

Nazlini Chapter LGA Certification

Scope, Objectives and Methodology

We have reviewed the Nazlini Chapter's Five Management System for the three month period ending September 30, 2004. The purpose of our review was to determine whether Nazlini Chapter has met the objectives of a five management system, as defined by 26 Navajo Nation Code (N.N.C.), the Local Governance Act (LGA).

Our review included obtaining an understanding of the internal control policies and procedures established by the Chapter's five management system, evaluating the design effectiveness of the internal control procedures, determining whether such procedures have been placed in operation and other procedures we consider necessary to form a conclusion on whether the Chapter has met the objectives of a five management system.

The LGA defines a five management system to include accounting, procurement, record keeping, personnel, and property management. During our review, we evaluated Nazlini Chapter's achievement of its Five Management System objectives in the areas of financial reporting, safeguarding of assets and compliance with laws and regulations. However, our review did not include an evaluation of Nazlini Chapter's operational effectiveness and efficiency beyond the five management system. Consequently, we provide no conclusion regarding the effectiveness and efficiency of the overall Chapter operation.

Scope Limitation Disclosure:

The Auditor General is related to a Nazlini Chapter official and may not be considered independent by third parties. As a result, the Auditor General removed himself from the LGA certification review for Nazlini Chapter to ensure that the review was conducted in an objective manner and independent from any impairment.

Background

26 N.N.C. §101 requires chapter management to adopt and operate under a five management system. As such, the management of the chapter is responsible for establishing and maintaining a five management system that provides reasonable assurance that:

- Financial transactions are authorized, valid and properly recorded to permit the preparation of basic financial statements and other financial reports.
- Assets are safeguarded against loss from unauthorized disposition or use.
- Chapter activities in the areas addressed by its five management system comply with applicable laws and regulations.

The Nazlini Chapter Five Management System policies and procedures were developed and initially adopted on November 26, 2002. The Nazlini Chapter has continuously operated under its five management system since that time and amended some policies, as appropriate to chapter operations. On July 11, 2004, the chapter membership approved a revised five management system policies and procedures.

Review Results

We noted material weaknesses in the Nazlini Chapter Five Management System and its operation. A material weakness is defined as a condition in which the design or operation of one or more management control does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Auditing standards require us to note that an examination of this type does not necessarily disclose all matters in internal control that might be material weaknesses.

Conclusion

Based on our review of the three-month period ended September 30, 2004, we concluded that the Nazlini Chapter Five Management System does not provide reasonable assurance that financial reporting is reliable and accurate, assets are safeguarded from loss and applicable laws and regulations are complied with. Therefore, we issue an unfavorable recommendation to the Transportation and Community Development Committee (TCDC) for Nazlini Chapter's request for governance certification within the meaning of 26 N.N.C. §102.