

## SUMMARY

The Office of the Auditor General has conducted a special review of Coalmine Canyon Chapter (Chapter) for the 22-month period ending July 31, 2011. The review is conducted pursuant to the authority vested in the Office of the Auditor General by 12 N.N.C., Chapter 1 § 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 Coalmine Canyon Chapter five management system are deficient in several areas:

- Contrary to policies, blank checks were pre-signed by Chapter Officials.
- Travel expenses by former CSC are questionable.
- Travel records for the former accounting clerk were not provided.
- Chapter property cannot be fully accounted for.
- Poor accountability of computer laptops assigned to Chapter staff and Officials.
- Chapter buildings were not adequately insured.
- Employee work hours were not adequately documented.
- Personnel files are incomplete.
- Chapter funds were disbursed for questionable purposes.
- Store account activities lack proper accountability.
- Despite large investment, accounting software is not fully utilized.
- Accounting records are missing and unreliable.
- Financial statements are not consistently prepared.

### **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 Coalmine Canyon Chapter, we noted several compliance issues:

- Chapter did not comply with the Procurement Code when purchasing goods/services.
- Housing recipients were not properly evaluated.
- Approval of housing assistance was inconsistent.
- Capital outlay appropriations were not used as intended.
- No emergency response plan or ALERT in place.
- Chapter only recently paid IRS \$85,538 for taxes owed since 2000.
- Chapter was penalized for non-payment of state unemployment insurance.
- Non-compliance with PEP policies and procedures.
- Non-compliance with Sales Tax regulations.
- Financial reports were not consistently presented to the Chapter membership.
- Monitoring by Chapter Officials is inconsistent to LGA.
- Contrary to LGA, the Chapter has not fully implemented a five management system.

In addition to the audit findings, the report provides recommendations on how to improve controls and compliance.