

SUMMARY

The Office of the Auditor General has conducted a special review of Smith Lake Chapter for the 12-month period beginning October 1, 2008 through September 30, 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 expenditures and accounting records.

- The Chapter did not ensure disbursements are within the adopted budget. In addition, invoices to validate the expenditure of Chapter funds were not on file. The unauthorized and unsupported disbursement of Chapter funds resulted in approximately \$66,000 (42%) of sampled expenditures which are considered questionable expenditures.
- The Chapter did not maintain accurate payroll journal, fund ledgers and fixed asset ledger to account for financial transactions and activities.
- The Chapter financial statements are inaccurate and therefore deemed unreliable. The Chapter officials and staff misinformed the Chapter membership on the finances of the Chapter.

Finding II: Chapter is not in compliance with laws, rules and regulations.

- The Chapter Community Services Coordinator (CSC) and Office Specialist (OS) received unauthorized additional compensation of approximately \$75,000 from Chapter funds. The CSC and OS expended the Chapter savings account, the General Activity fund, and the Capital Outlay fund to pay themselves for the unauthorized additional compensation.
- The Chapter officials received unauthorized additional compensation of \$22,000. The Chapter officials expended the Chapter savings account, the General Activity fund, and the Capital Outlay fund to pay themselves for the unauthorized additional compensation.
- The Chapter is not in compliance with the Internal Revenue Service in submitting Form 941 reports and remitting payroll tax payments.
- The Secretary/Treasurer is not providing the community with financial reports.
- There is a lack of oversight by the Chapter officials over the activities of the Chapter staff.
- The Chapter lacks parental consent to support hiring of Summer Youth Employment Program temporary workers under the age of 18.
- The Chapter did not comply with Public Employment Project and Summer Youth Employment Program policies and procedures in hiring workers.
- The Chapter did not evaluate the needs of the community before disbursing emergency funds.
- The Chapter is not in compliance with the Office of the Navajo Tax Commission in submitting reports and remitting sales tax collected.