

SUMMARY

The Office of the Auditor General conducted a compliance audit of Coyote Canyon 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 were Deficient

Internal controls need to be sufficient and effective to ensure proper accountability of resources and activities. However, the internal controls within the Coyote Canyon Chapter Five Management System were deficient in several areas:

- Lack of controls over on-line bank account activities
- Substitute signer was not obtained when the checks were written out to the primary signer
- Lack of segregation of duties within the cash receipt process
- Poor inventory controls over hay resale activities resulted in 500 bales of hay costing \$3,250 went missing.
- The former Community Services Coordinator (CSC) failed to uphold her fiduciary duty to safeguard Chapter records and funds that resulted in \$10,652 unjustified payment to herself.
- Payroll checks were processed without supporting documents
- Chapter property lack proper identification numbers
- Established pay schedule was not followed
- Overtime and bonus/merit wages were paid to the former CSC
- Budget and budget changes were not community approved
- Budget was not revised in the accounting system as additional revenue was received
- The Chapter did not report its activities as a fiscal agent for the Division of Natural Resources Annual Conference/Expo

FINDING II: Chapter Did 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 Coyote Canyon Chapter, we noted several non-compliance issues:

- Non-compliance with the Navajo Nation Procurement Code and regulations
- Non-compliance with Housing Discretionary Fund guidelines
- Non-compliance with the Emergency Fund guidelines
- Monitoring by Chapter officials was 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.