

## **HOGBACK CHAPTER LGA CERTIFICATION REVIEW**

The Office of the Auditor General has conducted a Local Governance Act (LGA) governance certification review of the Hogback Chapter five management system for the period October 01, 2004 to September 30, 2005. The purpose of our review was to determine whether Hogback Chapter (Chapter) has met the objectives of a five management system as defined by 26 Navajo Nation Code (N.N.C.). Our review has determined that material weaknesses exist within the Chapter's five management system. This management letter includes a list of the material weaknesses or deficiencies found during our review along with recommendations to resolve the deficiencies and improve Chapter operations.

### **Background**

26 N.N.C. §101 requires chapters 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 and operations comply with applicable laws and regulations.

The Hogback Chapter five management system policies and procedures were developed and the Chapter members adopted the policies and procedures on September 21, 2003.

### **Scope, Objectives and Methodology**

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

LGA defines a five management system to include accounting, procurement, record keeping, personnel, and property management. During our review, we evaluated the 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 Hogback 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 operations.

## **Review Results**

Hogback Chapter has material weaknesses or deficiencies that exist within its five management system. Basically, there are eleven areas of deficiencies that the Chapter needs to resolve before a favorable recommendation for LGA governance certification can be made. Attached are twelve pages that highlight the deficiencies that need to be resolved. Also included are recommendations to resolve the deficiencies. We encourage the Chapter to implement the recommendations in order to improve its five management system.

## **Conclusion**

Although Hogback Chapter has established the basic foundation for a five management system, the implementation of this system is hampered by various deficiencies or material weaknesses. These deficiencies do not allow the Chapter to provide reasonable assurance for proper accountability and fiscal responsibility over Chapter operations and activities. Therefore, the Office of the Auditor General cannot issue a favorable recommendation for LGA governance certification at this time. We offer the attached recommendations to help Hogback Chapter resolve the deficiencies. Once the Chapter has resolved the deficiencies, the Chapter can notify Office of the Auditor General for continuing the LGA governance certification review.