

## SUMMARY

The Office of the Auditor General conducted a financial audit of Crystal Chapter (Chapter) for the 12-month period ending September 30, 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 Crystal Chapter five management system are deficient in several areas:

- Inaccurate budget amount was presented to the community members for adoption
- Chapter travel activities are not properly authorized and supported
- Bank reconciliations are unreliable
- Chapter property/equipment inventory is incomplete
- Chapter property lack identification numbers
- Chapter property is not adequately insured
- Chapter does not follow the payroll process
- Personnel files are incomplete
- Capital outlay funds were used for other purposes
- Financial statements are unreliable
- Chapter operations lack segregation of duties

### **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 Crystal Chapter, we noted several compliance issues:

- Non-compliance with Procurement Code
- IRS report was overdue
- State unemployment taxes are not reported and remitted
- Navajo sales taxes are not timely reported and remitted
- Non-compliance with Housing Discretionary policies and procedures
- PEP employees are not covered under workers compensation
- Non-compliance with Veterans fund guidelines
- Non-compliance with Scholarship policies and procedures
- Financial reports are not consistently reported to the community membership
- Lack of effective monitoring by Chapter Officials over the Chapter operations
- Chapter has not formally adopted and fully implemented the standard FMS manual
- Discord among staff and Officials led to poor working relationship

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