

SUMMARY

The Office of the Auditor General has conducted a follow-up review to the St. Michaels Chapter special review (report no. 98-23) which was issued by our office on September 10, 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).

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

St. Michaels Chapter has made minimal effort to implement the recommendations presented in audit report 98-23. Of the eight specific recommendations provided under four sections: one was partially implemented and seven were not implemented. Recommendations that have not been fully implemented include:

- Providing complete financial reports.
- Obtaining community approval for all expenditures.
- Ensuring supporting documents are available for all expenditures.
- Developing guidelines for awarding all types of financial assistance.
- Ensuring expenditures are in accordance with fund guidelines by establishing a separate accounting for each fund.
- Establishing a line item budget for each fund.
- Recording each expenditure in the subsidiary ledger.

St. Michaels 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 that demonstrates the Chapter's accountability over its assets and resources.

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

Although St. Michaels Chapter has adopted a five management system, key policies and procedures are incomplete and/or have not been fully implemented. In addition, the Chapter has not established an acceptable accounting system and the staff have not developed the skills necessary to prepare basic financial statements. Until the Chapter establishes and implements a five management system that has effective internal controls to ensure generating timely and reliable financial statements, the Chapter is not prepared for a local governance certification review.