

## SUMMARY

The Office of the Auditor General (OAG) has completed the follow-up review of the Steamboat Chapter's governance certified five management system (FMS) policies and procedures pursuant to the Transportation and Community Development Committee (TCDC) resolution no. TCDCMY-60-03. The TCDC resolution directed the Auditor General to review Steamboat Chapter operations after obtaining governance certification.

The Steamboat Chapter five management system is intended to provide reasonable assurance that chapter financial reporting is reliable and accurate, chapter assets are safeguarded from loss and that the chapter complies with applicable laws and regulations. Based on this premise, the chapter's FMS was governance certified on May 30, 2003 by TCDC. In our follow-up review, we found significant deficiencies and determined these deficiencies compromise the overall integrity of the system. Therefore, we report on these deficiencies as feedback to the chapter management and officials and offer some recommendations on how to correct these deficiencies.

We noted the following deficiencies:

- Communication breakdown between the chapter officials and staff.
- FMS policies and procedures are not consistently implemented.
- Chapter financial statements could be further improved.
- Budget process could be improved.
- Financial records are inaccurate and unreliable.
- Financial reports are not provided to the community in a timely manner.
- The chapter could improve accountability over cash receipts.
- Quotation requirements for purchasing goods/services need improvement.
- Procurement policies and procedures not abided by for a contract over \$50,000.
- Petty cash fund could be improved.
- Chapter property and equipment inventory is incomplete.
- Reporting to governmental entities could be improved.
- Payroll and personnel hiring practices could be improved.
- Travel expenditures lack proper approval and supporting documentation.
- Documentation for housing assistance was incomplete and inconsistent.
- Public Employment Program policies and procedures are not followed.
- Expanded review of expenditures shows lack of approval, documentation, unallowed disbursements and lack of monitoring.

Overall, the system is not operating effectively and does not meet its intended purpose. Therefore, pursuant to Transportation and Community Development Committee resolution no. TCDCN-94-98 §6 B, OAG advises the Steamboat Chapter to take corrective actions to address the deficiencies within 90 days. Thereafter, the OAG will review the system to determine if the chapter has implemented corrective actions. If not, the Auditor General will make a recommendation to the Budget and Finance Committee to withhold future funding allocations until the deficiencies are corrected. By implementing the corrective measures, the chapter can further enhance its FMS. The chapter officials and staff acknowledged the deficiencies and agreed to develop a corrective action plan to guide the chapter in addressing these deficiencies. This plan will be developed by the chapter management for its internal use.