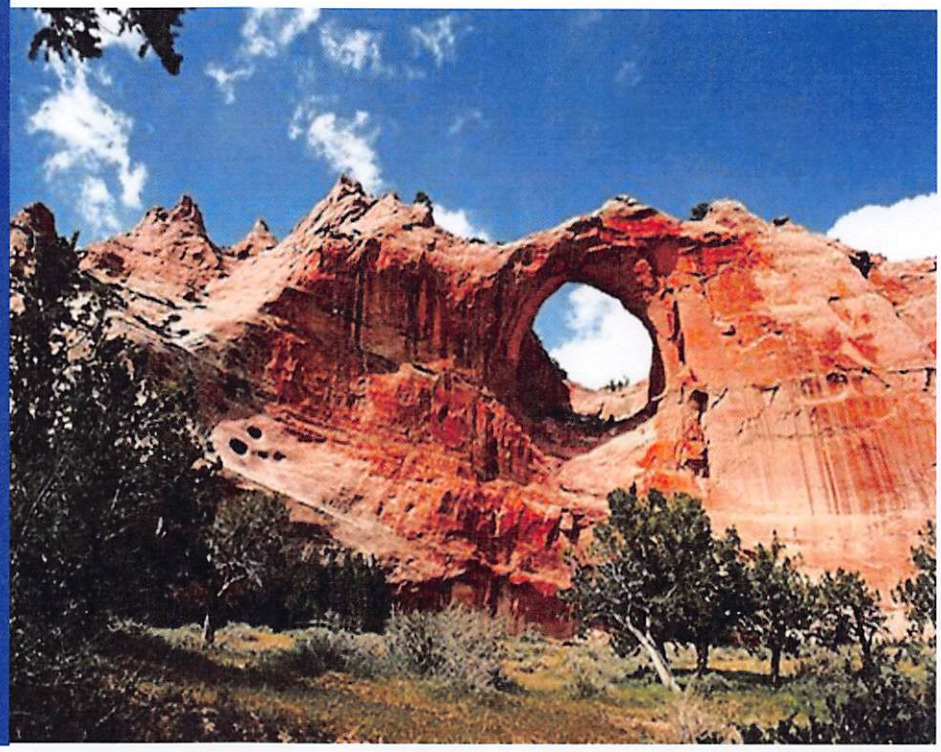
# OFFICE OF THE AUDITOR GENERAL

## The Navajo Nation

### A Follow-up Review of the Tohatchi Chapter Corrective Action Plan Implementation



**Report No. 26-12**
**June 2026**

**Performed by:**
**Kimberly Jake, Senior Auditor**
**Leldon Randall, Associate Auditor**

Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

June 26, 2026

Elvis Bitsilly, President
**TOHATCHI CHAPTER**
P.O. Box 287
Tohatchi, NM 87325

Dear Mr. Bitsilly:

The Office of the Auditor General herewith transmits audit report no. 26-12, a Follow-up Review of the Tohatchi Chapter Corrective Action Plan Implementation.

## BACKGROUND

In 2020, the Office of the Auditor General performed a Special Review of Tohatchi Chapter and issued audit report no. 20-16. A corrective action plan (CAP) was developed by the Tohatchi Chapter in response to the audit. The audit report and CAP were approved by the Budget and Finance Committee on December 13, 2022, per resolution no. BFD-44-22.

## OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether the Tohatchi Chapter fully implemented its CAP based on a six-month review period from June 1, 2025, to November 30, 2025.

## SUMMARY

Of the 77 corrective measures, the Tohatchi Chapter implemented 29 (38%) corrective measures, leaving 48 (62%) not fully implemented. See Exhibit A for the details of our review results.

## CONCLUSION

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

It has been five years and nine months since the issuance of the initial report. Although the Chapter had ample opportunity to implement the corrective action plan, we also recognize the Chapter has newly elected officials. Considering this, the Auditor General hereby grants the Tohatchi 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 Tohatchi Chapter administration and officials for assisting in this follow-up review.

Sincerely,

Jeanine Jones, CFE, MFA
Auditor General

Attachment

xc: Lee Rodgers, Vice President
Jean Crawford, Secretary/Treasurer
Maria Allison, Community Services Coordinator
Nathan Notah, Council Delegate
**TOHATCHI CHAPTER**
Jaron Charley, Department Manager II
Patricia Begay, Senior Programs & Projects Specialist
**ADMINISTRATIVE SERVICE CENTER/DCD**
Chrono

Exhibit A

REVIEW RESULTS
Tohatchi Chapter Corrective Action Plan Implementation
Review Period: June 1, 2025 to November 30, 2025

| Audit Issues | Total # of Corrective Measures | # of Corrective Measures Implemented | # of Corrective Measures Not Implemented | *Audit Issue Resolved?* | Review Details |
|---|---|---|---|---|---|
| 1. The Chapter did not verify that $32,581 of building materials were used for their intended purpose. | 3 | 2 | 1 | Yes | Attachment A |
| 2. A contractor was paid $5,455 for work that could not be verified. | 3 | 2 | 1 | Yes | |
| 3. No performance reports on file to verify that project materials and services were used as intended. | 4 | 3 | 1 | Yes | |
| 4. The Chapter used gift cards to purchase building materials and cards with remaining balances totaling $3,600 are unaccounted for. | 7 | 2 | 5 | No | Attachment B |
| 5. Housing assistance exceeded authorized limit per policy and recipient eligibility cannot be justified. | 8 | 4 | 4 | No | |
| 6. A contractor was hired contrary to procurement policies and procedures. | 4 | 0 | 4 | No | |
| 7. Poor accountability for diesel fuel usage by the chapter. | 5 | 1 | 4 | No | |
| 8. Poor property controls impede proper identification, tracking and recordkeeping of Chapter property. | 8 | 2 | 6 | No | |
| 9. The Chapter could not justify the fixed assets | 13 | 3 | 10 | No | |

REVIEW RESULTS
Tohatchi Chapter Corrective Action Plan Implementation
Review Period: June 1, 2025 to November 30, 2025

| | | | | | |
|---|---|---|---|---|---|
| value reported in the financial statements. | | | | | |
| 10. PEP/SYE projects did not comply with policies and procedures. | 10 | 7 | 3 | No | |
| 11. Wages totaling $29,531 lacked timesheets and independent review. | 6 | 3 | 3 | No | |
| 12. Current filing system is inconsistent with the FMS records management policy. | 6 | 0 | 6 | No | |
| **TOTAL:** | **77** | **29** | **48** | **3 - Yes<br>9 - No** | |

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

| ◆ 2026 STATUS | **Issue 1: The Chapter did not verify that $32,581 of building materials were used for their intended purpose. RESOLVED** |
|---|---|
| During the initial audit, the Chapter awarded three community members for the construction of new homes. So, the Chapter prepaid Home Depot $36,000 to purchase building materials. PEP employees were assigned to pick up materials, as needed, to complete the housing projects. However, it was reported that the Chapter did not document the tracking of materials that were received and used. Plus, the monitoring and completion of projects were not documented.<br><br>In the follow-up review, it was verified the Chapter adopted a revised housing policy in May 2025. The policy no longer includes new home construction, and the Chapter now requires recipients to pick up their materials directly from the vendor. Overall, the audit issue is reasonably resolved. | |

| ◆ 2026 STATUS | **Issue 2: A contractor was paid $5,455 for work that could not be verified. RESOLVED** |
|---|---|
| Services provided by the waste disposal vendor evaluated in Issue 6 was examined. There was a contract in place, with a scope of work that was used by staff and officials to reconcile against invoices to confirm services were provided as intended. Therefore, the audit issue is reasonably resolved. | |

| ◆ 2026 STATUS | **Issue 3: No performance reports on file to verify that project materials and services were used as intended. RESOLVED** |
|---|---|
| Four housing assistance recipients totaling $5,074 were examined. Site visits by the CSC were detailed in a progress report. In addition, a final inspection to confirm project completion and authorized use of building materials were documented to a project close-out form with pictures demonstrating completion. However, the corrective action plan requires the CSC's supervisor to review project folders each quarter to confirm required documents are on file, but this task was not completed. The Chapter should identify an authorized individual to routinely verify project files contain all required documents. Overall, the audit issue is reasonably resolved. | |

| ◆ 2026 STATUS | **Issue 4: The Chapter used gift cards to purchase building materials and cards with remaining balances totaling $3,600 are unaccounted for. NOT RESOLVED** |
|---|---|

The Chapter adopted a gift card policy for the remaining Home Depot gift cards and obtained community approval in September 2022. However, the Chapter did not comply with the policy when expending the remaining card balances for housing assistance.

At the conclusion of the initial audit, it was reported that the Chapter had five gift cards with the cumulative balance of $3,600 remaining. The Chapter staff stated the gift cards were given to ASC and later returned to the Chapter. However, there is no documented chain of custody for the gifts cards to determine the date, the number of cards, and card balances that were given to ASC and returned to the Chapter. When the current CSC took possession of the card upon the resignation of the former CSC in January 2020, she documented this action to the Chapter President to inform him that she retrieved one gift card with a balance of $2,000. Thereafter, there was no examination, by the Chapter, into what happened to the other four remaining cards with the balance of $1,600. Invoices and receipts pertaining to the $1,600 were not provided by the Chapter and they cannot account for the expenditure of these funds.

As for the one card with the remaining balance of $2,000 that the current CSC retrieved, the balance was transferred to a new card. However, the reason and date for the transfer to a new card is not clear and it is not documented with approval. The Chapter said the new card was used to provide housing assistance to one community member. Receipts for the expenditure of $2,000 confirmed that $10 had been spent using the new gift card. However, the expenditure of the remaining $1,990 was not traceable to the gift card since the receipt did not identify a gift card number. The receipt only confirmed that a gift card was used for the purchase but not that the expenditure was from the gift card retrieved by the CSC.

Overall, the Chapter did not account for four gift cards and could not support the expenditure of $1,600 of the $3,600 remaining after the initial audit. Therefore, the audit issue is unresolved.

| ◆ 2026 STATUS | **Issue 5: Housing assistance exceeded authorized limit per policy and recipient eligibility cannot be justified. NOT RESOLVED** |
|---|---|

Four housing assistance projects totaling $5,074 were examined. Award amounts did not exceed authorized limits. However, the following deficiencies were noted:

1. Although the Chapter has a checklist established it is not properly used by staff. It is consistent with policy requirements but is not entirely completed by staff.
2. One recipient totaling $1,405 had an incomplete copy of a homesite lease (HSL) on file. It was missing five pages so it could not be confirmed that the HSL was finalized, approved, and official. Chapter staff did not review it at the time of submittal. Since the recipient has received assistance already, the CSC is having difficulty in obtaining a complete copy of the HSL from the recipient.
3. The Chapter approved housing assistance for an applicant, totaling $2,000, before the applicant had an approved home site lease. The applicant was given notice from the Land Department to stop any planned development or improvements on the proposed site. However, the Chapter approved housing assistance for the applicant, but the HSL was not approved until nine months later.

4. All recipient files did not have a needs assessment on file. The CSC thought this requirement was removed from the revised policy.
5. One housing assistance recipient was awarded $960 from Fund 17 Emergency funds and was therefore subject to housing policies and emergency policies. However, the Chapter did not have evidence an assessment was performed, or an emergency was declared to justify the use of emergency funds to ensure that the highest risk community members received assistance.
6. There is no evidence that the housing recipient files were reviewed by the CSC's supervisor prior to approval of the award by chapter resolution, reviewed on a quarterly basis to ensure required documents are on file, and verified that Chapter staff are complying with policies.

Overall, the Chapter did not award housing assistance in accordance with policies and procedures. Therefore, the audit issue remains unresolved.

| ◆ 2026 STATUS | **Issue 6: A contractor was hired contrary to procurement policies and procedures. NOT RESOLVED** |
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For the six-month review period, the Chapter had monthly waste disposal payments to one vendor totaling $9,487. Considering this amount was close to $10,000, the review was expanded and it was identified the Chapter paid this one vendor a total of $16,605 in FY2025. As such, services provided by this vendor were reviewed against the Navajo Nation Procurement Regulations for compliance with the Small Purchases policy. The Chapter is to comply with the requirements of small purchases as follows:

1. Services with a total estimated cost up to $50,000 but greater than the Micro-purchase threshold of $10,000 shall be initiated by a Request for Proposal (RFP) or Request for Statement of Qualifications (RSQ).
2. Vendors certified under the Navajo Business Opportunity Act and listed as providing goods and services required by small purchase procurement shall be given the first opportunity to submit bids or proposals for the procurement.
3. All contracts for services shall be submitted through the 2 N.N.C. § 164 (B) review process for signature and comment.

There was no RFP/RSQ. There was a contractual agreement in place between Tohatchi Chapter and the vendor, but it did not go through the 164 review process. Overall, the Chapter did not comply with the Procurement Regulations. Therefore, the audit issue remains unresolved.

| ◆ 2026 STATUS | **Issue 7: Poor accountability for diesel fuel usage by the chapter. NOT RESOLVED** |
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The Chapter purchased two prepaid reloadable fuel cards offered by the Tohatchi Speedway gas station for the Chapter vehicle and heavy equipment. As such, controls over the management of the fuel cards were evaluated. A draft fuel card policy was deemed not legally sufficient by Navajo Nation Department of Justice (DOJ) in May 2025 and remains incomplete and is missing key controls such as segregation of duties, authorization, reconciliation, review, and monitoring procedures.

Three disbursements totaling $2,120 to reload the prepaid fuel cards were examined and the following deficiencies were noted:

1. The Chapter used a fuel log to track fuel receipts and card usage with no evidence of review or reconciliation by the AMS and CSC prior to reloading the cards.
2. The Chapter did not document reasons for fuel purchases or the CSC's approval to use the fuel card to purchase fuel.
3. The Chapter does not use a sign in/out log for the fuel cards when in use or when fuel cards are returned.
4. The Chapter traces fuel purchases to the mileage logs for the Chapter truck and weekly progress reports for the heavy equipment. Not all purchases were traceable; some fuel purchases were not documented to the weekly progress reports, and the mileage logs did not document fuel amount or gallons purchased for the Chapter truck.
5. A fuel card with a balance of $120 was lost by a temporary employee. An incident report was not completed by the Chapter staff, and no one was held accountable for the loss.
6. The Chapter has separate fuel cards for the truck and heavy equipment. However, the Chapter is using the cards interchangeably.

Overall, controls for fuel purchases have not improved. Therefore, the audit issue remains unresolved.

| ◆ 2026 STATUS | **Issue 8: Poor property controls impede proper identification, tracking and recordkeeping of Chapter property. NOT RESOLVED** |
|---|---|

Controls over property tracking and recordkeeping have not improved to account for and safeguard property against loss or misuse. The following discrepancies were noted:

1. The Chapter uses the Risk Management Program (RMP) insurance forms as their primary inventory. However, this form does not include all property descriptions as required by policies. The inventory was missing pertinent information such as property numbers, condition, acquisition date, serial numbers and purchase value. However, in March 2026, three months after the follow-up review started, the Chapter provided another inventory but in a different format than the RMP forms. It was evaluated against policies, but the inventory was still missing pertinent information such as property numbers, serial numbers, purchase date, purchase price, and four property items totaling $325.
2. The CSC stated the inventory submitted to RMP was copied from the prior year inventory and no physical inspection or count of inventory was completed to verify its accuracy.
3. A missing GPS unit valued at $4,981 was not detected until auditors asked for its location.
4. The Chapter officials did not review the annual inventory or conduct quarterly reviews to ensure all property items were accurately reported.
5. Four of ten heavy equipment items were not located on Chapter premises. A tractor, which has been disassembled, is located at the former heavy equipment operator's residence. A backhoe, cement mixer and rail pallet fork could not be located.
6. The Chapter developed an Equipment and Tools Checkout policy. However, a laptop assigned to the Secretary/Treasurer was not documented to the check-out form until the issue was brought to the attention of the staff.

In addition, 15 property items totaling $216,056 were examined and the following discrepancies were noted:

1. Four items totaling $63,130 were not tagged with identification numbers. The Chapter purchased pre-numbered identification tags but were not durable enough to remain affixed to property items. The Chapter has not addressed this issue.
2. Three items totaling $13,768 had incorrect serial numbers recorded to the property inventory.
3. One item totaling $109,300 was tagged with an identification number but was not recorded to the property inventory.

Overall, property controls have not improved. Therefore, the audit issue remains unresolved.

| ◆ 2026 STATUS | **Issue 9: The Chapter could not justify the fixed assets value reported in the financial statements. NOT RESOLVED** |
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Fixed assets reported on the balance sheet is unreliable. The following deficiencies were noted:

1. The balance sheet disclosed a value of $1,092,989 for 33 fixed assets. However, source documents report different values as follows:
   a. Property inventory reports 47 fixed assets totaling $1,017,269.
   b. Summary Asset Ledger reports 32 fixed assets totaling $1,087,352.
2. During the follow-up review, the Chapter contacted ITG to assist them in posting depreciation for fixed assets. Prior to that the Chapter had not updated the reported fixed assets since FY2021.
3. Chapter officials did not review the fixed assets and depreciation reported on the financial statements for accuracy.

In addition, 10 fixed assets identified from the property inventory totaling $207,240 were examined and the following discrepancies were noted:

1. One fixed asset (motor grader) totaling $55,000 is no longer operational due to its age, but it cannot be determined if the item was fully depreciated since the value reported in the balance sheet does not reconcile to the supporting document value of $64,974.
2. One fixed asset (GPS unit) totaling $4,981 did not have an appraisal, invoice, or receipt to support the cost of the item.
3. For three fixed assets (Desktop computer, Motor Grader and Chapter truck) totaling $58,259, the value reported in the inventory did not match the supporting documentation. Furthermore, the motor grader and truck did not reconcile to the value reported in the balance sheet.
4. For two fixed assets (freezer and Motor Grader) totaling $58,808, the items were not traceable to the accounting system since the value posted in the General Ledger and invoice did not match.

Overall, the Chapter's fixed assets were not accurately reported on the balance sheet. Therefore, the audit issue remains unresolved.

| ◆ 2026 STATUS | **Issue 10: PEP/SYE projects did not comply with policies and procedures. NOT RESOLVED** |
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The Chapter amended their Public Employment Program (PEP) and Summer Youth Employment (SYE) policies and DOJ deemed it legally sufficient in April 2025. The community membership approved the policy in May 2025.

Two PEP projects totaling $13,396 and three SYE projects totaling $4,498 were examined. For SYE, there were no significant issues. For PEP projects, the following deficiencies were noted:

1. Employees prepared weekly progress reports of their projects, but there is no documented evidence that the CSC verified employee progress and completion.
2. Records show the same employees were rehired without job advertisements. For example, one employee remained employed for two years and 10 months.
3. The corrective action plan requires a checklist to be established to ensure the project files contain advertisements, applications, personnel rosters, daily timesheets, photos and close-out reports. However, the Chapter has not implemented a checklist to confirm these required documents are on file to demonstrate compliance with policies.
4. Two PEP employees actively employed with the Chapter were paid fees totaling $100 from the Other Professional Fees budget. They performed services consistent with their regular PEP employment but were paid fees as if the employees were contractors. The Chapter took this approach to pay employees for work on weekends. The Chapter should have authorized an alternative work schedule to allow the employees to work on weekends.

Overall, the Chapter did not comply with PEP policies. Therefore, the audit issue remains unresolved.

| ◆ 2026 STATUS | **Issue 11: Wages totaling $29,531 lacked time sheets and independent review. NOT RESOLVED** |
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Wages paid to 16 temporary employees for three pay periods totaling $8,971 were examined. The following deficiencies were noted:

1. Six wages paid totaling $3,381 had timesheets that did not reconcile to the timecards and showed variances anywhere from .05 to 1.9 hours.
2. Two employees were paid wages totaling $1,107 for days worked beyond their employment end date.
3. Five employee wages totaling $4,036 had handwritten time on timecards that were not approved by the CSC.
4. All employee timesheets match what was posted to the MIP system. However, there was no evidence that the CSC reconciled the master timesheets to the hours posted in the MIP system before signing payroll checks. Timesheets and timecards do not have the signature of the preparer, reviewer or approver.
5. Two employee wages totaling $748 had timesheets that were not approved by the delegated supervisor when the CSC was absent from work for the month of June 2025 or Chapter official to confirm hours to be paid were accurate.
6. Employees were allowed to work outside of the established tour of duty from 8:00 a.m. to 12:00 p.m. and 1:00 p.m. to 5:00 p.m. as defined in the Navajo Nation Personnel Policies Manual, Section V.E. This action was not documented or approved by the CSC. Three employees worked during the lunch hour, and three employees started an hour before 8:00 a.m. and left for the day an hour earlier at 4:00 p.m.

In examining payroll documents, it was further noted that improvement with the following is needed to strengthen monitoring in the payroll process.

1. Two PEP employees did not have weekly progress reports on file.
2. Seven PEP employees' weekly progress reports were not signed by an official.
3. Timesheets do not break down hours by actual hours worked, administrative leave, LWOP, etc.
4. Two payroll checks had the Chapter President's signature but had no justification memo on file to explain the reason the S/T did not sign the check.

Overall, there continues to be issues with payroll documents and independent reviews. Therefore, the audit issue remains unresolved.

| ◆ 2026 STATUS | **Issue 12: Current filing system is inconsistent with the FMS records management policy. NOT RESOLVED** |
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The Chapter's filing system still needs improvement. For this review, the following discrepancies were noted:

1. Missing supporting documentation for housing projects, PEP projects, personnel, fixed assets, payroll, contracts, gift cards, fuel purchases, and property.
2. As required by the FMS Records Management policy and the corrective action plan, the Chapter does not scan any records. The CSC and AMS also do not conduct an annual records inventory and currently has no records inventory from October 2020 to current (FY2026).
3. Records continue to be stored in an unsafe, hazardous storage environment. The Chapter has discussed purchasing a conex box to house the Chapter records but no formal plans have been made yet.
4. Although the Chapter implements the 2010 DOJ FMS manual, the manual has not been adopted. The last resolution on file to adopt an FMS manual is dated 2007. The Chapter should conduct a public hearing to formally present the 2010 standard FMS to be adopted by the community membership.

Overall, the Chapter is hindered in retrieving and providing records efficiently. Records provide audit trails of activities and support decision-making. Without a proper filing system, the Chapter cannot reasonably justify expenditures, projects and the overall use of Chapter resources and assets. Therefore, the audit issue remains unresolved.