

LITTLEWATER CHAPTER LGA CERTIFICATION REVIEW

The Office of the Auditor General has conducted a Local Governance Act (LGA) governance certification review of the Littlewater Chapter five management system for the period July 01, 2005 to September 30, 2005. The purpose of our review was to determine whether Littlewater 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, 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 and operations comply with applicable laws and regulations.

The Littlewater Chapter five management system policies and procedures were developed and the Chapter members adopted the finalized policies and procedures on November 17, 2005.

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 Littlewater 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

Littlewater Chapter has material weaknesses or deficiencies that exist within its five management system. Basically, there are nine areas of deficiencies that the Chapter needs to resolve before a favorable recommendation for LGA governance certification can be made. Attached are ten 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 Littlewater 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 Littlewater 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.