

## SUMMARY

The Office of the Auditor General conducted a review of the Sheep Springs Chapter's (Chapter) five management system to determine whether the Chapter continues to maintain a system consistent with LGA. Based on our review, the Chapter's five management system has deteriorated since the Chapter became LGA certified in August 2007. The effectiveness of the five management system has become deficient due to the staff action to circumvent established policies and procedures. In addition, the insufficient monitoring and oversight by the Chapter Officials contributed to the decline of the five management system.

### **FINDING I: Established Controls Were Circumvented**

- Chapter did not comply with procurement policies and procedures when purchasing goods
- Chapter travel activities were not properly authorized and supported
- Not all cash receipts were properly recorded and deposited intact
- Chapter funds were expended without an approved budget
- Budget transfers were not properly approved
- Chapter property and equipment inventory was incomplete
- Chapter housing rental activity lacked controls
- Poor inventory controls over resale activities
- Financial statements were unreliable
- Chapter reliance on consultant in maintaining its accounting system resulted in additional costs
- Financial data was not accurately safeguarded from loss
- The Chapter filing system was in disarray and inefficient

### **FINDING II: Chapter Did Not Consistently Comply with Applicable Laws and Regulations**

- IRS report was inaccurate and overdue
- State Unemployment taxes were overdue
- Hiring of employees were not reported to the State
- Each of the three Chapter Officials was over compensated by \$13,000 for Chapter meetings
- Capital outlay funds were used for other purposes
- Financial reports were not consistently reported to the community membership

### **FINDING III: Chapter Administrative Staff Received Unauthorized Benefits**

- The Chapter staff accrued leave data was not accurately maintained
- The Chapter staff was accruing excessive leave hours contrary to policies
- The Chapter staff received excessive overtime payments
- The Chapter staff disregarded the established pay date schedule to issue payroll checks at their discretion
- Staff increased their salary and received bonuses although they were still Navajo Nation employees contrary to established policies
- Staff received advance payment of their regular payroll