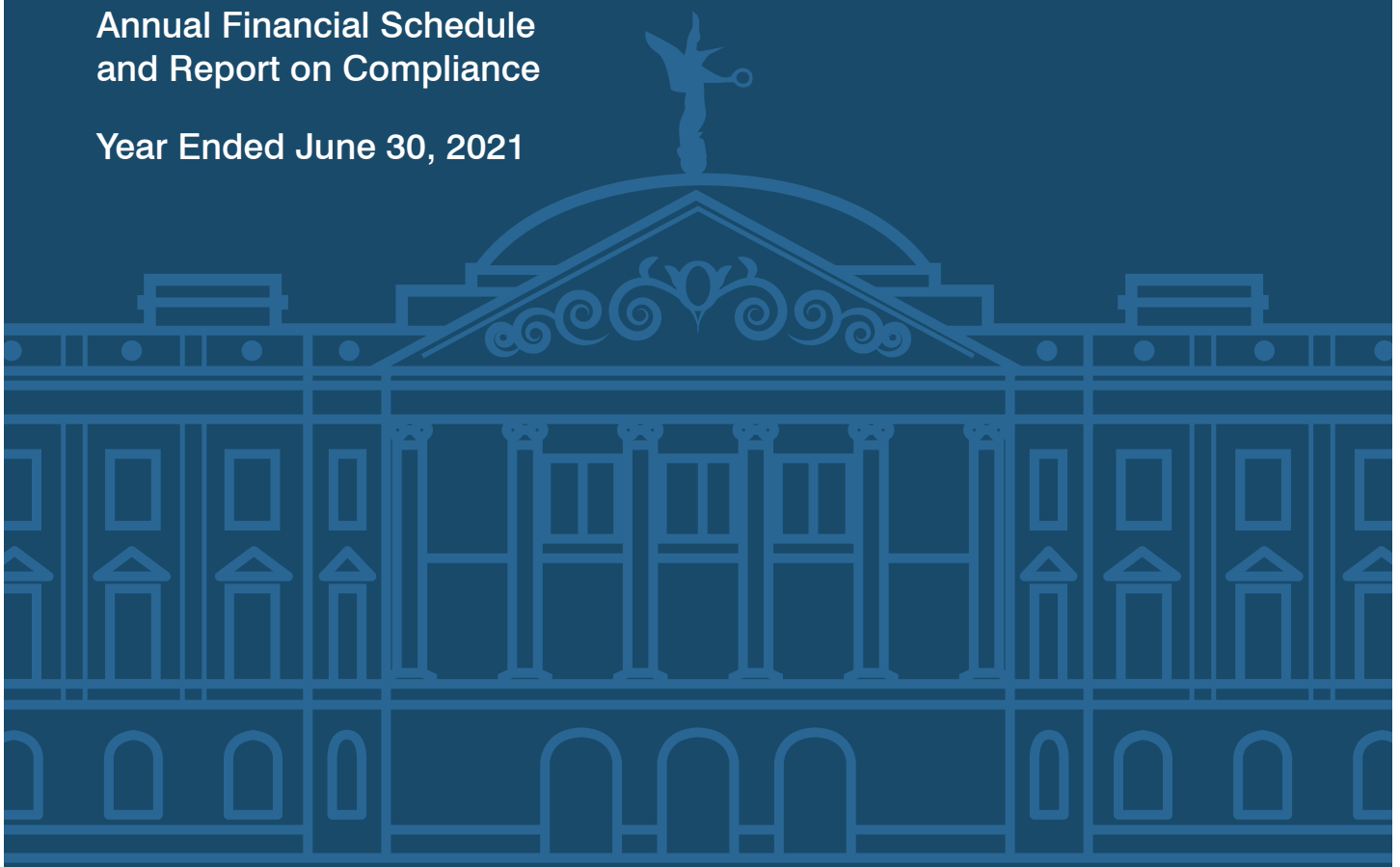


Tohono O'odham Nation, Tohono O'odham Community College—State of Arizona Funding Compact

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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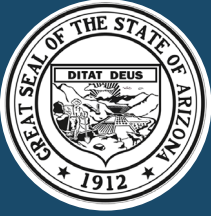
TABLE OF CONTENTS

Annual Financial Schedule

Independent accountants' report	1
Schedule of revenues, expenditures, and changes in fund balance	2
Notes to schedule of revenues, expenditures, and changes in fund balance	3

Report on Compliance

Independent accountants' report on compliance with the Tohono O'odham Nation, Tohono O'odham Community College—State of Arizona Funding Compact	4
Schedule of findings and recommendations	5
College response	
Corrective action plan	



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

Verlon M. Jose, Chairman, Tohono O'odham Nation

Dr. Stephen Schoonmaker, President, Tohono O'odham Community College

We were engaged to examine the accompanying schedule of revenues, expenditures, and changes in fund balance of the Tohono O'odham Nation, Tohono O'odham Community College—State of Arizona Funding Compact, for the year ended June 30, 2021, and the related notes to the schedule. Tohono O'odham Community College'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 conducting the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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

Tohono O'odham Community College did not maintain accurate records to support \$144,708 of the total \$210,462 of funding compact maintenance, renewal, and capital expenditures it reported on the accompanying schedule of revenues, expenditures, and changes in fund balance. As a result, we were unable to obtain sufficient appropriate evidence for the accompanying schedule of revenues, expenditures, and changes in fund balance of the Tohono O'odham Nation, Tohono O'odham Community College—State of Arizona Funding Compact, for the year ended June 30, 2021, and the related notes to the schedule. Consequently, we were unable to determine whether any adjustments or additional disclosures were necessary.

Because of the limitation on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the accompanying schedule of revenues, expenditures, and changes in fund balance of the Tohono O'odham Nation, Tohono O'odham Community College—State of Arizona Funding Compact, for the year ended June 30, 2021, is in accordance with Note 2, in all material respects.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

August 12, 2025

**Tohono O’odham Nation, Tohono O’odham Community College—
State of Arizona Funding Compact**
Schedule of revenues, expenditures, and changes in fund balance
Year ended June 30, 2021

Revenues:

Intergovernmental (Note 2)	\$345,184
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Expenditures:

Maintenance, renewal, and capital expenditures (Note 2)	<u>210,462</u>
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Revenues in excess of expenditures	134,722
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Fund balance, July 1, 2020	<u>182,604</u>
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Fund balance, June 30, 2021	<u>\$317,326</u>
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See accompanying notes to schedule.

Tohono O'odham Nation, Tohono O'odham Community College 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 Tohono O'odham Nation to be transferred to Tohono O'odham Community College. The statute restricts the use of this revenue for the maintenance and renewal of buildings and infrastructure and capital construction of new buildings, structures, and site improvements expenditures of Tohono O'odham Community College campuses operating in the State of Arizona. This statute further requires that the State of Arizona and the Tohono O'odham Nation enter into a compact requiring Tohono O'odham Community College to account for the use of these monies. The Tohono O'odham Nation entered the current compact in August 2017 for the period August 3, 2017, through August 2, 2037. Tohono O'odham Community College must reimburse the State of Arizona for any amounts not used for maintenance, renewal, or capital expenditures at Tohono O'odham Community College campuses operating in the State or the State may withhold future payments.

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 Tohono O'odham Nation to Tohono O'odham Community College monthly. In each fiscal year, no more than \$1,750,000 or one-tenth of the TPT revenues received from all sources located on the Tohono O'odham Nation, whichever is less, may be transferred. In addition, the funding compact requires the College 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 the College to receive up to \$1,750,000 of TPT revenues for the year. The State transferred \$345,184 in transaction privilege taxes to Tohono O'odham Community College for the year ended June 30, 2021. Maintenance, renewal, and capital asset expenditures totaling \$210,462 include 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 Tohono O'odham Nation, Tohono O'odham Community College—State of Arizona Funding Compact

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor, State of Arizona

Verlon M. Jose, Chairman, Tohono O'odham Nation

Dr. Stephen Schoonmaker, President, Tohono O'odham Community College

We were engaged to examine Tohono O'odham Community College's compliance as to whether during the year ended June 30, 2021, transaction privilege taxes collected on the Tohono O'odham Nation and distributed in prior years by the Arizona State Treasurer to Tohono O'odham Community College pursuant to Arizona Revised Statutes (A.R.S.) §42-5031.01 were used solely for the maintenance, renewal, and capital expenditures of Tohono O'odham Community College campuses operating in the State of Arizona as prescribed by A.R.S. §42-5031.01. Tohono O'odham Community College's management is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on Tohono O'odham Community College's compliance with the specified requirements based on conducting the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement. Conducting an examination does not provide a legal determination on Tohono O'odham Community College's compliance with the specified requirements.

Tohono O'odham Community College did not maintain accurate records to support \$144,708 of the total \$210,462 of funding compact maintenance, renewal, and capital expenditures it reported on the accompanying schedule of revenues, expenditures, and changes in fund balance, as described in the accompanying schedule of findings and recommendations as item 2021-01. As a result, we were unable to obtain sufficient appropriate evidence for its compliance as to whether during the year ended June 30, 2021, transaction privilege taxes collected on the Tohono O'odham Nation and distributed in prior years by the Arizona State Treasurer to Tohono O'odham Community College pursuant to A.R.S. §42-5031.01 were used solely for the maintenance, renewal, and capital expenditures of Tohono O'odham Community College campuses operating in the State of Arizona as prescribed by A.R.S. §42-5031.01. We also disclosed an instance of noncompliance that is described in the accompanying schedule of findings and recommendations as item 2021-02.

Because of the limitation on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether Tohono O’odham Community College did comply, 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 12, 2025



SCHEDULE OF FINDINGS AND RECOMMENDATIONS

We were engaged to examine the accompanying schedule of revenues, expenditures, and changes in fund balance of the Tohono O'odham Nation, Tohono O'odham Community College (College)—State of Arizona Funding Compact, for the year ended June 30, 2021, and the related notes to the schedule. We were also engaged to examine Tohono O'odham Community College's compliance as to whether during the year ended June 30, 2021, transaction privilege taxes collected on the Tohono O'odham Nation and distributed in prior years by the Arizona State Treasurer to the College pursuant to Arizona Revised Statutes (A.R.S.) §42-5031.01 were used solely for the maintenance, renewal, and capital expenditures of Tohono O'odham Community College campuses operating in the State of Arizona as prescribed by A.R.S. §42-5031.01. Our reports disclaim opinions as we were unable to obtain sufficient appropriate evidence for the schedule and on compliance based on finding 2021-01 below.

In connection with our engagements, we considered the College's internal controls as a basis for designing 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 Tohono O'odham Nation and distributed to the College in the prior years were used solely for the maintenance, renewal, and capital expenditures of the College's campuses. Our examination was not for the purpose of expressing an opinion on the effectiveness of the College's internal controls. Accordingly, we do not express such an opinion.

We identified internal control weaknesses and instances of noncompliance that the College'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 findings and recommendations are described below.

2021-01

The College did not maintain accurate records to support its funding compact expenditures, resulting in a disclaimer of opinion on the College's Annual Financial Schedule and an increased risk of fraudulent activity, misuse of public monies, and the State withholding future transaction privilege tax payments

Condition—Contrary to State law, the College did not maintain accurate records to support that \$210,462 of funding compact monies spent in fiscal year 2021 were solely to support its maintenance, renewal, and capital expenditures, as required. Specifically, the College failed to retain records, such as vendor invoices, vendor contracts, or receipts, for all 23 funding compact expenditure transactions recorded for fiscal year 2021.

During our audit, College management reported that they attempted to recreate the records by contacting vendors but were only able to obtain records from 4 vendors to support \$65,754 of funding compact expenditures. We subsequently examined these transactions and records, including vendor invoices, vendor contracts, and quotes for service/goods, obtained from the vendors and determined these funding compact expenditures were used solely to support its maintenance, renewal, and capital expenditures in Arizona.

The table below provides a summary of the remaining \$144,708 in funding compact expenditures lacking support, categorized by expenditure descriptions obtained from the College's accounting records.¹

Table 1
Summary of funding compact expenditures lacking support
Fiscal year 2021

Expenditure descriptions from accounting records	Expenditure amount
Concrete	\$ 33,604
Sprinkler system	33,077
Roofing	24,788
Plumbing	16,975
Design and engineering	16,896
Insulation	13,460
Other general expenditures	5,908
Total funding compact expenditures lacking support	\$144,708

Effect—The College's not maintaining accurate records to support funding compact expenditures resulted in the following increased risks of:

- Fraudulent activity or misspent or misused public monies, which could also be a possible violation of the Arizona Constitution's ban on gifts or loans of public monies (Art. IX, Sec. 7). When public monies are misspent or misused, less monies are available for uses that benefit the College and its students.
- The State's withholding future transaction privilege tax payments, which could cause the College to defer or adjust its future building maintenance, renewal, and capital expenditure plans.

Consequently, we issued a disclaimer of opinion, meaning that the College's annual Arizona Funding Compact Report's schedule of revenues, expenditures, and changes in fund balance for the year ended June 30, 2021, was not in accordance with State law, in all material respects and cannot be relied upon.

Further, the College delayed the issuance of its fiscal year 2021 annual Arizona Funding Compact Report by nearly 4 years (see finding 2021-02).

Cause—The College established a separate limited liability corporation (LLC) outside of the College’s Finance Department to oversee the funding compact monies and designated its development operations director to oversee the LLC, which included the responsibilities to maintain custody of the bank accounts holding the funding compact monies, authorize how monies were spent, and maintain accounting records, such as vendor invoices, vendor contracts, and receipts.² In addition, the College lacked written policies and procedures to monitor the LLC, maintain records, and separate responsibilities for funding compact monies and allowed the College’s Development Operations Director the sole responsibility of administering the funding compact monies without any independent reviews or approvals. As a result, when the employee terminated employment at the College in November 2021, the College did not have access to the funding compact expenditure records.

Criteria—State law requires the College to use funding compact monies solely to support its maintenance, renewal, and capital expenditures (Arizona Revised Statutes §42-5031.01). To demonstrate compliance with this requirement, the College must maintain accurate records, such as vendor invoices, vendor contracts, or receipts, to clearly support the appropriate use of funding compact monies. Further, developing and implementing policies and procedures for retaining accurate records and separating responsibilities 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 College’s funding compact reporting and related compliance objectives are achieved.³

Recommendations to the College

1. Maintain complete and accurate records to support that funding compact monies were used to support the College’s maintenance, renewal, and capital expenditures as required by State law.
2. Develop and implement written policies and procedures for funding compact monies, including requirements to:
 - a. Maintain complete and accurate accounting records for funding compact expenditures, such as vendor invoices, vendor contracts, and receipts.
 - b. Designate separate individuals to maintain custody of the bank accounts holding the funding compact monies, authorize how monies are spent, process and record the transactions, and review and approve the accounting records prior to payment.
3. Work with the State of Arizona to determine whether the State will require the College to reimburse the State for the \$144,708 maintenance, renewal, or capital expenditures not properly supported.

The College’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 description of expenditures included in the College’s accounting records should be allowable under the compact funding agreement; however, without documentation such as vendor invoices, vendor contracts, or receipts, we are unable to determine if these funding compact expenditures were used solely to support its maintenance, renewal, and capital expenditures in Arizona.

² In December 2021, the College no longer used the LLC to administer the TPT monies. On December 13, 2021, the College closed its bank account for the LLC and transferred \$314,256 to Tohono O’odham Community College TPT Construction Funds bank account.

³ U.S. Government Accountability Office. (2014). *Standards for internal control in the federal government*. Retrieved 6/19/2025 from <https://www.gao.gov/assets/670/665712.pdf>

2021-02

The College 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 College failed to provide timely funding compact information to us. Specifically, the College's Finance 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 January 27, 2023, or over 1 year and 4 months after the required deadline (see finding 2021-01 for details on further delays caused by the College's not maintaining accurate records).

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

Cause—The College 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 College is required to submit an annual funding compact schedule of expenditures to the Arizona Auditor General no later than September 30 each year it receives 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 College's funding compact reporting and related compliance objectives are achieved.²

Recommendations to the College

1. Provide the annual funding compact schedule to us by September 30 of each year.
2. Develop and implement written policies and procedures for the preparation and submission of the 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 the Arizona Auditor General to ensure the schedule is accurate and agrees to the College's records.
 - c. Establish deadlines to ensure that the schedule is submitted to us by September 30 of each year.

The College'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 Funding Compact between the Tohono O'odham Nation, College, and the State of Arizona, Section 4.A., states that no later than September 30 of each fiscal year that the College receives revenues pursuant to the Compact, the College 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 6/19/2025 from <https://www.gao.gov/assets/670/665712.pdf>

COLLEGE RESPONSE



TOHONO O'ODHAM COMMUNITY COLLEGE

P.O. BOX 3129 • SELLS, ARIZONA 85634
PHONE: (520) 479-2300 • FAX: (520) 383-8403
www.tocc.edu

August 4, 2025

Lindsey A. Perry, CPA, CFE
Arizona Auditor General
2910 N. 44th St., Ste, 410
Phoenix, AZ 85018-7271

Dear Lindsey A. Perry,

The Tohono O'odham Community College appreciates the opportunity to provide our response to the findings and recommendations of the Tohono O'odham Nation, Tohono O'odham Community College-State of Arizona Funding Compact examination performed by the Arizona Auditor General.

Please see the College's corrective action plan on the following page.

Sincerely,

Joann Miguel, Dean of Finance
Tohono O'odham Community College



TOHONO O'ODHAM COMMUNITY COLLEGE

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Corrective Action Plan for the Year Ended June 30, 2021

Finding 2021-01 – Maintain Accurate Records

Corrective Action Plan:

Since FY2023, Tohono O'odham Community College (TOCC) has retained, and will continue to retain, all data and other records relating to the expenditures of TPT revenues within the college's financial management software program Jenzabar. TOCC has an approved Finance and Operations Policies and Procedures for procurement transactions, to record the transactions and approvals of expenditures that meet all Standards for Internal Control. The President and Dean of Finance are individuals with the ability to maintain the TPT bank account. The College will work with the State of Arizona on any reimbursement due for expenditures not properly supported.

Finding 2021-02 – Timeliness

Corrective Action Plan:

Tohono O'odham Community College (TOCC) will ensure that the annual funding compact schedule is provided by September 30 of each year. The Dean of Finance and Controller are designated to prepare and submit the schedule. The Sponsored Projects Office (SPO) at TOCC will perform a review of schedule prior to submission.

