

SUMMARY

The Office of the Auditor General conducted a compliance audit of Becenti Chapter (Chapter) for the 12-month period ending September 30, 2010. The audit is conducted pursuant to the authority vested in the Office of the Auditor General by 12 Navajo Nation Code (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 Becenti Chapter five management system are deficient in several areas:

- Chapter travel activities cannot be justified
- Unaccounted cash receipts
- Untimely deposits of cash receipts
- Chapter approval of budgets cannot be verified
- Use of \$8,300 for airtime internet cards is questionable
- Water revenues are not used to offset water utility expenditures
- Chapter provides poor accountability over the watering point service
- In the absence of a Chapter Activity Fund budget, the restrictions on the \$91,000 investment are unclear
- Bank reconciliations are not reviewed for accuracy
- Chapter property inventory records are unreliable
- Chapter property lack identification numbers
- There is no proper valuation of the Chapter property
- Chapter property is not adequately insured
- Payroll journals are inaccurate
- Accounting records are unreliable

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 Becenti Chapter, we noted several compliance issues:

- IRS reports are erroneous
- IRS reports were submitted late
- State unemployment tax reports were inaccurate
- Chapter employees are subsidizing SUTA liabilities
- Non-compliance with Procurement Code and regulations
- Non-compliance with PEP policies and procedures
- Non-compliance with Housing Discretionary policies and procedures
- Non-compliance with Veterans Fund guidelines
- Use of Emergency funds cannot be justified
- Capital project funds were used contrary to funding restrictions
- Non-compliance with Navajo Nation Sales Tax Act regulations
- Monitoring by Chapter Officials is inconsistent with LGA
- Contrary to LGA, the Chapter has not fully implemented a five management system
- Financial reports were not consistently presented to the Chapter membership

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