

SUMMARY

The Office of the Auditor General has conducted a follow-up review to the Kaibeto Chapter audit (report no. 96-01F) which was issued on April 23, 1996. 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).

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

Kaibeto Chapter has made a modest effort to implement the recommendations presented in audit report 96-01F. The Chapter has fully implemented three of the nine recommendations made in that audit. Five recommendations have been partially implemented and one has not been implemented. Recommendations that have not been fully implemented include:

- Maintaining ledgers and journals for all revenues and expenditures and providing complete financial reports to the community each month.
- Ensuring all chapter disbursements have community approval and supporting documents.
- Ensuring chapter revenues are deposited intact into the chapter's bank account.
- Ensuring all outstanding personal loans are collected and prohibiting all personal loans.
- Establishing procedures for major chapter purchases.
- Maintaining a complete property list.

Kaibeto 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.

Kaibeto Chapter Must Establish an Effective Internal Control Structure and Accounting System Before an LGA Certification Review can be Considered.

Kaibeto Chapter is not prepared to seek certification under LGA at this time. The Chapter has not adopted and is not operating under a five management system pursuant to LGA. In addition, the Chapter's accounting system is not generating basic financial statements. The Chapter needs to establish an internal control structure and accounting system that provides reasonable assurance of chapter accountability and fiscal responsibility.