

## SUMMARY

The Office of the Auditor General has conducted a follow-up review to the Chilchinbeto Chapter audit (report no. 98-02) which was issued on February 24, 1998. The follow-up review provides an assessment of the Chapter's progress in resolving the audit findings and developing and implementing a five management system pursuant to the Navajo Nation Local Governance Act (LGA).

### **Chilchinbeto Chapter Needs to Adequately Implement All the Audit Recommendations to Ensure Proper Accountability over Chapter Assets and Property.**

Chilchinbeto Chapter has made only a modest effort to implement the recommendations presented in audit report 98-02. The Chapter has fully implemented only three of the 14 recommendations made in that audit. Nine recommendations have been partially implemented and two have not been implemented. Recommendations that are partially or not implemented include:

- Recording all revenues in the cash receipt journal.
- Establishing procedures for someone independent of recording cash receipts to reconcile cash receipt records.
- Obtaining approval for all expenditures.
- Ensuring all disbursements have supporting documents.
- Ensuring compliance with federal reporting requirements for payroll taxes.
- Ensuring that time sheets are signed and approved before processing payroll checks.
- Providing monthly financial reports to the community members.
- Establishing adequate controls over resale activities.
- Ensuring that the property listing is complete.
- Maintaining a log book for recording equipment taken off Chapter premises.
- Maintaining a separate accounting for each Chapter fund.

Chilchinbeto Chapter must fully implement all recommendations to provide reasonable assurance that it properly accounts for and safeguards all assets, complies with applicable laws and regulations and uses resources efficiently and effectively. Addressing the audit recommendations is the initial step in demonstrating the Chapter's accountability for its assets and resources.

### **Chilchinbeto Chapter Must Fully Implement its Five Management System Before an LGA Certification Review can be Considered.**

Chilchinbeto Chapter has not fully implemented its five management system policies and procedures. In addition, the Chapter's accounting system is not generating financial statements. LGA, 26 N.N.C. §2003(A) requires chapters to adopt an acceptable accounting system. An acceptable accounting system is a system that can generate financial statements generally required of any local governmental unit. Until the Chapter has operated its five management system and generates financial statements, it is not prepared for local governance certification review.