

SUMMARY

The Office of the Auditor General conducted a financial audit of Navajo Mountain Chapter (Chapter) for the 24-month period ending September 30, 2012. 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 Chapter's internal controls were deficient in several areas:

- Budgets were not presented to Chapter membership for approval
- Budgets were not accurately posted in the accounting system
- Chapter travel expenditures lack proper documentation
- Improper posting of transactions to the accounting system
- Bank reconciliations were not prepared
- Chapter does not have a banking policies and procedures
- The Chapter Officials and former Community Services Coordinator signed their own checks
- Not all Chapter property and equipment were listed on the inventory listing
- Incomplete personnel files
- The Chapter cannot justify wages paid to temporary employees
- The Chapter disregarded the established pay schedule to issue payroll checks
- Weak controls over accounting of the Eehaniih Day celebration revenue and expenses
- The Chapter filing system was in disarray and inefficient

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:

- Scholarship was not awarded fairly and equitably
- Use of Emergency Fund cannot be justified
- IRS reports and payments were not remitted in a timely manner
- Sales taxes collected were not reported and remitted
- Financial reports were not provided to the Chapter membership
- Discord between the Chapter Officials and Navajo Mountain Water Users' Association (NMWUA) Board of Directors led to poor working relationship
- Monitoring by Chapter Officials was insufficient
- Contrary to LGA, the Chapter has not fully implemented a five management system

FINDING III: \$129,000 Unauthorized Chapter checks issued by the Former Community Services Coordinator (CSC)

The former Chapter CSC disregarded the restrictions placed on Chapter funds and circumvented the internal controls to issue unauthorized Chapter checks to herself and other vendors totaling \$129,000.

- \$55,595 unauthorized Chapter checks paid to the former CSC
- \$73,303 questionable payments to Wal-Mart and Sam's Club by the former CSC

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