

SUMMARY

The Office of the Auditor General conducted a review of the Kayenta Chapter's (Chapter) five management system as directed by the Transportation and Community Development Committee (TCDC) per resolution no. TCDCAU-22-10. The review determines whether the Chapter continues to maintain a system consistent with LGA.

FINDING I: Chapter Internal Controls Are Deficient

- Chapter did not comply with procurement policies and procedures when purchasing goods
- The former Chapter Manager was paid \$112,000 as a consultant without a contract
- Consultant services are questionable use of Chapter funds
- Chapter travel activities are not properly authorized and supported
- Checks totaling \$2,469 are outstanding over 90 days
- Not all cash receipts are properly recorded
- Chapter property and equipment inventory is incomplete
- Chapter property lack identification numbers
- Wages paid cannot be fully justified
- Personnel files are incomplete
- Chapter funds were expended without an approved budget
- Financial statements are unreliable

FINDING II: Chapter Does Not Consistently Comply with Applicable Laws and Regulations

- Not all applicable sales taxes are collected
- Navajo sales taxes are not reported and remitted
- IRS report was inaccurate
- IRS report was overdue
- State unemployment taxes are not reported and remitted
- Monitoring by Chapter Officials is insufficient

The five management system is intended to provide reasonable assurance that Chapter financial reporting is reliable and accurate, Chapter assets are safeguarded from loss or misuse, and the Chapter complies with applicable laws and regulations. As a governance certified Chapter, the Kayenta Chapter is held to a higher standard to maintain an adequate five management system. However, our review found significant deficiencies and these deficiencies compromise the overall integrity of the FMS. Therefore, we report on these deficiencies as feedback to Chapter management and Officials, and offer some recommendations on how to correct these deficiencies.

Overall, the Kayenta Chapter's five management system is not operating effectively and does not meet its intended purpose. Therefore, pursuant to TCDC resolution no. TCDCAU-22-10 §6 B, Kayenta Chapter is required to take corrective actions to address the deficiencies within 90 days. Thereafter, the Office of the Auditor General will review the system to determine if the Chapter has implemented corrective actions.

If the Chapter has not implemented the corrective actions, the Auditor General will make a recommendation to the Resources and Development Committee and the Budget and Finance Committee to withhold future funding allocations to Kayenta Chapter until the deficiencies are corrected.