

Scope, Objectives and Methodology

We have reviewed the Coalmine Canyon Chapter's Five Management System for the three month period ending December 31, 2007. The purpose of our review was to determine whether Coalmine Canyon Chapter (Chapter) has met the objectives of a five management system, as defined by 26 Navajo Nation Code (N.N.C.), the Local Governance Act.

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 Navajo Nation Local Governance Act, 26 N.N.C., defines a five management system to include accounting, procurement, record keeping, personnel, and property management. During our review, we evaluated Coalmine Canyon Chapter's achievement of its Five Management System objectives in the areas of financial reporting, safeguarding of assets and compliance with laws and regulations. Our review did not include an evaluation of Coalmine Canyon 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.

Background

26 N.N.C. §101 requires chapter management to adopt and operate under a five management system. As such, the chapter management 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.

Review Results

We noted material weaknesses involving the Coalmine Canyon 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 December 31, 2007, we conclude that the Coalmine Canyon 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 issued an unfavorable recommendation to the Transportation and Community Development Committee for Coalmine Canyon Chapter's request for governance certification within the meaning of 26 N.N.C. §102.

This report is intended solely for the information and use by the Transportation and Community Development Committee of the Navajo Nation Council, Coalmine Canyon Chapter and others within the Navajo Nation Government for the purpose of governance certification under the Local Governance Act. This report is not intended to be and should not be used by anyone other than these specified parties.