved by the Budget and Finance Committee on December 6, 2022, per resolution no. BFD-39-22.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Black Mesa Chapter has fully implemented its CAP based on a six-month review period from October 1, 2025, to March 31, 2026.

SUMMARY

Of the 25 corrective measures, the Black Mesa Chapter implemented 13 (52%) corrective measures, leaving 12 (48%) not fully implemented. See attached Exhibit A for the details of our review results.

CONCLUSION

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

It has been approximately four years since the issuance of the initial audit report. The Chapter had ample opportunity to implement the CAP. However, we recognize the Chapter has newly elected officials. Considering this, the Auditor General hereby grants the Black Mesa Chapter 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 December 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 Black Mesa Chapter administration and officials for assisting in this follow-up review.

Sincerely,

Jeanine Jones, CFE, MFA
Auditor General

xc: Lynn J. Dean, Vice President
Edbert Little, Secretary/Treasurer
Albert Lee, Community Services Coordinator
Germaine Simonson, Council Delegate
BLACK MESA CHAPTER
Jaron Charley, Department Manager II
Edgerton Gene, Senior Programs & Project Specialist
ADMINISTRATIVE SERVICE CENTER/DCD

Chrono

Exhibit A

REVIEW RESULTS
Black Mesa Chapter Corrective Action Plan Implementation
Review Period: October 1, 2025 to March 31, 2026

Audit Issues	Total # of Corrective Measures	# of Corrective Measures Implemented	# of Corrective Measures Not Implemented	Audit Issue Resolved?	Review Details
1. The Chapter does not maintain detailed records of resale inventory items showing the description, cost, quantity, and location of all resale inventories.	5	5	0	**Yes**	See Attachment A
2. The Chapter does not consistently follow bank reconciliation policies regarding voided checks.	4	4	0	**Yes**	
3. The Chapter property was not consistently tagged and accounted for on the property inventory.	6	2	4	**No**	See Attachment B
4. Cash disbursements were made without proper supported documentation and Chapter approval.	3	0	3	**No**	
5. The Chapter does not have proper segregation of duties.	2	1	1	**No**	
6. Payroll tax deposits and tax report filings are delinquent.	5	1	4	**No**	
TOTAL:	**25**	**13**	**12**	**2 - Yes** **4 – No**	

WE DEEM CORRECTIVE MEASURES: **Implemented** where the Chapter provided sufficient and appropriate evidence to support all elements of the implementation; and **Not Implemented** where evidence did not support meaningful movement towards implementation, and/or where no evidence was provided.

Attachment A

◆ 2026 STATUS	**Issue #1: The Chapter does not maintain detailed records of resale inventory items showing the description, cost, quantity, and location of all resale inventories.** **RESOLVED**

For the review period, we identified hay resale activity in the amount of $6,592. The Chapter purchased 412 bales of hay and sold them between September to December 2025. The Chapter recorded and posted the hay sold in the accounting system by cash receipts ticket. In comparing the cash receipt report to the cash receipt tickets, the Chapter demonstrated all hay sold were accounted for.

It will be upon the Community Services Coordinator (CSC) and Officials to work on ensuring physical counts on any resale activities are conducted at the end of each day. Otherwise, the Chapter has reasonably resolved the finding.

◆ 2026 STATUS	**Issue #2: The Chapter does not consistently follow bank reconciliation policies regarding voided checks.** **RESOLVED**

Five checks from November 2025 through January 2026 were identified to be outstanding checks on the bank reconciliations. However, we found these five checks were voided checks and had yet to be voided in the accounting system. With the assistance of Chinle Administrative Service Center, the five checks were verified and voided in the accounting system.

Therefore, the Chapter has reasonably resolved the finding.

◆ 2026 STATUS	**Issue #3: The Chapter property was not consistently tagged and accounted for on the property inventory.** **NOT RESOLVED**

The Chapter uses the Underwriting Exposure Summary (UES) forms as their primary inventory. Thirty-four property items totaling $899,145 were reported in the UES for Fiscal Year 2026. A sample of fifteen (15) property items totaling $131,638 were examined and found the Chapter provided reasonable assurance property items are tagged with identification numbers and are physically located on the Chapter premises. However, the UES inventory cannot be relied on to ensure the Chapter continues to comply with the Five Management System (FMS) Property policies since it does not require all descriptive elements required by the policies. The Fiscal Year 2026 UES inventory did not include the tag numbers, acquisition dates, quantity, and location of the property. A separate comprehensive property inventory should be developed and maintained to provide tag numbers, acquisition dates, serial numbers, value, description of items, quantity, and location of the property.

In the previous audit report, the Chapter was also cited on the value of fixed assets reported on the UES inventory did not reconcile to the Balance Sheet. For this review, the Chapter reported fourteen fixed assets totaling $892,344 in the UES inventory for Fiscal Year 2026. We examined seven fixed assets totaling $589,745. In verifying the reliability of the reported value, we noted the following discrepancies for fixed assets:

- Gooseneck flatbed trailer and pressure washer were reported with the same serial number. This should be corrected by the CSC.
- UES inventory reported fixed asset value of $892,344 and the accounting system reported $707,728 with a variance of $184,616.
- Head start building, Caterpillar Front End Loader, Gooseneck Flatbed trailer, Dell laptop, Canon Image Runner and desktop computer with a total value of $304,745 were not reported in the balance sheet.
- Refrigerator and freezer for the senior center and ten portable mini radios are fully depreciated within the accounting system. It is likely the warehouse, flatbed truck and tractor will fully depreciate as of the review.
- Not all fixed assets are depreciated, and the last depreciation entry was done on September 30, 2015.

Overall, The Chapter needs to address the discrepancies for its property inventory with the continue assistance of Chinle Administrative Service Center. Therefore, the audit issue remains unresolved.

◆ 2026 STATUS	**Issue #4: Cash disbursements were made without proper supported documentation and Chapter approval.** **NOT RESOLVED**

A sample of 20 cash disbursements totaling $46,517 were examined and the following deficiencies were noted:

- A checklist was not developed to verify all supporting documents were intact.
- Check number 7922 did not have the signature of the CSC on the fund approval form as the approver for the expenditure.
- Check number 7877 did not have the concurrence of the Vice President on the fund approval form but did sign the check.
- Check number 7857, 7884, and 7390 were paid using quotes. No invoice or receipt was attached to verify payment.
- Check number 7812 to Bashas in the amount of $500 was to purchase food for Thanksgiving dinner. The Chapter expended $323.28 of $500 and the remaining balance of $176.52 was put

on a Bashas gift card. Per the CSC, Bashas does not give cash back rather offers gift cards for the unspent monies. The Chapter fully expended the gift card but could not account for $13.45 with a receipt.

- Check number 7860 to Bashas in the amount of $800 was to purchase food for Christmas dinner and treat bags. The Chapter spent $342.84 on food with a refund placed on gift cards in the amount of $457.16. From January to May 2026, there were five receipts where the Chapter purchased food and non-food items with receipts totaling $298.85 with a remaining balance of $158.31. However, receipt dated May 6, 2026, shows a remaining balance of $69.70. As a result, $457.16 was not approved to make the purchases as this payment was intended for Christmas dinner and treat bags.
- Justification memorandums were not prepared for the President and Vice President as alternate check signers.

Overall, The Chapter continues to make purchases without proper supporting documentation and approval, therefore the audit issue remains unresolved.

◆ 2026 STATUS	**Issue #5: The Chapter does not have proper segregation of duties.** **NOT RESOLVED**

To avoid any total control over a process, duties within the process need to be segregated to ensure proper checks and balances. The following discrepancies were found within the cash disbursement process:

- The Accounts Maintenance Specialist (AMS) is responsible for preparing the fund approval form with all supporting documents. The AMS provided incorrect GL codes on the fund approval form with no invoice and receiving report attached.
- When goods are received, the AMS shall reconcile the goods against the invoice for accuracy and forward to the CSC for payment. Receiving reports were not completed to demonstrate that all authorized purchases of goods/services were received.
- CSC and officials did not thoroughly review voucher packages for accurate fund approval forms, invoices, and receiving reports but approved the fund approval form (FAF) and signed the check.
- The AMS is not providing a list of outstanding checks to the CSC for approval to be voided or re-issuance of a check.
- The Chapter staff did not prepare FAF for the monthly electronic IRS payments to ensure proper approval and review were conducted of the payments.
- The CSC needs to ensure the AMS's work is reviewed rather relying on the Administrative Service Center. As a supervisor of the AMS, the CSC should review her roles and responsibilities as outlined in the FMS.

The AMS was hired on September 26, 2022, and has been given access to the accounting system as an administrator. Whereas the CSC has been given view-only access to monitor the work of the AMS as the supervisor. ASC has continuously been onsite assisting the AMS with the accounting system which gives the impression ASC staff are monitoring the AMS's work and those roles and responsibilities should be given to the CSC.

Without effective segregation of duties over the cash disbursement process, the Chapter cannot provide assurance errors, non-compliance, or fraudulent activity is timely detected. We encourage the CSC to comply with the cash disbursement policies and procedures to implement the segregation of duties. Therefore, the audit issue remains unresolved.

◆ 2026 STATUS	**Issue #6: Payroll taxes deposits and tax report filings are delinquent.** **NOT RESOLVED**

Two quarterly IRS reports were identified for the review period totaling $2,964. Although the Chapter ensured IRS reports were submitted by the due dates the following discrepancies were noted:

- Three of six monthly IRS tax payments were paid late between 14 to 60 days.
- Three of six monthly IRS tax payments were missing approved FAF to authorize payments as required by the FMS for all payments.

Overall, the Chapter is not submitting its monthly IRS payment by the required due date and likely penalties will be assessed for the Chapter for the late payments. Therefore, the audit issue remains unresolved.