



Audit Report No. 15-13

March 31, 2015

Zondra Bitsuie, President  
**FORT DEFIANCE CHAPTER**  
P.O. Box 366  
Ft. Defiance, AZ 86504

Dear Ms. Bitsuie :

The Office of the Auditor General contracted REDW, CPAs to conduct a Local Governance Act (LGA) certification review of the Fort Defiance Chapter five management system. The purpose of the review was to determine whether Fort Defiance Chapter has met the objectives of a five management system per LGA as defined by 26 N.N.C. The review has determined that material weaknesses exist within the Chapter's five management system. Consequently, the auditors have issued an unfavorable recommendation to the Chapter's pursuit of LGA certification.

### **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.

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

The 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 the review, Fort Defiance Chapter's achievement of its five management system objectives in the areas of financial reporting, safeguarding of assets and compliance with laws and regulations were evaluated.



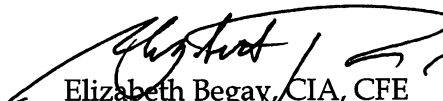
**Review Results**

Due to the material weaknesses found within the Fort Defiance Chapter five management system, the Office of the Auditor General hereby issues an unfavorable recommendation to not certify the Chapter as defined by 26 N.N.C. The attached list of deficiencies resulted in this unfavorable recommendation.

**Conclusion**

Although the Fort Defiance 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. Attached is a management letter from REDW, CPAs listing the material weaknesses found during the review along with recommendations to resolve the deficiencies and improve Chapter operation. Once the Fort Defiance Chapter has addressed these deficiencies, the Chapter can submit another request for an LGA certification review.

Sincerely,



Elizabeth Begay, CIA, CFE  
Auditor General

Attachment

- xc: Lorraine Nelson, Vice-President  
Brenda Wauneka, Secretary/Treasurer  
Benjamin L. Bennett, Council Delegate  
Tony K. Watchman, Community Services Coordinator  
**FORT DEFIANCE CHAPTER**  
Robert Begay, Department Manager II  
**ADMINISTRATIVE SERVICE CENTER**  
Chrono