

## **Background**

26 NNC §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.

## **Scope, Objectives and Methodology**

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 any 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 Lake Valley 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 Lake Valley 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.

## **Review Results**

Due to the material weaknesses found within the Lake Valley Chapter five management system, the Office of the Auditor General issued an unfavorable recommendation to the Navajo Nation Council's Transportation and Community Development Committee for the Lake Valley Chapter LGA certification on January 10, 2008. The attached list of deficiencies resulted in this unfavorable recommendation. Also listed are recommendations to resolve these deficiencies. We encourage the Chapter to implement these recommendations in order to improve its five management system.

## Conclusion

Although the Lake Valley Chapter has established the basic foundation for a five management system, the implementation of this system is hampered by various internal control deficiencies. These deficiencies do not allow the Chapter to provide reasonable assurance for proper accountability and fiscal responsibility over Chapter operations and activities. At this time, the Office of the Auditor General cannot recommend the Lake Valley Chapter five management system for LGA certification. We offer the attached recommendations on how to correct these deficiencies. Once the Lake Valley Chapter has addressed these deficiencies and operated under these improvements for at least three months, the Chapter can submit another request for an LGA certification review.