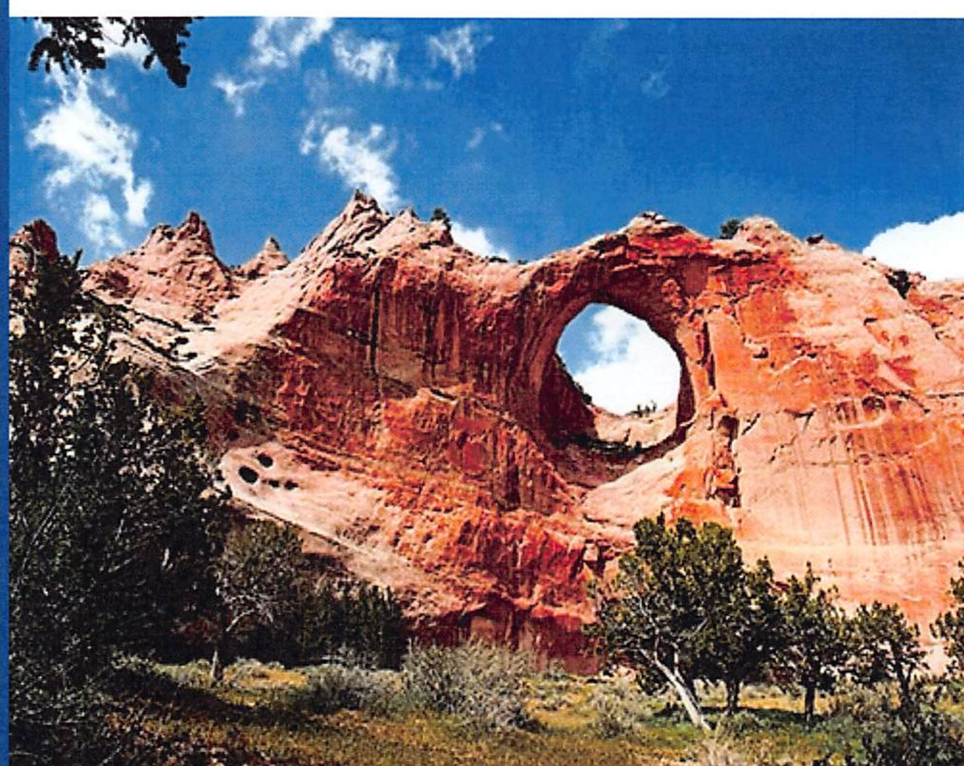
OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-Up Review of the Torreon/Star Lake Chapter Corrective Action Plan Implementation



Report No. 25-12
May 2025

Performed by:
Jimmizan Redhorse, Associate Auditor
Beverly Tom, Principal Auditor

Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

May 6, 2025

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. 25-12, a 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.

OBJECTIVE AND SCOPE

The objective of the follow-up review is to determine whether Torreon/Star Lake Chapter has fully implemented its CAP based on a six-month review period from August 1, 2024 to January 31, 2025.

SUMMARY

Of the 14 corrective measures, Torreon/Star Lake Chapter implemented 6 (43%) corrective measures, leaving 8 (57%) not fully implemented. See Exhibit A for the details of our review results.

CONCLUSION

Title 12 N.N.C Section 8 imposes upon the Torreon/Star Lake Chapter, the duty to implement the CAP according to the terms of the plan. As of this follow-up review, the Torreon/Star Lake 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 and the Chapter had ample opportunity to implement the CAP. However, we also recognize the Chapter has newly elected officials and there is new management at the Crownpoint Administration Service Center. Considering this, the Auditor General hereby grants the Torreon/Star Lake Chapter a six-month extension from the date of this report to continue implementing its CAP. The OAG will conduct a 2nd follow-up review after November 2025 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 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

Exhibit A

REVIEW RESULTS
Torreon/Star Lake Chapter Corrective Action Plan Implementation
Review Period: August 1, 2024 to January 31, 2025

Audit Issues	**Total # of Corrective Measures**	**# of Corrective Measures Implemented**	**# of Corrective Measures Not Implemented**	***Audit Issue Resolved?***	**Review Details**
1. Scholarships are awarded to students who had not submitted all essential documents.	5	4	1	**Yes**	Attachment A
2. Chapter Physical equipment Inventory Form is incomplete and the Chapter did not perform an annual physical inventory count.	5	1	4	**No**	Attachment B
3. General and Subsidiary ledgers for all Capital Assets owned are not being maintained. Capital Assets are not reported in the financial statements.	4	1	3	**No**	
TOTAL:	**14**	**6**	**8**	**1 - Yes** **2 - 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.

REVIEW RESULTS
Torreon/Star Lake Chapter Corrective Action Plan Implementation
Review Period: August 1, 2024 to January 31, 2025

◆ 2025 STATUS	**Scholarships are awarded to students who had not submitted all essential documents.** **RESOLVED**

Four scholarship assistance recipients totaling $1,500 were examined. Recipients were new applicants and no returning students were assisted for the review period. The checklist was used to verify scholarship required documents included application, letter of acceptance, social security card, Certificate of Indian blood, photo identification, transcript, class schedule, and voter's registration. The checklist was concurred by the chapter administration and chapter officials. The fund approval forms were signed and dated by chapter administration, Secretary/Treasurer and Administrative Services Center (ASC) before checks were signed. As of April 11, 2025, chapter administration and newly elected chapter officials received training from Crownpoint ASC on scholarship policies and procedures.

Overall, required documents were found on file before awarding assistance. Therefore, the audit issue was deemed reasonably resolved.

REVIEW RESULTS
Torreon/Star Lake Chapter Corrective Action Plan Implementation
Review Period: June 1, 2024 to November 30, 2024

◆ 2025 STATUS	**Chapter Physical Equipment Inventory form is incomplete and the Chapter did not perform an annual physical inventory count.** **NOT RESOLVED**

The Accounts Maintenance Specialist position has been vacant since 2023 and is currently being advertised on the Navajo Nation Department of Personnel Management website. The Community Service Coordinator (CSC) has been conducting the annual inventory with the temporary Office Assistant. Crownpoint ASC has yet to provide comprehensive training on property inventory.

Using the Underwriting Exposure Summary, a total of forty-two property items, totaling $3,122,363 were identified for the review period. A sample of fifteen property items totaling $1,671,322 were examined and the following were noted:

- Administration building, storage bins, propane bottle, and painting/picture are not tagged with identification numbers totaling $827,700.
- A Hewitt Packard laptop is not physically located on chapter premises totaling $1,400 and could not be verified for identification number and sign-out sheet.
- There are no acquisition dates and costs for head start building, warehouse/garage, administration building, storage bins, gooseneck trailer, propane bottle, Hewitt Packard laptops, LG Flatiron TV screen, and speakers.
- There is no acquisition date for water point system.
- Gooseneck trailer is not operational and is valued at $3,000 on the Underwriting Exposure Summary.
- A desktop valued at $1,239 was not reported on the Underwriting Exposure Summary and its uncertain on the location of the property item.

The Chapter is not fully complying with the Property Policies and Procedures in documenting property items and does not have all information recorded for property items.

Overall, the Chapter's property inventory remains incomplete without property numbers, serial numbers, acquisition dates, acquisition costs, and location. Therefore, the audit issue remains unresolved.

◆ 2025 STATUS	**General subsidiary ledgers for all Capital Assets owned are not being maintained. Capital Assets are not reported in the financial statements.** **NOT RESOLVED**

In the initial audit, the Chapter assets were understated in the monthly and annual Balance Sheet by about $3,118,000. The current CSC was hired on June 2024 and has been sorting through chapter documents to address the audit finding. However, as of April 30, 2025, the balance sheet still does not report the value of fixed assets. This lack of reporting understates the value of the Chapter's total assets.

Although the Chapter has a budget to purchase the fixed assets module and to obtain training, the Chapter has yet purchased the module and receive training. A total of fifteen fixed assets totaling $3,085,864 were identified for the review period. A sample of seven fixed assets totaling $1,464,864 were examined and the following deficiencies were noted:

REVIEW RESULTS
Torreon/Star Lake Chapter Corrective Action Plan Implementation
Review Period: June 1, 2024 to November 30, 2024

- Chapter building/clinic, library, hogan, HVAC System, solar panel system, John Deere backhoe, and painting/picture totaling $1,464,864 were not posted to the accounting system.
- Chapter building/clinic, library, hogan, and solar panel system totaling $1,270,000 were not supported with invoices, appraisals, or bill of sale to substantiate the reported values on property records.
- Chapter building/clinic, hogan, solar panel system, and John Deere backhoe totaling $1,270,000 do not have assigned property numbers.

The Chapter acknowledged the finding remains unresolved as they seek a certified appraiser and technical assistance from Crownpoint ASC.

Overall, fixed assets continue to be not reported on the balance sheet. Therefore, the audit issue remains unresolved.