

## **SUMMARY**

The Navajo Nation Office of the Auditor General has conducted a limited scope special review of the Office of the Controller pursuant to the Navajo Nation Council directive. The review determines whether the Office of the Controller performed an intentional act to misstate the financial statements and how certain allegations impact the FY2004 financial statements.

### **FINDING I: There is no indication of intent to misstate the financial statements**

There is no indication that the Office of the Controller intentionally misstated the financial statement balances and activities, but the allegations have the potential to impact the financial statements if not corrected. Due to the time constraints placed on the review and lack of information technology expertise, the Office of the Auditor General could not determine the monetary impact on the financial statements.

### **FINDING II: Certain external auditors' actions are acceptable**

It is common practice among audit firms to use electronic data extractions in the performance of their audits. Additionally, the external auditors maintain that they appropriately rejected a customized report developed by the Financial Management information System (FMIS) section.

### **FINDING III: The Office of the Controller can improve communication and address certain risk factors**

Consultants were hired to assist with FMIS implementation, resolve issues pertaining to the FMIS, clear integrity issues in FMIS and assist the Office of the Controller (OOC) in preparing for the FY2004 financial statement audit performed by the external auditors. However, the OOC did not fully inform the FMIS section of the tasks to be performed by the consultants. As a result, the FMIS section raised concerns of fraudulent activities on the part of the OOC and duplicative services performed by the consultants. These concerns in conjunction with information reported during the Budget and Finance Committee fact-finding hearings correlate with certain fraud risk factors.