



25TH NAVAJO NATION COUNCIL

## 25TH NAVAJO NATION COUNCIL OFFICE OF THE SPEAKER

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**FOR IMMEDIATE RELEASE**

**August 21, 2025**

### **Report to the Budget and Finance Committee raises red flags regarding Executive Branch spending**



**The Budget and Finance Committee recently received a report from the Office of the Controller on audit findings within the Executive Branch.**

**WINDOW ROCK, Ariz.** — The Budget and Finance Committee recently received a report from the Office of the Controller, detailing delays in finalizing the Comprehensive Budget for Fiscal Year 2024 due to audit findings within the Executive Branch and its impact on the timely consideration of the Fiscal Year 2026 Comprehensive Budget.

In accordance with Navajo Nation law, the annual audit must be approved by the Council prior to approving the upcoming fiscal year comprehensive budget.

Controller Sean McCabe reported a series of setbacks that have pushed the external audit beyond expected deadlines. Audit findings have also raised red flags concerning financial practices within several divisions under the Executive Branch, including the Office of the President and Vice President.

A memo from the Controller reports “Activities of potential misuse of funds that lead to increased testing based on a higher risk assessment” as a contributing factor for the delay.

KPMG, the Navajo Nation’s external auditor, has expanded the audit’s scope due to concerning findings involving upfront payments made to vendors and subrecipients—particularly under the American Rescue Plan Act (ARPA)—that were not accompanied by sufficient expenditure tracking or reporting. For instance, one recipient, Native Community

Capital, received \$20 million, but had only spent a fraction of it by the audit period's close. These practices raised substantial concerns about compliance and transparency.

Additional delays have resulted from difficulties obtaining required financial data from vendors, incomplete legal liability assessments pending from the Department of Justice, and slow preparation of annual financial statements. These issues have collectively hampered the audit's progress and placed the Nation's budget timeline at risk.

Transparency and fiscal responsibility are essential. We owe it to our people to uphold the integrity of our financial systems," said BFC Chair Shaandiin Parrish. "That is why this Council has directed the Controller to complete the audit as quickly as possible to allow the Council to deliberate on the Comprehensive Budget FY2026 budget."

McCabe, taking full accountability for the delays, confirmed that his office has implemented a strict plan to finalize the audit in time. "If I have to camp in the auditor's office every day until it's done, I will," McCabe told the committee. "There is no room for further delays, and we're committed to getting this across the finish line."

Council Delegate Amber Kanazbah Crotty emphasized the need for greater oversight, noting that a lack of coordination and procurement accountability compounds budget shortfalls across various departments, highlighting overexpenditures and unpaid invoices.

Five red flags were identified within the Executive Branch, including upfront vendor payments without adequate follow-up, procurement risks, subrecipient agreements lacking oversight, late financial statements, and potential misuse of federal funds. These findings have forced KPMG to intensify testing, creating further pressure on the audit timeline.

The Budget and Finance Committee passed a directive ordering the Office of the Controller to complete the audit. The Committee also urged DOJ to expedite its legal review and encouraged greater collaboration between leadership, the Auditor General, and local chapters to ensure compliance with corrective action plans. The report was accepted with three in favor and none opposed.

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