

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A 5th Follow-Up Review of the Red Valley Chapter Corrective Action Plan Implementation

**Report No. 16-18
March 2016**

**Performed by:
Beverly Tom, Senior Auditor**





March 25, 2016

Lee Zhonnie, President
RED VALLEY CHAPTER
P.O. Box 304
Red Valley, AZ 86544-0304

Dear Mr. Zhonnie:

The Office of the Auditor General herewith transmits Audit Report No. 16-18, a 5th Follow-up Review of the Red Valley Chapter Corrective Action Plan Implementation. The Office of the Auditor General conducted the follow-up review to determine the status of the Red Valley Chapter corrective action plan.

To meet the objective, we reviewed Chapter records and files for the six-month period beginning August 1, 2015 and ending January 31, 2016.

Background

An initial audit of the Red Valley Chapter was conducted in 2000, and the Office of the Auditor General issued audit report no. 01-12. The audit report and the corrective action plan developed by the Red Valley Chapter were approved by the Budget and Finance Committee on July 22, 2002, per resolution no. BFJY-86-02. With Budget and Finance Committee approval, the Red Valley Chapter has the duty to implement the corrective action plan.

The following is the history of the follow-up reviews conducted on the Red Valley Chapter corrective action plan implementation:

- The Office of the Auditor General conducted a 12-month follow-up review of the Chapter's corrective action plan implementation in 2005 and issued report no. 05-07 which concluded that the Chapter did not fully implement its corrective action plan, thus the Chapter was recommended for sanctions.
- The Budget and Finance Committee approved the sanctions against Red Valley Chapter on January 03, 2006 per resolution no. BFJA-01-06.
- The Office of the Auditor General conducted a 2nd follow-up review in 2008 and issued report no. 08-21 which concluded that the sanctions have to remain in place since the plan was not fully implemented.
- The Office of the Auditor General conducted a 3rd follow-up review in 2013 and issued report no. 14-02 which concluded that the sanctions have to remain in place since the plan was not fully implemented.

Ltr. to Mr. Zhonnie

Page 2

- The Office of the Auditor General conducted a 4th follow-up review in 2015 and issued report no. 15-26 which concluded that the sanctions have to remain in place since the plan was not fully implemented.

5th Follow-up Review Results

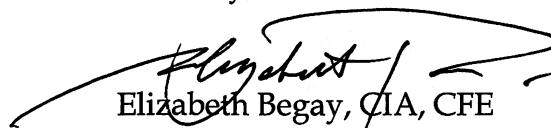
The Red Valley Chapter has implemented all of the corrective actions outlined in the corrective action plan. The Chapter has resolved 3 out of 3 outstanding issues from the 2000 audit report. See Exhibit A for the review results.

Conclusion

The Red Valley Chapter has strengthened internal controls and complied with policies and procedures, laws and guidelines. More important, the Chapter has demonstrated improvements to ensure accountability and safeguarding of Chapter assets and resources.

Therefore, the Office of the Auditor General concluded to lift the sanctions against the Red Valley Chapter and chapter officials and will provide a memorandum to the Office of the Controller to release all withheld funds to the Red Valley Chapter and chapter officials in accordance with 12 N.N.C. Section 9.

Sincerely,



Elizabeth Begay, CIA, CFE
Office of the Auditor General

xc: Ella Frazier, Vice-President
Stella M. Tsosie, Secretary/Treasurer
Amber Crotty, Council Delegate
RED VALLEY CHAPTER
Robert Begay, Department Manager II
ADMINISTRATIVE SERVICE CENTER/DCD
Chrono

2016 REVIEW RESULTS

2000 Audit Issue: The Chapter's accounting system and internal control structure need improvement.	
Chapter Corrective Actions	Status of Corrective Action
1) The Chapter will ensure community members are fully informed of the Chapter's financial matters by providing complete monthly financial reports to the community.	Implemented
2) The Chapter will develop, approve, and implement the five management system manual. Train all staff and officials with the Red Valley Chapter five management system manual as well as their duties and responsibility to strengthen the internal controls structure.	Implemented
3) The Chapter will obtain training and apply skills needed to establish an accounting system capable of generating the basic financial statements on a monthly basis.	Implemented

During the 4th follow-up review, the Chapter had three (3) outstanding issues that adversely affected chapter operations. These other internal control and accounting system deficiencies were identified during the 3rd follow-up review. The chapter officials and staff were advised to address these deficiencies along with the outstanding corrective measures.

As of this follow-up review, we determined that the three issues have been resolved as indicated in the following table:

Issues	Follow-up Results
Issue 1: Incomplete inventory of chapter property/equipment.	Resolved
Issue 2: No segregation of duties in accounting chapter revenue and expenditures.	Resolved
Issue 3: No monitoring of the chapter staff and operation by the chapter officials.	Resolved