SUMMARY

The Office of the Auditor General has conducted a special review of the Navajo Nation Fair Office 2001-4th of July Celebration in response to concerns raised by the Parks and Recreation Department Director. This special review provides an assessment of the Fair Office's accounting of revenues and expenditures. For the 2001-4th of July Celebration, the Fair Office generated total revenue of $156,316. However, expenditures totaled $184,126, resulting in a loss of $27,810.

Finding I: Control Procedures Over Rodeo Admissions and Carnival Proceeds Needs Improvement

Lack of control over rodeo admissions resulted in substantial loss of potential revenue. Approximately half of the rodeo attendees did not pay for their admission. As a result, the Fair Office lost between $56,000 and $67,000 on rodeo admission tickets during the 4th of July Celebration. The improper use of complimentary tickets and VIP passes contributed to at least some of the lost revenue. Although a VIP pass or complimentary ticket is intended for use by only one person for one night admission to the rodeo, pass holders were able to reuse them and multiple individuals were able to enter on a single pass.

In addition, the Fair Office accepted the carnival operator's reported carnival ticket sales without verifying its accuracy. The Navajo Nation receives a percentage of the carnival operator's gross revenue from ticket sales for carnival rides. Lacking verification of the carnival ticket sales, the Fair Office could not provide reasonable assurance that the carnival operator paid the correct percentage of carnival ticket sales proceeds to the Navajo Nation.

Finding II: Established Rules and Regulations Need to be Complied With When Hiring Workers

The Fair Office classified all the temporary workers who provided services during the 4th of July Celebration as independent contractors. Generally, an employer classifying a worker as an independent contractor gives the worker the right to control the details of how the services are performed. In addition, a written agreement is entered with the worker and Form 1099-MISC is filled out for year-end reporting to the Internal Revenue Service. Our review shows that the Fair Office maintained control over how the services are performed by the workers, did not enter a written agreement with the workers and Form 1099-MISC was not completed. Errors in classifying workers as independent contractors rather than employees can result in potential payroll tax liability.

Also, the Fair Office paid its staff who provided services after regular working hours as independent contractors without regard to established personnel policy.

For our recommendations, see body of the report.