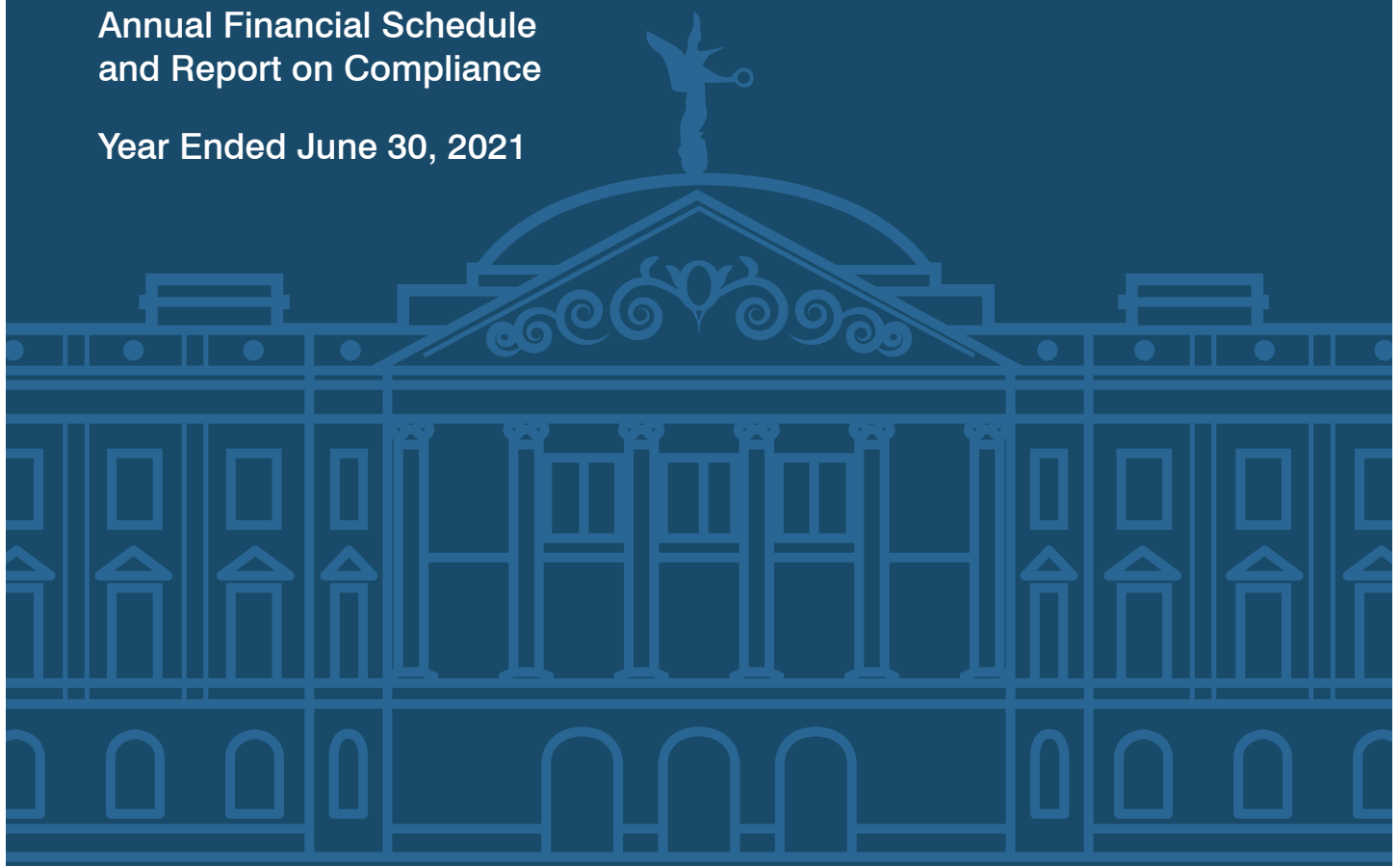


Navajo Nation, Navajo Technical University— State of Arizona Funding Compact

Annual Financial Schedule
and Report on Compliance

Year Ended June 30, 2021



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

Melanie M. Chesney, Deputy Auditor General

Independent accountants' report

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor, State of Arizona

The Honorable Buu Nygren, President, Navajo Nation

Dr. Elmer Guy, President, Navajo Technical University

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Navajo Nation, Navajo Technical University—State of Arizona Funding Compact, for the year ended June 30, 2021, and the related notes to the schedule. Navajo Technical University's management is responsible for presenting this schedule based on the criteria described in Note 2. Our responsibility is to express an opinion on this schedule based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the schedule is based on the criteria described in Note 2 in all material respects. An examination involves performing procedures to obtain evidence about the schedule. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the schedule referred to above is presented based on the criteria described in Note 2 in all material respects.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

August 18, 2025

**Navajo Nation, Navajo Technical University—
State of Arizona Funding Compact**
Schedule of revenues, expenditures, and changes in fund balance
Year ended June 30, 2021

Revenues:

Intergovernmental	\$254,364
Interest income	<u>21</u>
Total revenues	<u>254,385</u>

Expenditures:

Maintenance, renewal, and capital expenditures	<u>0</u>
Revenues in excess of expenditures	254,385
Fund balance, July 1, 2020	<u>46</u>
Fund balance, June 30, 2021	<u>\$254,431</u>

See accompanying notes to schedule.

Navajo Nation, Navajo Technical University— State of Arizona Funding Compact

Notes to schedule of revenues, expenditures, and changes in fund balance

Year ended June 30, 2021

Note 1

Arizona Revised Statutes (A.R.S.) §42-5031.01 allows transaction privilege tax revenues collected on the Navajo Nation to be transferred to Navajo Technical University. The statute restricts the use of this revenue for the maintenance and renewal of buildings and infrastructure and capital construction costs of new buildings, structures, and site improvements expenditures of Navajo Technical University campuses operating in the State of Arizona. The statute also requires that the State of Arizona and the Navajo Nation enter into a compact requiring Navajo Technical University to account for the use of these monies. The Navajo Nation entered into the current compact in June 2018 for the period July 1, 2020 through June 30, 2040. Navajo Technical University must reimburse the State of Arizona, or the State may withhold future payments, for any amounts not used for maintenance, renewal, or capital expenditures at Navajo Technical University campuses operated in the State.

Note 2

The schedule of revenues, expenditures, and changes in fund balance is presented based on the revenue and expenditure criteria described in A.R.S. §42-5031.01(A) and (C). Under this statute, the Arizona State Treasurer is required to transfer transaction privilege tax (TPT) revenues collected on the Navajo Nation to Navajo Technical University monthly. In each fiscal year, no more than \$875,000 or more than 5 percent of the TPT revenues received from all sources located on the Navajo Nation, whichever is less, may be transferred. In addition, the funding compact requires Navajo Technical University to annually submit a work plan to the Arizona Department of Administration (ADOA) to propose its yearly building maintenance, renewal, and capital expenditures plans, and ADOA must conclude on the work plan's financial feasibility for Navajo Technical University to receive up to \$875,000 of TPT revenues for the year. The State transferred \$254,364 in transaction privilege taxes to Navajo Technical University for the year ended June 30, 2021. Navajo Technical University did not incur any maintenance, renewal, and capital asset expenditures, including goods and services received during the year ended June 30, 2021, regardless of when payment was made.



**ARIZONA
AUDITOR
GENERAL**

Lindsey A. Perry, Auditor General

Melanie M. Chesney, Deputy Auditor General

**Independent accountants' report on compliance with the
Navajo Nation, Navajo Technical University—State of Arizona Funding Compact**

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor, State of Arizona

The Honorable Buu Nygren, President, Navajo Nation

Dr. Elmer Guy, President, Navajo Technical University

We have examined Navajo Technical University's compliance as to whether during the year ended June 30, 2021, transaction privilege taxes collected on the Navajo Nation and distributed in prior years by the Arizona State Treasurer to Navajo Technical University pursuant to Arizona Revised Statutes (A.R.S.) §42-5031.01 were used solely for the maintenance, renewal, and capital expenditures of Navajo Technical University campuses operating in the State of Arizona as prescribed by A.R.S. §42-5031.01. Navajo Technical University's management is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on Navajo Technical University's compliance with the specified requirements based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Navajo Technical University complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Navajo Technical University complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement. Our examination does not provide a legal determination on Navajo Technical University's compliance with the specified requirements.

The results of our examination procedures disclosed an instance of noncompliance that is described in the accompanying schedule of findings and recommendations as item 2021-01. Our opinion is not modified with respect to this matter.

In our opinion, Navajo Technical University complied, in all material respects, with the specified requirements referenced above during the year ended June 30, 2021.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

August 18, 2025



SCHEDULE OF FINDINGS AND RECOMMENDATIONS

In planning and performing our examination, we considered the Navajo Technical University's (University) internal controls to design procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance as to whether transaction privilege taxes collected on the Navajo Nation and distributed to the University in the prior years were used solely for the maintenance, renewal, and capital expenditures of the University's campuses. Our examination was not for the purpose of expressing an opinion on the effectiveness of the University's internal controls. Accordingly, we do not express such an opinion.

As a result of our examination, we identified an internal control weakness and instance of noncompliance that the University's management should correct to ensure that they fulfill their responsibility to establish and maintain adequate internal controls over compliance with the requirements specified in the State of Arizona Funding Compact. Our finding and recommendations are described below.

2021-01

The University failed to provide funding compact financial information to us by the required deadline, resulting in untimely financial information for decision makers and an increased risk of the State withholding future transaction privilege tax payments

Condition—Contrary to its funding compact with the State, the University failed to provide timely funding compact information to us. Specifically, the University's Financial Services Department did not provide its fiscal year 2021 funding compact schedule of expenditures (schedule)—to be included in its Arizona Funding Compact Report—to us until March 27, 2025, or 3 years and 6 months after the required deadline.

Effect—The University's Financial Services Department delayed the issuance of its annual Arizona Funding Compact Report for fiscal year 2021 until August 2025, nearly 4 years late, resulting in untimely funding compact financial information to Arizona State Legislature members and others who rely on it to make important decisions about the University's funding compact operations. Further, the University is at risk of the State withholding future transaction privilege tax payments, which could cause the University to defer or adjust its future building maintenance, renewal, and capital expenditure plans.

Cause—The University lacked written policies and procedures over the preparation and submission of its funding compact schedule, including designating an employee to prepare and submit the schedule and a separate employee to review the schedule for accuracy and establishing deadlines to ensure timely submission of the schedule to us.

Criteria—The University is required to submit an annual funding compact schedule of expenditures to the Arizona Auditor General no later than September 30 each year they receive transaction privilege tax revenues.¹ Further, developing and implementing policies and procedures for preparing the schedule is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, and integral to ensuring the University's funding compact reporting and related compliance objectives are achieved.²

Recommendations to the University

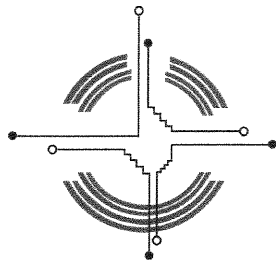
1. Make it a priority to provide its annual funding compact schedule to us by September 30 of each year.
2. Develop and implement written policies and procedures over the preparation and submission of its annual funding compact schedule, including requirements to:
 - a. Designate an employee to prepare and submit the schedule.
 - b. Designate another employee to perform an independent review of the schedule prior to submitting it to us to ensure the schedule is accurate and agrees to the University's records.
 - c. Establish deadlines to ensure that the schedule is submitted to us by September 30 of each year.

The University's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to examine and have not examined these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

¹ The Navajo Nation, Diné College and Navajo Technical University–State of Arizona 2018 Funding Compact, Section 3.A., states that no later than September 30 of each fiscal year that the Navajo Nation, Navajo Technical University, receives revenues pursuant to the Compact Navajo Technical University shall submit a Schedule of Expenditures to the State Auditor General for audit.

² U.S. Government Accountability Office. (2014). *Standards for internal control in the federal government*. Retrieved 2/10/2025 from <https://www.gao.gov/assets/670/665712.pdf>

UNIVERSITY RESPONSE



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NAVAJO TECHNICAL UNIVERSITY

E S T A B L I S H E D 1 9 7 9

August 1, 2025

Lindsey A. Perry
Arizona Auditor General
2810 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Perry,

The Navajo Nation, Navajo Technical University appreciates the opportunity to respond to the finding and recommendations presented by the Arizona Auditor General's office as it relates to the Navajo Nation, Navajo Technical University – State of Arizona Funding Compact examination for the year of 2021.

Should you have any questions, please feel free to contact me at 505-387-7401.

Respectfully,

Sylvia Tyler
Interim Chief Financial Officer

File



Finding 2021-01

The University failed to provide funding compact financial information to us by the required deadline, resulting in untimely financial information for decision makers and an increased risk of the State withholding future transaction privilege tax payments.

Management's Response: We recognize the importance of timely submission and are taking corrective actions to prevent future delays. These actions include strengthening internal timelines, enhancing coordination with external auditors, and allocating additional resources to the reporting process. Navajo Technical University (University) is committed to improving compliance with compact reporting requirements and ensuring timely submission going forward.

Additionally, Navajo Technical University (University) will institute an annual reminder notice to be issued on March 1st, the start of the fourth quarter of the University's fiscal year. The University will develop procedures to prepare and submit the annual funding compact report to the State of Arizona by September 30 of each year.

Implementation Date: October 2025

Responsible Party: Sylvia Tyler, Interim CFO and Harshwal & Company, LLP

