

## SUMMARY

The Office of the Auditor General has conducted a follow-up review to the Red Valley Chapter special review (report no. 00-08) which was issued by our office on January 27, 2000. 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).

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

Red Valley Chapter has made minimal effort to implement the recommendations presented in audit report 00-08. The Chapter has fully implemented only one of the ten recommendations made in that audit. One recommendation has been partially implemented and eight have not been implemented. Recommendations that have not been fully implemented include:

- Establishing and maintaining a disbursement journal.
- Maintaining a check register.
- Preparing monthly bank reconciliations.
- Maintaining subsidiary fund ledgers.
- Ensuring supporting documents are available for all expenditures.
- Providing complete financial reports.
- Establishing a written procurement policy.
- Establishing policies and procedures to administer construction projects.
- Implementing all recommendations from previous audits.

Red Valley 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.

### **Red Valley Chapter Must Establish an Effective Internal Control Structure and Accounting System Before Seeking LGA Certification Review.**

Red Valley Chapter is not prepared to seek certification under LGA at this time. The Chapter has not developed a five management system policies and procedures manual. In addition, the Chapter has not established an effective accounting system and the staff have not developed the skills necessary to prepare basic financial statements. Until the Chapter develops and implements a five management system and establishes an accounting system that is capable of generating basic financial statements for its financial activities, the Chapter is not prepared for a local governance certification review.