

## SUMMARY

The Office of the Auditor General conducted a compliance audit of the Navajo Nation Gadiiahi Chapter (Chapter) for the 24-month period ended September 30, 2001. A subsequent review was also conducted for the 3-month period ended January 31, 2003. The audit determines the extent to which the Chapter has established appropriate internal controls and general accounting practices to ensure proper accountability for Chapter assets and resources, and compliance with applicable laws, regulations, policies, and guidelines.

### **FINDING I: Chapter Internal Control Structure Needs Strengthening.**

Control weaknesses exist within the Chapter's cash receipts process. Adequate segregation of duties do not exist and lack of periodic reconciliations resulted in cash receipts not being fully deposited. Disbursements lacked adequate supporting documentation, proper approval and did not comply with applicable funding guidelines. Specifically, Housing Discretionary funds were awarded without the use of a ranking system and thus previous recipients received additional assistance. The Scholarship funds were awarded to students who did not meet the chapter established requirements. The Chapter Official Stipend fund was expended for a software upgrade and chapter committee stipends. Overall, such deficiencies resulted in questioned costs totaling \$19,271.

The Chapter does not adequately monitor and conduct periodic physical inventories of its resale activities. Further reconciliation of resale inventories is not being conducted. Also, controls over property and equipment are weak in which chapter assets are not adequately documented and reported. Therefore, there is a potential risk that assets are not properly accounted for and safeguarded. Lastly, the Chapter did not report all wages paid to the Internal Revenue Service.

### **FINDING II: Chapter Accounting System Needs Further Improvement.**

Maintaining accounting records such as fund ledgers and subsidiary ledgers need to be further strengthened to ensure accurate reporting of revenues and expenditures. The Chapter's budgetary controls need to be strengthened to ensure all chapter funds are properly authorized for expenditure.

**FINDING III: Five Management System Requires Further Revisions.**

The Chapter's five management system policies and procedures manual is still being developed with the assistance of the Local Governance Support Center. The draft policies and procedures were found to be inconsistent with LGA. Some Chapter actions were also found to be contrary to LGA. The Chapter and its Community Land Use Planning Committee entered into agreements with consultants to draft an FMS manual and proposals for external funding, and to develop a farm cooperative. In addition, the chapter had reduced its meeting quorum requirements which implied an alternative form of local government. Since the Chapter is not yet governance certified, it did not have the authority to conduct these actions. Lack of compliance with law places the Chapter at risk for potential liabilities.