

SUMMARY

The Office of the Auditor General has conducted a compliance audit of the Navajo Nation Coalmine Canyon Chapter (Chapter) for the 24-month period ended September 30, 2001. The audit determines the extent to which the Chapter has established appropriate internal controls and general accounting practices to ensure compliance with applicable laws, regulations, policies and guidelines, and proper accountability for chapter assets and resources.

Finding I: Chapter Internal Controls Need Strengthening.

Control weaknesses exist within the Chapter's cash receipt and disbursement processes. Currently, cash receipts are not recorded and completely deposited into a bank account. The lack of cash receipt reconciliations contributed to unidentified revenues. Disbursements lacked adequate supporting documentation, proper approval, and budgetary controls. These deficiencies resulted in questioned costs totaling \$71,300 for the audit period.

There is also a need to improve controls over fund activities. Four restricted funds were over expended contrary to Local Governance Act (LGA). The Local Governance Grant fund was expended for travel without adequate supporting documentation. The Housing Discretionary fund was expended without properly establishing a priority list and required documentation. The Chapter Official Stipend fund is being expended for questionable planning meetings. The Chapter officials are receiving planning meeting stipends for attending planning board meetings and not fulfilling their duties as officials. The Public Employment Program fund was not managed properly and recipients were not satisfied with the construction projects. Lastly, the Chapter's payroll process lacked proper records, allowed erroneous deductions and disregarded IRS requirements.

Finding II: Chapter Accounting System Requires Further Improvement.

Accounting records such as subsidiary ledgers and journals need to be established, and accounting procedures such as reconciliations, check signing and periodic inventories need improvement. The Chapter's budgetary controls also need strengthening to make sure all expenditures are community approved and funds are not over expended contrary to LGA. Chapter records need to be updated and maintained on file at the Chapter house. The Chapter fixed asset inventory listing needs to be updated to account for all items. Currently, there are significant items at the condemned Chapter house that need to be retrieved and accounted for. The accounting system needs to also provide for complete, accurate and timely financial reports to the Chapter membership by the Chapter staff and officials.

Finding III: Chapter Five Management System is Still Being Developed.

The Chapter has passed resolutions to operate under a five management system (FMS) and accordingly, policies and procedures are being developed. At the time of the audit fieldwork, these policies and procedures were still in draft. At this time, the Chapter is not generating financial statements. Although the staff has received some LGA training, more training is still needed to adequately prepare for LGA certification.