

# 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, 2019



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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## Audit Staff

**Donna Miller**, Director  
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# TABLE OF CONTENTS

## Annual Financial Schedule

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

## Report on Compliance

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



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

## Independent accountants' report

Members of the Arizona State Legislature

The Honorable Doug Ducey, Governor

Ned Norris Jr., Chairman, Tohono O'odham Nation

Dr. Paul Robertson, President, Tohono O'odham Community College

We have examined 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, 2019, 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 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.

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

Donna Miller, CPA  
Director, Financial Audit Division

December 23, 2020

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, 2019

**Revenues:**

Intergovernmental \$231,093

**Expenditures:**

Maintenance, renewal, and capital expenditures 148,550

Revenues in excess of expenditures 82,543

Fund balance, July 1, 2018 190,472

Fund balance, June 30, 2019 \$273,015

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, 2019

#### 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 (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 improvement expenditures of the College's campuses. It also requires that the State of Arizona and the Tohono O'odham Nation enter into a compact requiring the College to account for the use of these monies. In August 2017, the Tohono O'odham Nation entered into this compact. The College must reimburse the State of Arizona or the State may withhold future payments for any amounts not appropriately used for maintenance, renewal, or capital expenditures of the College's campuses.

#### 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 revenues collected on the Tohono O'odham Nation to the College monthly. In each fiscal year, no more than \$1.75 million or one-tenth of the transaction privilege tax revenues received from all sources located on the Tohono O'odham Nation, whichever is less, may be transferred. The State transferred \$231,093 in transaction privilege taxes to the College for the year ended June 30, 2019. Maintenance, renewal, and capital asset expenditures totaling \$148,550 include goods and services received during the year ended June 30, 2019, regardless of when payment was made.



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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 Doug Ducey, Governor

Ned Norris Jr., Chairman, Tohono O'odham Nation

Dr. Paul Robertson, President, Tohono O'odham Community College

We have examined Tohono O'odham Community College's compliance as to whether during the year ended June 30, 2019, transaction privilege taxes collected on the Tohono O'odham Nation and distributed by the Arizona State Treasurer to Tohono O'odham Community College (College) pursuant to Arizona Revised Statutes (A.R.S.) §42-5031.01 were used solely for the maintenance, renewal, and capital expenditures of the College as prescribed by A.R.S. §42-5031.01. The College's management is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the College'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 the College complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the College 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.

Our examination does not provide a legal determination on the College's compliance with the specified requirements.

In our opinion, the College complied, in all material respects, with the specified requirements referenced above during the year ended June 30, 2019.

Donna Miller, CPA  
Director, Financial Audit Division

December 23, 2020



# SCHEDULE OF FINDINGS AND RECOMMENDATIONS

In planning and performing our examination, we considered the College's internal control 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 Tohono O'odham Nation and distributed to the College 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 control. Accordingly, we do not express such an opinion.

As a result of our examination, we identified deficiencies in internal controls and 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.

## 2019-01

**The College transferred \$105,000 of funding compact monies and used them for unallowed purposes**

**Condition**—The College's Development Operations Director transferred \$105,000 of funding compact monies and used them for purposes not allowed by statute, including institutional support and assistance for student apprenticeship programs. The Development Operations Director subsequently transferred other monies back in November 2019 and used them for allowable capital purposes.

**Effect**—Funding compact monies totaling \$105,000 were temporarily unavailable for the College's maintenance, renewal, and capital expenses and at risk of being permanently unavailable for allowable purposes.

**Cause**—The College did not provide training and written guidance to the Development Operations Director on the appropriate uses of funding compact monies or review and approve their use.

**Criteria**—Arizona Revised Statutes (A.R.S.) §42-5031.01 requires funding compact monies to be used for the exclusive purpose of supporting the College's maintenance, renewal, and capital expenses.

**Recommendations**—The College should:

1. Only use funding compact monies to support the College's maintenance, renewal, and capital expenses as required by A.R.S. §42-5031.01.
2. Provide training and written guidance to the Development Operations Director on the appropriate uses of funding compact monies and review and approve their use.

## 2019-02

The College allowed 1 person complete control over more than \$420,000 of funding compact monies, putting them at elevated risk of error, misuse, or fraud

**Condition**—During fiscal year 2019, the College’s Development Operations Director controlled more than \$420,000 of funding compact monies’ authority, custody, and accounting without any independent reviews or approvals, contrary to essential internal control standards.

**Effect**—More than \$420,000 of funding compact monies were at elevated risk of error, misuse, or fraud.

**Cause**—The College failed to adopt essential internal control standards, which would have required multiple employees or another department, such as the College’s Finance Office, to administer the funding compact monies, and instead gave its Development Operations Director sole responsibility to administer them.

**Criteria**—Separation of responsibilities over the authority, custody, and accounting of compact monies is an essential part of internal control standards, such as the *Standards for Internal Control in Federal Government* issued by the Comptroller General of the United States, and integral to ensuring monies are not fraudulently or mistakenly misused.<sup>1</sup>

**Recommendation**—The College should no longer allow the Development Operations Director to have sole responsibility for funding compact monies’ authority, custody, and accounting and instead should require multiple employees or involve another department, such as the College’s Finance Office, to administer funding compact monies.

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<sup>1</sup> U. S. Government Accountability Office (GAO). (2014). *Standards for internal control in the federal government*. Washington, DC. Retrieved 12/21/2020 from <https://www.gao.gov/assets/670/665712.pdf>.

# COLLEGE RESPONSE



# Tohono O'odham Community College

www.tocc.edu

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December 23, 2020

Lindsey Perry  
Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018

Dear Ms. Perry:

The Tohono O'odham Community College appreciates the opportunity to respond to the finding and recommendations of the Tohono O'odham Nation, Tohono O'odham Community College—State of Arizona Funding Compact examination performed by the Office of the Auditor General.

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

Sincerely,

Paul M. Robertson, Ph.D. President

cc:

Joann Miguel, Dean of Finance  
Ingrid Segundo, Special Projects Officer  
Michael Mainus, Controller

### **TOCC Corrective Action Plan to address Finding 2019-01**

Tohono O’odham Community College concurs with the recommendation by the Arizona auditor. TOCC has not transferred Transaction Privilege Tax (TPT) funds to any other account since the action described in the audit in FY2019 and will never do so in the future. The Development Director is aware that funds in the TPT account cannot be transferred to any other account. Finance will be monitoring this and the proper use of TPT funds. The Board of Trustees will also exercise oversight during their monthly meetings when they review the monthly financial reports submitted by the Director of Operations. TOCC administration proposed new finance policies, which were considered and approved by the Board of Trustees at their December 10, 2020 meeting. The President and Dean of Finance will ensure that staff are trained on the policies.

### **TOCC Corrective Action Plan addressing finding 2019-02**

TOCC concurs with the recommendation regarding separate responsibilities and has taken several steps to ensure that sufficient segregation of functions are and will be practiced:

1. The TOCC Board of Trustees approved an additional position of an “Office Coordinator” during their November 2020 meeting and the position will be filled as soon as possible.
2. The President is now a check signer for funds drawn on the TPT account, adding an additional level of administrative oversight.

TOCC developed several policies and procedures designed to ensure more control over the administration of TPT funding. The recommendations were presented to the Board of Trustees for consideration on December 10, 2020 and were approved on that date. The College believes the new policies will be sufficient to address the finding. The policies will, in fact, increase the oversight of all of the financial transactions of TOCC. The trustees and the TOCC administration recognize the responsibilities of the College as described in the TPT funding compact.

