

## SUMMARY

The Office of the Auditor General conducted a compliance audit of Bahastl'ah Chapter (Chapter) for the 16-month period ending January 31, 2011. The audit is conducted pursuant to the authority vested in the Office of the Auditor General by 12 N.N.C., Chapter 1, Section 1 - 10. 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 Internal Controls Are Deficient**

Internal controls need to be sufficient and effective to ensure proper accountability of resources and activities. However, the internal controls within the Bahastl'ah Chapter five management system are deficient in several areas:

- Chapter travel activities are not properly authorized
- Chapter financial assistance lack proper documentation
- Lack of segregation of duties within the cash receipt process
- Untimely deposits of cash receipts
- Poor inventory controls over hay resale activities
- Petty cash fund lacks policies and procedures
- Personnel files are incomplete
- Cancelled checks are not reviewed
- Poor monitoring of cash flows have resulted in excessive overdraft withdrawals
- Chapter property lack proper identification numbers
- Chapter property is not adequately insured
- Wages paid cannot be fully justified
- Unreliable financial statements
- Poor budget monitoring resulted in budget deficits
- Capital outlay funds were reallocated to cover fund deficits
- Budget changes were not community approved

### **FINDING II: Chapter Does Not Consistently Comply with Applicable Laws and Funding Guidelines**

Compliance with funding guidelines, laws and regulations is imperative not only for accountability purposes but to ensure resources are used properly and the costs of services are justified. For the Bahastl'ah Chapter, we noted several compliance issues:

- IRS report was inaccurate
- IRS report was overdue
- State unemployment tax report was overdue
- Non-compliance with Procurement Code and regulations
- Non-compliance with PEP policies and procedures
- Use of Emergency funds cannot be justified
- Monitoring by Chapter Officials is insufficient
- Contrary to LGA, the Chapter has not fully implemented a five management system

In addition to the findings summarized above, the audit report contains recommendations for improving internal controls and compliance.