

## SUMMARY

The Office of the Auditor General conducted a compliance audit of Manuelito Chapter (Chapter) for the 12-month period beginning April 01, 2005 through March 31, 2006. The audit determines the extent to which the Chapter has established appropriate internal controls and general accounting practices to ensure proper accountability for Chapter assets and resources, and compliance with applicable laws and regulations.

### **FINDING I: Chapter Internal Control Structure Needs Strengthening.**

The Chapter's internal control structure cannot be relied upon to provide reasonable assurance that Chapter resources are properly accounted for, used consistently with laws and regulations and safeguarded against waste, loss and misuse. The Chapter did not ensure all cash receipts are recorded on pre-numbered cash receipt tickets and summarized in the cash receipts journal. The incomplete recording of cash receipts poses a substantial risk that the unrecorded revenue may be diverted for personal use and the misappropriation will go undetected. In addition, the Chapter did not ensure all disbursements have supporting documents. As a result, the Chapter could not provide reasonable assurance that the unsupported disbursements are appropriate expenditure of Chapter funds. Furthermore, controls over property and equipment are weak. The Chapter could not provide reasonable assurance that all property and equipment are accounted for and safeguarded against loss or misuse. The Chapter's internal control structure needs to be improved to better account for its assets and resources.

### **FINDING II: Chapter Accounting System Can Improve.**

Adequate accountability over assets and resources requires establishing appropriate accounting records and implementing generally accepted accounting practices. The Chapter's accounting records are not maintained accurately and acceptable accounting practices are not implemented consistently. Routine accounting methods needed to make sure all financial transactions are correctly recorded and reported were not found. In addition, internal control deficiencies noted in Finding I have further weakened the existing chapter accounting system.

### **FINDING III: Implementation of a Five Management System Is Needed.**

LGA requires the Chapter to adopt and operate under a five management system. Although the Chapter has drafted a five management system policies and procedures, the system has not been formally presented to the Chapter membership for adoption. In addition, the Chapter is not consistently implementing the system policies and procedures. The adoption and implementation of a five management system under LGA compels the Chapter to govern with responsibility and accountability. Therefore, the Chapter should ensure its five management system is presented to the community members for approval and implemented accordingly.

In addition to the three findings summarized above, the audit report contains recommendations for improving the Chapter's internal control and accounting system.