

SUMMARY

The Office of the Auditor General conducted a financial audit of Mariano Lake Chapter (Chapter) for the 12-month period ending September 30, 2011. 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 Chapter's internal controls were deficient in several areas:

- Inaccurate carryover budget amount was presented to the Chapter membership for adoption
- Detailed budget was not developed to support the budget resolution
- Poor budget monitoring resulted in deficit balances
- Budget and expenditure transactions were not properly posted to the appropriate chart of accounts in the accounting system
- Cash deposit was not properly posted to the bank account in the accounting system
- There is no segregation of duties in the bank reconciliation activities
- Not all cash receipts was recorded in the cash receipt tickets and/or the accounting system
- Inadequate control over travel expenditures
- Poor accounting over distribution of wood
- Poor controls over the rental activities
- Lack of accountability over Chapter property and equipment
- Chapter property is not adequately insured
- The Chapter cannot justify wages paid to temporary employees
- Incomplete personnel files

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 Chapter, we noted several non-compliance issues:

- Non-compliance with the Navajo Nation Procurement Code and regulations
- Non-compliance with PEP policies and procedures
- Non-compliance with Scholarship policies and procedures
- Emergency Fund was expended contrary to its intended purpose
- Capital outlay appropriations were not used as intended
- SUTA reports and payments were not remitted
- Monitoring by Chapter Officials was insufficient
- Contrary to LGA, the Chapter has not formally adopted and fully implemented a five management system policies and procedures

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