

SUMMARY

The Office of the Auditor General has conducted a special review of Fort Defiance Chapter for the 19-month period beginning October 1, 2008 through April 30, 2010. 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 and regulations.

Finding I: Chapter lacks adequate internal controls over accounting of revenues and expenditures.

- The Chapter could not account for the \$3,891 undeposited cash receipts which is presumed missing.
- Quotations prior to purchasing goods or services to ensure competitive prices or the most economical cost are not obtained.
- The Chapter did not conduct public bidding before hiring a contractor that was paid over \$150,000.
- The Chapter President and former CSC incurred excessive travel expenses totaling \$40,639.
- The Chapter Officials conducted Chapter meetings and committee meetings above the approved number of meetings appropriated by the Navajo Nation resulting in \$17,000 unauthorized additional stipends.
- Lack of prudence in expending Chapter funds for housing related assistance.

Finding II: Chapter is not in compliance with established policies and procedures in expending Chapter funds.

- The Chapter is not complying with the established Public Employment Project (PEP) Policies and Procedures.
- The Chapter did not issue Form 1099-Misc to a contractor that was paid \$18,357 in violation of IRS regulation.

Finding III: Chapter accounting system needs improvements.

- The bank reconciliations were inaccurate.
- Budgetary controls are weak.
- The Chapter is not accounting for its fixed assets.
- The Chapter financial statements are not accurate, therefore, are deemed unreliable.
- There is a lack of oversight by the Chapter Officials.