

## SUMMARY

The Office of the Auditor General conducted an audit of the Tonalea Chapter (Chapter) in response to community members' request. The community members raised concerns on whether the Chapter properly accounts for Chapter assets and resources, and complies with applicable laws, policies and guidelines.

### **FINDING I: The Chapter lacks internal controls.**

There are internal control deficiencies in the Chapter's revenue and expenditure processes. As a result, the Chapter cannot account for cash receipts of \$9,331. Expenditures are incurred without controls in place, which resulted in questioned costs of \$76,133 (69%) from a sample of \$109,560 disbursements reviewed. Expenditures are not community approved, lack supporting documentation, and do not comply with fund guidelines and conditions of appropriations. For example:

- The Chapter expended its Planning Grant of \$25,000 for unauthorized purposes.
- The Chapter cannot account for \$11,337 of its \$30,000 Veterans Fund appropriation.
- The Chapter depleted its Emergency Fund of \$20,758 for non-emergency or unallowable expenditures.

### **FINDING II: The Chapter has not established an adequate accounting system.**

The Chapter's system of recording and reporting revenues and expenditures is inadequate. Chapter records are inaccurate and are therefore unreliable. Financial reports are not provided to the community because Chapter staff does not develop financial statements. Western Agency Local Governance Support Center provided training sessions on preparing financial statements, but the staff did not attend all of the training sessions. The Chapter's inaccurate financial records are a result of not establishing an adequate accounting system. Consequently, the Chapter cannot provide reasonable assurance that Chapter funds are appropriately expended and reported.

### **FINDING III: The Chapter has not established a five management system.**

The Chapter has yet to develop, adopt, and implement comprehensive five management system policies and procedures.

- The Chapter's five management system manual is incomplete; it lacks detailed policies and procedures to provide internal controls and ensure compliance with Navajo Nation and other applicable laws and regulations.
- There is no definite date or the length of time when the five management system will be completely developed, adopted by the community and fully implemented.

The Chapter cannot provide reasonable assurance that all assets and resources are reported, adequately safeguarded and are used effectively, efficiently, and for their intended

purposes.