

## SUMMARY

The Office of the Auditor General has completed the follow-up review of the To'nanees'dizi Chapter's governance certified five management system (FMS) policies and procedures. The Navajo Nation Council directed the Auditor General to review To'nanees'dizi Chapter's compliance in maintaining an effective five management system.

On December 28, 2004, the Transportation and Community Development Committee (TCDC) approved the To'nanees'dizi Chapter FMS policies and procedures and certified the chapter as a local governance chapter for the purposes of the Navajo Nation Local Governance Act, 26 N.N.C. § 1, et seq. The To'nanees'dizi Chapter FMS is intended to provide reasonable assurance that chapter financial reporting is reliable and accurate, chapter assets are safeguarded from loss and the chapter complies with applicable laws and regulations.

Our follow-up review found some weaknesses in chapter operations. However, these weaknesses do not compromise the overall integrity of the system. Nevertheless, we report on these weaknesses to provide feedback to the chapter management and officials and offer recommendations to improve chapter operations.

We noted the following deficiencies:

- The chapter has not revised FMS procedures to reflect the roles and responsibilities of the newly hired staff.
- Accounting over cash receipts needs improvement.
- Quotation requirements for purchasing goods and services are not being met.
- Documentation for housing assistance was incomplete and inconsistent.
- Adherence to travel procedures could be improved.
- Reporting of payroll taxes to the Internal Revenue Service could be improved.
- Chapter property and equipment inventory record could be improved.
- Resale inventory process could be improved.
- Budget process could be improved.
- Investment of \$30,000 has not been established.

Overall, the system is meeting its intended purpose. However, the chapter was advised to implement appropriate corrective measures to address the deficiencies. With the corrective measures, the chapter can further enhance its FMS in terms of effectiveness and efficiency. The chapter officials and staff acknowledged the deficiencies and agreed to develop a corrective action plan to guide the chapter in addressing these deficiencies