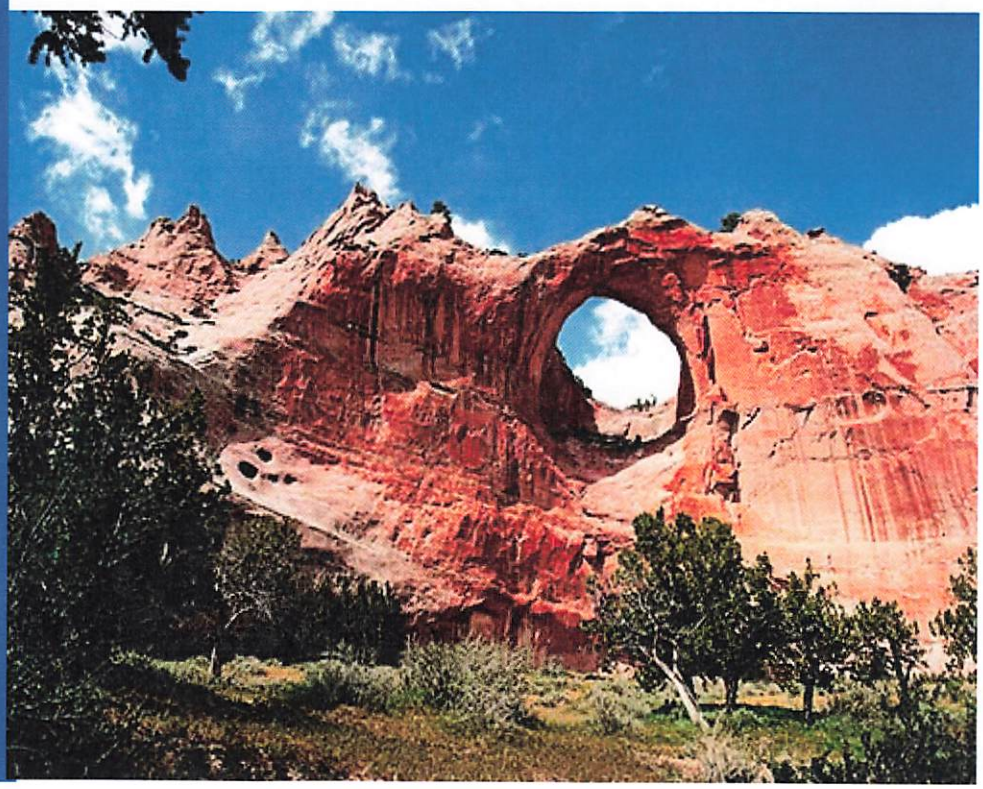
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A 2nd Follow-up Review of the Torreon/Star Lake Chapter Corrective Action Plan Implementation



Report No. 26-11
June 2026

Performed by:
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Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

June 25, 2026

Kenneth Toledo, President
TORREON/STAR LAKE CHAPTER
P.O. Box 1024
Cuba, NM 87013

Dear Mr. Toledo:

The Office of the Auditor General (OAG) herewith transmits audit report no. 26-11, a 2nd Follow-up Review of the Torreon/Star Lake Chapter Corrective Action Plan Implementation.

BACKGROUND

In 2021, the OAG performed an Internal Audit of the Torreon/Star Lake Chapter and issued audit report 21-05. A Corrective Action Plan (CAP) was developed by the Torreon/Star Lake Chapter in response to the audit. The audit report and CAP were approved by the Budget and Finance Committee on January 19, 2022, per resolution no. BFJA-02-22.

In 2025, a follow-up review determined that the Chapter did not fully implement the CAP. Of the 14 corrective measures, the Chapter did not implement 8 (57%) of the corrective measures. The Auditor General granted Torreon/Star Lake Chapter a six-month extension to continue implementing its corrective action plan. Thereafter, the Office of the Auditor General will conduct a 2nd follow-up review to provide an appropriate recommendation in accordance with 12 N.N.C. Section 9 (B) and (C).

OBJECTIVE AND SCOPE

The objective of the 2nd follow-up review is to determine whether Torreon/Star Lake Chapter has fully implemented its CAP based on a six-month review period from October 1, 2025, to March 31, 2026.

SUMMARY

Of the 9 corrective measures, Torreon/Star Lake Chapter implemented 7 (78%) corrective measures, leaving 2 (22%) not fully implemented. See Exhibit A for the details of our review results.

CONCLUSION

Overall, Torreon/Star Lake Chapter has demonstrated progress by implementing a majority of its corrective action plan and as a result, has reasonably resolved the audit findings from the 2021 audit. Therefore, the Office of the Auditor General does not recommend sanctions be imposed on Torreon/Star Lake Chapter and its officials.

We thank the Torreon/Star Lake Chapter administration and officials for assisting in this follow-up review.

Sincerely,

Jeanine Jones, CFE, MFA
Auditor General

xc: Sherry Begaye, Vice-President
Autumn Montoya, Secretary/Treasurer
Evangeline Tachine, Community Services Coordinator
George Tolth, Council Delegate
TORREON/STAR LAKE CHAPTER
Jaron Charley, Department Manager II
Heather Yazzie-Kinlacheeny, Senior Programs & Projects Specialist
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

REVIEW RESULTS
Torreon/Star Lake Chapter Corrective Action Plan Implementation
Review Period: October 31, 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. Chapter Physical equipment Inventory Form is incomplete, and the Chapter did not perform an annual physical inventory count.	5	5	0	**Yes**	Attachment A
2. General and Subsidiary ledgers for all Capital Assets owned are not being maintained. Capital Assets are not reported in the financial statements.	4	2	2	**Yes**	
TOTAL:	**9**	**7**	**2**	**2 - Yes 0 - 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.

Torreon/Star Lake Chapter Corrective Action Plan Implementation
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◆ 2026 STATUS	**Issue #1: Chapter Physical equipment Inventory Form is incomplete, and the Chapter did not perform an annual physical inventory count.** **RESOLVED**

At the time of the field visit, the Chapter did not have an Accounts Maintenance Specialist (AMS) but as of June 1, 2026, the Chapter hired an AMS. The Chapter uses the Underwriting Exposure Summary (UES) forms as their primary inventory that was prepared by the Community Services Coordinator (CSC) on an annual basis. The CSC, with the assistance of the Crownpoint Administrative Service Center (ASC) has been overseeing the recordkeeping of the property inventory in the absence of an AMS.

The Chapter reported eighty-three (84) property items, totaling $3,131,897, in the UES for Fiscal Year 2026. A sample of twenty-three (24) property items totaling $991,898 were examined and found the Chapter provided reasonable assurance property items are tagged with an identification number and physically located on the Chapter premises.

With revisions of the UES form by Risk Management, the UES inventory cannot be relied on to ensure the Chapter continues to comply with the Five Management System Property policies since the UES form does not require all descriptive elements required by policies. Therefore, it will be upon the AMS to develop and maintain a separate comprehensive property inventory to provide tag numbers, acquisition dates, serial numbers, value, description of items, quantity, and location of the property. Furthermore, the CSC should verify that the comprehensive property inventory maintained by the AMS is accurate.

Overall, the Chapter provided reasonable assurance the property inventory accounted for property items and are located on chapter premises. Therefore, the audit issue has been resolved.

◆ 2026 STATUS	**Issue #2: General and Subsidiary ledgers for all Capital Assets owned are not being maintained. Capital Assets are not reported in the financial statements.** **RESOLVED**

On April 16, 2026, the Chapter purchased and set up the fixed asset module with the assistance of Crownpoint ASC. On April 23, 2026, an inspection and appraisal were completed by a contractor for the chapter buildings. With the appraisal report, the Chapter updated its values for the fixed assets in the accounting system.

Twenty-three (23) fixed assets totaling $3,085,864 were identified and a sample of seven fixed assets totaling $1,583,378 were examined. The Chapter's fixed assets values were supported with invoices, receipts, and appraisal. The values of the fixed assets were posted accurately to the accounting system.

Furthermore, it will be upon the ASC to ensure the AMS will attend the MIP fixed asset module training with ITG New Mexico upon completion of her employment probationary. In the meantime, ASC has scheduled the fixed asset module training on July 7, 2026, for the Chapter staff and officials to provide an overview of the accounting of the fixed assets for the Chapter.

In addition, the ASC will train the Chapter Secretary/Treasurer on how to present the fixed asset values as part of the financial reporting to the community membership. Overall, the Chapter has made significant improvements since the initial audit. The Chapter has completed an appraisal for its buildings, purchased the fixed asset module, obtained support documents for fixed assets accurately reported values in the balance sheet. Therefore, the audit issue has been reasonably resolved.

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