

SUMMARY

The Office of the Auditor General conducted a compliance audit of LeChee Chapter for the 20- month period beginning October 1, 2007 through May 31, 2009. 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 the accounting of revenues and expenditures.

Internal controls allow the Chapter to operate under a system that minimizes questionable practices. With the lack of policies and procedures, the Chapter has difficulty in consistently exercising adequate internal controls. This led to lack of oversight over cash receipts that contributed to unaccounted revenues, lack of a perpetual inventory system, inconsistent management of the property rental activities, questioned costs, non-compliance with funding guidelines, supplemental stipend payments and non payment of payroll taxes in violation of IRS regulations. These deficiencies signify that the Chapter needs to strengthen internal controls to ensure proper accounting of revenues and expenditures.

FINDING II: Chapter accounting system requires improvement.

Adequate accountability over assets and resources requires establishing appropriate accounting records and implementing generally accepted accounting practices. However, the Chapter's management of bank accounts needs improvements. A former official whose term has ended since January 2009 was allowed to sign checks until February 2009. The Chapter did not update its bank signatory card in a timely manner. In addition, the Chapter is not properly accounting and safeguarding its property and equipment. A comprehensive listing of Chapter property is not maintained. As a result, there is no assurance that all property and equipment owned by the Chapter are accounted for. Lastly, the accounting software purchased since March 2009 has not been utilized. The Chapter has not made use of its investment to better account for the Chapter assets and resources.

FINDING III: Chapter Five Management System needs to be Implemented to Improve Accountability

LGA requires the Chapter to adopt and operate under a five management system (FMS). The LeChee Chapter Officials have not presented the FMS to the community membership for adoption. Furthermore, the financial statements were also found to be unreliable and cannot be verified to the source records. The Chapter did not provide monthly financial reports and therefore did not comply with LGA. In addition, services were obtained without signed contracts contrary to established procurement regulations. There is no evidence LGSC provided assistance for the Chapter to maintain accurate accounting records and prepare reliable financial statements. Lastly, there was a lack of oversight by the Chapter Officials over Chapter financial records.

In addition to the three findings summarized above, the audit report contains recommendations for improving the Chapter's internal control and accounting system.