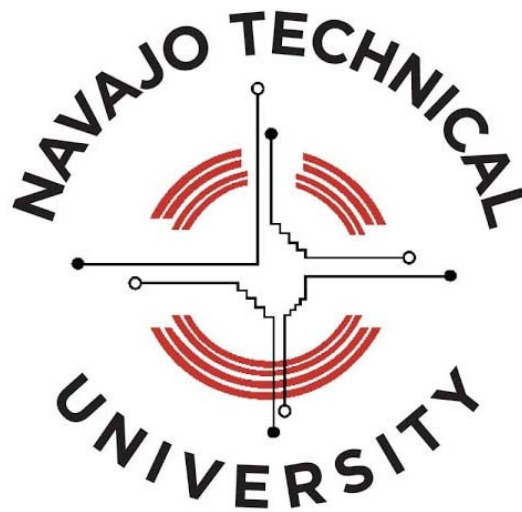




SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS

Navajo Technical University

(A Component Unit of the Navajo Nation)



Financial Statements
and
Independent Auditors' Report

May 31, 2020

Navajo Technical University
(A Component Unit of the Navajo Nation)
Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-8
Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11-12
Statement of Fiduciary Net Assets – Agency Fund	13
Notes to Financial Statements	14-22
Single Audit Section (Uniform Guidance)	
Schedule of Expenditures of Federal Awards	23-25
Notes to Schedule of Expenditures of Federal Awards	26
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	29-31
Schedule of Findings and Questioned Costs	32-44
Summary Schedule of Prior Audit Findings	45-46
Corrective Action Plan	47-49



Independent Auditors' Report

Members of the Board of Regents
Navajo Technical University

Report on the Financial Statements

We have audited the accompanying financial statements of the Navajo Technical University (NTU), a component unit of the Navajo Nation (the "Nation"), as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise NTU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

 4811 Hardware Dr. NE, Suite E-4, Albuquerque, NM 87109

 (505) 312-8702  info@sjtgroupcpa.com  www.sjtgroupcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of NTU as of May 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NTU's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2021, on our consideration of NTU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NTU's internal control over financial reporting and compliance.

SJT Group LLC

Albuquerque, New Mexico
August 30, 2021

Navajo Technical University
(A Component Unit of the Navajo Nation)
Management's Discussion and Analysis
May 31, 2020

Our discussion and analysis of the Navajo Technical University's (NTU) financial performance provides an overview of NTU's financial activities for the year ended May 31, 2020. The analysis focuses on NTU's financial performance as a whole. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

NTU's mission is to provide university readiness programs, certificates, associate, baccalaureate, and graduate degrees. Students, faculty and staff will provide value to the Dine' community through research, community engagement, service learning, and activities designed to foster cultural and environmental preservation and sustainable economic development. NTU is committed to a high quality, student-oriented, hands-on-learning environment based on the Dine' cultural principles:

- ❖ Nitsáhákees – Thinking.
- ❖ Nahátá – Planning.
- ❖ Iiná – Life
- ❖ Sihasin – Stability.

Financial Highlights

During the year ended May 31, 2020, NTU reported operating revenues, net of allowances, of approximately \$2.2 million compared with operating expenses of approximately \$29.7 million. Additionally, NTU reported nonoperating revenues of approximately \$30.7 million, which consists of grant revenue of \$25.4 million as well as government appropriations of \$4.3 million, and other nonoperating revenues of \$1 million. The overall result is an increase in net position of approximately \$3.2 million during fiscal year 2020. Total net position at May 31, 2020 is \$54.3 million.

Overview of Financial Statements

NTU's financial statements are comprised of three components: 1) Management's Discussion and Analysis (this section), 2) the Basic Financial Statements, and 3) Single Audit Section. The basic financial statements include three statements that present different views of NTU, as follows:

- ◆ The *statement of net position* presents information on all of NTU's assets, liabilities, and net position. Over time, increases or decreases in net position indicate whether the financial position of NTU is improving or deteriorating. Other factors, such as changes in Medicaid reimbursement rates and government spending, are important factors to assess in determining the overall health of NTU.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Management's Discussion and Analysis
May 31, 2020

- ◆ The *statement of revenues, expenses and changes in net position* presents information showing how NTU's net position (financial position) changed. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods.
- ◆ The *statement of cash flows* presents information on NTU's sources and uses of cash during the year. The cash flows are summarized into four categories: cash flows from operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The financial statements also include notes that explain information in the financial statements and provide more detail. The notes to the financial statements are followed by the Single Audit Section, which includes information on NTU's schedule of expenditures of federal awards and other reports and information required to be submitted to the federal government.

Net Position and Changes in Net Position

Table 1 summarizes NTU's assets, liabilities and net position as of May 31, 2020 and 2019:

Table 1
Condensed Statements of Net Position
May 31,

	2020	2019	Increase (decrease)
Assets			
Current and other assets	\$ 21,237,957	\$ 20,932,504	\$ 305,453
Capital assets, net	<u>42,761,383</u>	<u>32,597,916</u>	<u>10,163,467</u>
Total assets	<u>63,999,340</u>	<u>53,530,420</u>	<u>10,468,920</u>
Liabilities			
Current liabilities	<u>9,686,384</u>	<u>3,505,698</u>	<u>6,180,686</u>
Total liabilities	<u>9,686,384</u>	<u>3,505,698</u>	<u>6,180,686</u>
Net Position			
Net investment in capital assets	42,761,383	32,597,916	10,163,467
Restricted	10,950,039	14,697,262	(3,747,223)
Unrestricted	<u>601,534</u>	<u>2,729,544</u>	<u>(2,128,010)</u>
Total net position	<u>\$ 54,312,956</u>	<u>\$ 50,024,722</u>	<u>\$ 4,288,234</u>

Navajo Technical University
(A Component Unit of the Navajo Nation)
Management's Discussion and Analysis
May 31, 2020

During the year ended May 31, 2020, NTU's assets increased due to increases in capital assets (\$10.2 million), offset by a decrease in accounts receivable (\$841,000). During fiscal year 2020, NTU had capital asset additions of \$12.9 million and depreciation expense of \$2.7 million, resulting in a \$10.2 million net increase in capital assets. The additions mainly related to construction-in-progress at the Chinle NTU Instructional Building. During fiscal year 2020, accounts receivable decreased due to a \$1 million increase in the allowance for doubtful accounts for student receivables that remain uncollected.

Liabilities increased during 2020 mainly because NTU received several forwardly funded grants and the monies were unspent as of May 31, 2020. Unearned grant revenue increased \$6.4 million during fiscal year 2020.

Of NTU's net position as of May 31, 2020, \$42.8 million reflects NTU's net investment in capital assets. NTU uses these capital assets to provide services; consequently, these assets are not available for future spending. NTU also has restricted net position of \$11 million for capital purchases and for an endowment. The remaining net position, \$602,000, is unrestricted.

Table 2 summarizes NTU's change in net position during fiscal years 2020 and 2019.

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended May 31,

	<u>2020</u>	2019	Increase (decrease)
Revenues			
Operating revenues	\$ 2,167,868	\$ 1,879,547	\$ 288,321
Federal grants and contracts	25,375,242	26,464,395	(1,089,153)
Government appropriations	4,303,022	5,855,495	(1,552,473)
Other nonoperating revenues	<u>1,007,160</u>	<u>1,879,169</u>	<u>(872,009)</u>
Total revenues	<u>32,853,292</u>	<u>36,078,606</u>	<u>(3,225,314)</u>
Expenses			
Instructional	7,589,654	7,284,351	305,303
Academic support	1,586,398	3,419,485	(1,833,087)
Institutional	9,613,163	8,882,084	731,079
Auxiliary services	4,134,655	4,767,883	(633,228)
Depreciation	2,713,870	2,834,301	(120,431)
Other	<u>4,014,289</u>	<u>3,458,764</u>	<u>555,525</u>
Total expenses	<u>29,652,029</u>	<u>30,646,868</u>	<u>(994,839)</u>
Change in net position	<u>\$ 3,201,263</u>	<u>\$ 5,431,738</u>	<u>\$ (2,230,475)</u>

Navajo Technical University
(A Component Unit of the Navajo Nation)
Management's Discussion and Analysis
May 31, 2020

NTU's operating revenues increased by \$288,000 in 2020 when compared to 2019. The reason for this increase is due largely to an increase in tuition and fees. NTU's operating expenses decreased from \$30.6 million in 2019 to \$29.7 million in 2020. The change is mainly due to a decrease in academic support.

In 2020, nonoperating revenues are comprised of federal grant revenues of \$25.4 million, \$4.3 million of appropriations from the Navajo Nation, state and private grants and contracts of \$963,000 and other nonoperating revenues of \$44,000. These revenues decreased from the prior year due to NTU spending less grant monies, thus reducing the corresponding revenue.

During 2020, NTU also had a prior period restatement, as there were some errors in the prior balances of approximately \$1.1 million.

Capital Assets and Long-Term Liabilities

Capital Assets—As of May 31, 2020, NTU reported approximately \$42.8 million invested in capital assets, net of accumulated depreciation. During 2020, NTU purchased furniture and equipment as well as made some building improvements; however, the most significant addition was construction in progress at the Chinle NTU Instructional Building. More detailed information on capital assets is presented in the notes to the financial statements.

Long-Term Liabilities—NTU reports no long-term liabilities as of May 31, 2020 and 2019.

Economic Factors and Next Year's Activities

In 2020, we continued to make changes within our staff and programs to increase the capabilities and effectiveness of our organization. The pandemic brought on many challenges as NTU switched to remote learning. The pandemic only affected about 3 months of fiscal year 2020 but it will have a much bigger impact in fiscal year 2021.

NTU's operations in fiscal years 2020 and 2021 have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which has been declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on NTU's operations. NTU has received funding from the federal government to assist in responding to the COVID-19 pandemic. NTU's students and faculty have mostly been remote learning since March of 2020.

The majority of NTU's revenues are derived from grants, contracts and appropriations. Management expects these amounts to remain stable and increase with additional funding related to COVID-19.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Management's Discussion and Analysis
May 31, 2020

Beginning in 2020, we had to modify many of our operational processes due to the COVID-19 pandemic and we had to modify our budgets for 2021. We will continue to be optimistic throughout our business operations.

Contacting Financial Management

This financial report is designed to provide the Navajo people, the Navajo Nation Government, customers and creditors with a general overview of NTU's finances and to demonstrate NTU's accountability for the money it receives. If you have questions about this report or need additional financial information, contact NTU's Finance Director at 505-387-7432, or by mail at:

Navajo Technical University
Cheryl Thompson
Finance Director
P.O. Box 849
Crownpoint, New Mexico 87313

Financial Statements

Navajo Technical University
(A Component Unit of the Navajo Nation)
Statement of Net Position
May 31, 2020

Assets

Current assets	
Cash and cash equivalents	\$ 4,060,126
Accounts receivable, net	189,013
Grants receivable	4,961,530
Inventory	1,076,962
Prepaid expenses	<u>287</u>
Total current assets	10,287,918
Restricted cash	10,950,039
Capital assets, net	<u>42,761,383</u>
Total assets	<u>63,999,340</u>

Liabilities

Current liabilities	
Accounts payable	1,360,659
Accrued payroll and related	1,134,109
Other accrued liabilities	61,766
Unearned revenue	<u>7,129,850</u>
Total liabilities	<u>9,686,384</u>

Net Position

Net investment in capital assets	42,761,383
Restricted for capital contribution	2,897,605
Restricted for endowment	8,052,434
Unrestricted	<u>601,534</u>
Total net position	<u>\$ 54,312,956</u>

The accompanying notes are an integral part of these financial statements.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended May 31, 2020

Operating Revenues

Tuition and fees	\$ 3,210,267
Scholarship allowances	<u>(2,186,641)</u>
Net tuition and fees	1,023,626
Housing	667,245
Cafeteria	636,512
Bookstore	848,205
Auxiliary	303,747
Auxiliary allowance	(1,623,759)
Miscellaneous	<u>312,292</u>
Total operating revenues	<u>2,167,868</u>

Operating Expenses

Instructional	7,589,654
Student services	2,511,926
Academic support	1,586,398
Public services	831,031
Student assistance	671,332
Institutional	9,613,163
Auxiliary services	4,134,655
Depreciation	<u>2,713,870</u>
Total operating expenses	<u>29,652,029</u>
Operating loss	<u>(27,484,161)</u>

Nonoperating Revenues

Federal grants and contracts	25,375,242
Government appropriations	4,303,022
State and tribal grants and contracts	527,497
Private grants and contracts	435,173
Interest income	44,119
Other	<u>371</u>
Total nonoperating revenues	<u>30,685,424</u>
Change in net position	3,201,263
Net position, beginning of year, as restated (Note 10)	<u>51,111,693</u>
Net position , end of year	<u><u>\$ 54,312,956</u></u>

The accompanying notes are an integral part of these financial statements.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Statement of Cash Flows
For the Year Ended May 31, 2020

Cash flows from operating activities	
Cash received from students and other	\$ 1,864,988
Cash received from auxiliary and other	1,144,242
Cash payments to suppliers	(8,297,736)
Cash payments to employees	(14,233,504)
Cash payments for scholarships	(4,481,732)
Net cash used by operating activities	<u>(24,003,742)</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(12,877,337)</u>
Net cash used by capital and related financing activities	<u>(12,877,337)</u>
Cash flows from non-capital financing activities	
Cash received from grantors	<u>36,492,832</u>
Net cash provided by non-capital financing activities	<u>36,492,832</u>
Cash flows from investing activities	
Interest income	<u>44,119</u>
Net cash provided by investing activities	<u>44,119</u>
Net decrease in cash	(344,128)
Cash, beginning of year	<u>15,354,293</u>
Cash, end of year	<u><u>\$ 15,010,165</u></u>
Reconciliation to statement of net position	
Cash	\$ 4,060,126
Restricted cash	<u>10,950,039</u>
Total cash	<u><u>\$ 15,010,165</u></u>

The accompanying notes are an integral part of these financial statements.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Statement of Cash Flows - continued
For the Year Ended May 31, 2020

**Reconciliation of operating loss to net cash
used by operating activities**

Operating loss	<u>\$ (27,484,161)</u>
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	2,713,870
Changes in assets and liabilities	
Accounts receivable	841,362
Inventory	131,934
Prepaid expenses	(287)
Accounts payable	391,244
Accrued payroll and related	111,354
Other accrued liabilities	<u>(709,058)</u>
Total adjustments	<u>3,480,419</u>
Net cash used by operating activities	<u><u>\$ (24,003,742)</u></u>

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Financial Statements

Navajo Technical University
(A Component Unit of the Navajo Nation)
Statement of Fiduciary Net Assets
May 31, 2020

Assets

Cash and cash equivalents	\$ 56,376
Total assets	<u>\$ 56,376</u>

Liabilities

Current liabilities	
Due to student activity fund	\$ 56,376
Total liabilities	<u>\$ 56,376</u>

The accompanying notes are an integral part of these financial statements.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Notes to Financial Statements
May 31, 2020

1) Summary of Significant Accounting Policies

Organization and relationship with the Navajo Nation

Navajo Technical University (NTU), a chartered corporation of the Navajo Nation (the “Nation”), is a post-secondary educational institute providing educational opportunities to the Navajo people and others at various locations on the Nation. NTU’s main campus is located in Crownpoint, New Mexico and is governed by a six member Board of Regents, five of whom are appointed by the President of the Nation and confirmed by the Naabik’iyati’ Committee of the Navajo Nation Council. NTU is considered a component unit of the Nation and receives funding from the Nation.

Basis of Presentation

NTU follows the provisions of the Governmental Accounting Standards Board (GASB) Statement, No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis – for Public University and Universities*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of NTU’s assets, liabilities, and net assets, revenues, expenses, changes in net assets, and cash flows.

Basis of Accounting

For financial reporting purposes, NTU is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

Budgetary Data

NTU’s grant budgets are subject to annual review and negotiation by their various funding sources. Annual budgets are not required to be legally adopted. As such, no budgetary comparisons are presented as Required Supplementary Information.

Cash and Cash Equivalents

For purposes of the statement of cash flows, NTU considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Notes to Financial Statements
May 31, 2020

1) Summary of Significant Accounting Policies — continued

Accounts Receivable

Accounts receivable consists of amounts due from students for tuition, travel and salary advances to employees, and rents receivable. An allowance for doubtful accounts has been set up for \$3,317,343 for amounts that management has deemed may be uncollectible.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The capital assets of NTU have been recorded at their historical cost.

NTU capitalizes all expenditures for property and equipment that have an estimated useful life of one year or more and have a cost of \$5,000 or more per unit. Depreciation has been calculated using the straight-line method over the estimated useful life of the asset as noted below:

<u>Asset Category</u>	<u>Years</u>
Vehicles	5
Furniture and Equipment	7
Land Improvements	16-20
Building Improvements	20

Compensated Absences

NTU’s leave policy for all “full-time” employees under the policy section titles “Time Off” with regard to annual and sick leave hours as follows:

	<u>Faculty and 10-month staff</u>	<u>General staff</u>	<u>Professional staff</u>
Current year	92	62	40

There is no carryover to the next succeeding year of annual and sick leave for all employees, a use it or lose it policy is now in effect. Upon resignation or employment termination with NTU, the employee at the President’s discretion, will be compensated up to a maximum of 40 hours. As of May 31, 2020, the accrued compensated absences balance was \$0.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Notes to Financial Statements
May 31, 2020

1) Summary of Significant Accounting Policies — continued

Net Assets

Net assets are classified as follows:

- Net investment in capital assets represents NTU's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. NTU currently has no debt.
- Restricted net assets represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. NTU is legally or contractually obligated to spend these funds in accordance with the restrictions imposed by external third parties.
- Unrestricted net assets consist of those operating funds over which the Board of Regents retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, NTU's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Revenues

Revenues are classified as operating or nonoperating according to the following criteria:

- *Operating revenue* includes activities that are generated through NTU's normal business activities, such as (a) student tuition and fees, net of scholarship discounts and allowances; (b) sales and services; and (c) housing and cafeteria fees.
- *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as (a) appropriations and (b) contracts and grants. These revenue streams are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met.

Student tuition and fee revenue from students are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by NTU, and the amount that is paid by students and/or third parties making payments on students' behalf. To the extent that revenue from governmental grant programs is used to satisfy tuition and fees, other student charges, and auxiliary enterprises charges, NTU has recorded a scholarship allowance.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Notes to Financial Statements
May 31, 2020

1) Summary of Significant Accounting Policies — continued

Certain governmental grants, such as the Pell grant, and other tribal, federal, state, or nongovernmental programs are recorded as operating or nonoperating revenue in NTU's financial statements. Contract and grant revenues are recognized when all of the eligibility requirements have been met.

Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. For example, when resources are received by NTU before it has a legal claim to them, or prior to the incurrence of qualifying expenditures, revenue is unearned. In subsequent periods, when both revenue recognition criteria are met or when NTU has a legal claim to the resources, the liability for unearned revenues is removed and revenue is recognized.

Expenses

Expenses are classified as operating or nonoperating according the following criteria:

- *Operating expenses* include activities that have the characteristics of an exchange transaction, such as (a) employee salaries, benefits, and related expenses; (b) scholarships and fellowships, net of scholarship discounts and allowances; (c) utilities, supplies and other services; (d) professional fees; and (e) depreciation expenses related to NTU's capital assets.
- *Nonoperating expenses* include activities that have the characteristics of nonexchange transactions, such as interest on capital asset-related debt and other expenses that are defined as nonoperating expenses by GASB Statement No.9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Expenditures are subject to review by the funding agency and may result in disallowance in subsequent periods. Grants receivable represent funds due from grantors for program expenses in excess of reimbursements. All grants receivable are considered collectible by NTU. Unearned revenues represent amounts received in excess of expenses incurred, but which are to be expended in a future period.

Other Non-Exchange Transactions

NTU has adopted GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," which establishes accounting and financial reporting standards for nonexchange finance and capital transactions. The Navajo Nation appropriations received by NTU are classified as a voluntary non-exchange transaction as defined by GASB Statement No. 33 and, accordingly, NTU recognizes revenue from these transactions when eligibility requirements are met.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Notes to Financial Statements
May 31, 2020

1) **Summary of Significant Accounting Policies — continued**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

As an organization described in Internal Revenue Code Section 501(c)(3), NTU is exempt from federal income tax on its related income under Section 501(a). NTU had no material unrelated business income in the current fiscal year. Accordingly, no provision has been made for income taxes.

New Governmental Accounting Standards Board (GASB) Pronouncements

NTU has reviewed the accounting standards that have recently been issued, but not yet effective or implemented. Management has not determined how the implementation of these new standards will impact NTU.

Subsequent Events

NTU has evaluated subsequent events through August 30, 2021, the date which the financial statements were available to be issued. Management feels that other than what has been noted, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

2) **Cash and Cash Equivalents**

At May 31, 2020, cash and cash equivalents consist of cash on hand of \$151 and the remaining amount of \$15,010,014 is made up of deposits in financial institutions. NTU maintains three separate deposit accounts totaling \$10,950,039 that are restricted for an endowment and for capital purchases.

Custodial Credit Risk

In the case of deposits, the custodial credit risk is the risk that, in the event of a depository institution failure, NTU's deposits may not be recovered. NTU does not have formal deposit and investment policies that limit its exposure to custodial credit risk. At May 31, 2020, NTU's bank balances totaled \$15,877,553.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Notes to Financial Statements
May 31, 2020

2) Cash and Cash Equivalents – continued

Of this amount, \$250,000 is covered by Federal Deposit Insurance Coverage and the remaining amount of \$15,627,553 is uninsured and uncollateralized. NTU made the decision to offset the low risk of depository failure with a higher interest rate of return.

3) **Accounts Receivable**

Accounts receivable balances consist of the following at May 31, 2020:

Students	\$ 3,417,319
Employees	31,750
Other	57,287
Less: Allowance for uncollectible balance	<u>(3,317,343)</u>
	<u>\$ 189,013</u>

4) **Grants Receivable and Unearned Revenues**

Grants receivable represents funds due from grantors for program expenses in excess of reimbursements. Unearned revenue represents advances received on federal, state or other award programs in excess of expenditures. Grants receivable and unearned revenues as of May 31, 2020 are comprised of the following:

	Grants Receivable	Unearned Revenue
U.S. Department of Agriculture	\$ 167,623	\$ 475,924
National Aeronautics and Space Administration	310,966	-
U.S. Department of Energy	-	120,729
National Science Foundation	843,496	8,875
U.S. Department of Health and Human Services	36,540	-
U.S. Department of Transportation	20,724	-
U.S. Department of Education	1,790,152	1,568,854
U.S. Department of Commerce	16,311	-
U.S. Department of Defense	65,803	-
U.S. Department of the Interior	-	4,833,491
Other Funding Sources	<u>1,709,915</u>	<u>121,977</u>
Total	<u>\$ 4,961,530</u>	<u>\$ 7,129,850</u>

Navajo Technical University
(A Component Unit of the Navajo Nation)
Notes to Financial Statements
May 31, 2020

5) Capital Assets

Capital assets activity for the year was as follows:

	Beginning Balances	Additions	Transfers/ Adjustments	Ending Balances
<i>Capital assets not being depreciated</i>				
Land	\$ 19,020	\$ -	\$ -	\$ 19,020
Construction in progress (CIP)	<u>10,630,189</u>	<u>9,049,902</u>	<u>(1,821,943)</u>	<u>17,858,148</u>
Total capital assets not being depreciated	<u>10,649,209</u>	<u>9,049,902</u>	<u>(1,821,943)</u>	<u>17,877,168</u>
<i>Capital assets being depreciated</i>				
Building improvements	43,121,885	970,960	1,821,943	45,914,788
Land improvements	1,755,652	43,170	-	1,798,822
Vehicles	1,389,258	-	-	1,389,258
Furniture & equipment	5,808,387	2,603,460	-	8,411,847
Computer hardware & software	<u>3,848,810</u>	<u>209,845</u>	<u>-</u>	<u>4,058,655</u>
Total capital assets being depreciated	<u>55,923,992</u>	<u>3,827,435</u>	<u>1,821,943</u>	<u>61,573,370</u>
<i>Less: accumulated depreciation for</i>				
Building improvements	24,163,270	1,728,015	-	25,891,285
Land improvements	1,136,179	44,125	-	1,180,304
Vehicles	1,290,588	34,723	-	1,325,311
Furniture & equipment	4,294,673	599,552	-	4,894,225
Computer hardware & software	<u>3,090,575</u>	<u>307,455</u>	<u>-</u>	<u>3,398,030</u>
Total accumulated depreciation	<u>33,975,285</u>	<u>2,713,870</u>	<u>-</u>	<u>36,689,155</u>
Total capital assets being depreciated, net	<u>21,948,707</u>	<u>1,113,565</u>	<u>1,821,943</u>	<u>24,884,215</u>
Capital assets, net	<u>\$ 32,597,916</u>	<u>\$ 10,163,467</u>	<u>\$ -</u>	<u>\$ 42,761,383</u>

6) Commitments and Contingencies

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although NTU expects such amounts, if any, to be insignificant.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Notes to Financial Statements
May 31, 2020

7) Economic Dependence

NTU receives approximately 77% of its revenue from various federal programs, including the U.S. Department of Agriculture, the U.S. Department of Interior, the National Science Foundation, and the U.S. Department of Education. NTU does not expect in any way that the support from these governmental agencies will be lost in the near term. However, if funding were withdrawn or diminished, NTU's operations would be adversely impacted.

8) Retirement Plan

NTU adopted a defined contribution plan, the Navajo Technical University Profit Sharing Plan effective June 1, 1993 covering all employees with at least two years of service. The Plan was established by resolution of NTU and the Board of Regents has authority to amend it. The plan is administered in accordance with the Internal Revenue Service and NTU contributes up to 7% of all participant's compensation. Employees are 100% vested after 4 years of service at NTU, and they are able to direct their investment in the Plan. During the year ended May 31, 2020, employer and employee contributions totaled \$491,751 and \$263,788, respectively.

9) Risk Management

NTU is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NTU participates in the Navajo Nation Risk Management Program, which was established to manage, control, and minimize this risk. Under this program, the Risk Management pool provides coverage for up to a maximum of \$500,000 for each incident. NTU has effectively managed risk through various employee education and prevention programs. Risk management expenses for NTU are accounted for in operations. Any claims are processed through insurance agents and/or adjusters. Claims did not exceed insurance coverage limits in any of the three preceding fiscal years.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Notes to Financial Statements
May 31, 2020

10) Restatement of Previously Reported Amounts

During fiscal year 2020, NTU discovered that previously reported net position balances were misstated due to accounting and other errors in the prior year balances. As a result, previously reported 2019 net position balances have been restated from amounts previously reported as follows:

Beginning net position, as previously reported	\$ 50,024,722
Adjustment to reflect prior year errors	<u>1,086,971</u>
Beginning net position, as restated	<u><u>\$ 51,111,693</u></u>

11) COVID-19 Pandemic

NTU's operations in fiscal years 2020 and 2021 have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which has been declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on NTU's operations. NTU has received funding from the federal government to assist in responding to the COVID-19 pandemic. NTU's students and faculty have been mostly remote learning since March of 2020.

The extent to which the COVID-19 outbreak impacts NTU will depend on future developments, which are highly uncertain and cannot be predicted, including the duration, spread, severity, and impact of the COVID-19 outbreak, the effects of the outbreak on NTU's employees and students, and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume.

Single Audit Section

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Agriculture			
USDA APHIS TCU Internship Program	10.025	18-1001-0879-CA	\$ 8
USDA AMS TCU Internship Program	10.025	18-OAXXX-NM-0001	13,493
USDA APHIS ADODR TCU Internship Program	10.025	AP19LPA00000C001	93,104
USDA APHIS Vet Tech Program	10.025	AP20LPA00000C001	8,674
USDA APHIS ADODR VTS Internship Program	10.025	AP19LPA00000C008	30,902
APHIS Safeguarding Natural Heritage Youth Camp	10.025	AP19LPA00000C004	28,372
USDA APHISONTL VTP Agrmnt	10.025	AP19LPA00000C002	88,769
USDA Safeguarding Natural Heritage Youth Program	10.025	AP20LPA00000C005	9,500
USDA APHIS TCU Internship Program	10.025	AP20LPA00000C003	4,927
USDA APHIS Vet Tech Program	10.025	18-1001-0868-CA	874
APHIS Internship Program for TCU Students	10.025	17-1001-0879-CA	474
USDA Equity Grant	10.221	2010-38421-21295	161
USDA NTU Equity Project	10.221	2014-38421-22003	181,316
USDA NIFA Equity Project	10.221	2018-38421-28471	47,797
USDA Tribal College Endowment	10.222	2019-38423-06919	216,678
USDA/NIFA-NAU Subaward	10.227	2017-38424-27082	111,176
USDA NIFA	10.227	2019-38424-29293	7,999
USDA NIFA Nano Electrochem Sensor	10.227	A0182501X443G049	70,292
AIHEC-USDA Navajo Cultivators	10.443	A018501X443G049	11,293
NTU Extension Capacity Project	10.500	2014-47002-22210	31,381
Dine Youth Horse Safety Program	10.500	2014-47002-22177	3,460
USDA NIFA Extension Capacity	10.500	2018-47002-28650	36,564
USDA NIFA Horticulture Ext. Project	10.500	2019-47002-29975	29,782
USDA NRCS Soil Ed	10.902	5208100NTU	40,195
Total U.S. Department of Agriculture			<u>1,067,191</u>
U.S. Department of Commerce			
DoC EDA Meterology & Materials Testing Center (Economic Development Cluster)	11.307	EDAP-2017	16,311
Total U.S Department of Commerce			<u>16,311</u>
U.S. Department of Defense			
DoD ArmyRsrchLab Hmn Systm Intrfce	12.431	W911NF1820250	43,333
DIA UNM IC-CAE CTSP SA	12.598	HHM402-18-1-0005	27,112
Total U.S Department of Defense			<u>70,445</u>

The accompanying notes are an integral part of this Schedule.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Expenditures of Federal Awards – continued
For the Year Ended May 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of the Interior			
Bureau of Indian Affairs	15.058	A16AV00123/A16AV00632	29,397
BIA Direct	15.058	A19AV00632	407,606
BIA Indirect	15.058	A19AV00632	80,444
COVID-19 BIE CARES Act	15.058	A19AV00632	1,399,326
Total U.S Department of the Interior			<u>1,916,773</u>
U.S. Department of Transportation			
<i>Passed through the Louisiana University A&M College</i>			
DOT-LA Univ A&M College SubAwrđ	20.701	69A3551747106	26,888
<i>Passed through the San Jose State University Research Foundation</i>			
DOT-SJS Univ Rsrch Fnd SubAwrđ	20.701	69A3551747127	87,177
Total U.S Department of Transportation			<u>114,065</u>
National Aeronautics and Space Administration			
NASA MUREP Robotics Academy	43.008	80NSSC18M0142	98,593
NASA MUREP SIP Mars Explrtn	43.008	BOR020119	16,835
NASA MUREP SIPI Subaward	43.008	BOR020118	4,053
NASA Inst Capacity Additive Manufacturing Materials	43.008	NTU-42550-01	210,564
Total National Aeronautics and Space Administration			<u>330,045</u>
National Science Foundation			
NSF PREM VENTURES MRSEC STEM Project (R&D Cluster)	47.049	1828012	181,033
NSF Campus Cyberinfstrtre CC-NIE (R&D Cluster)	47.070	1827199	137,201
NSF CC Regional TCRN (R&D Cluster)	47.070	1925689	138,094
NSF Collaborative Research Training Next Gen of Navajo Language Scientists (R&D Cluster)	47.075	1563673	16,103
NSF STEM Careers Project (R&D Cluster)	47.076	1461546	790,851
NSF Comparative Analysis (R&D Cluster)	47.076	1539139	4,653
NSF Eng Tech Degree Creation & Equipment Support (R&D Cluster)	47.076	1563906	17,908
NSF TCUP Advncd Mnfctrng Ctr (R&D Cluster)	47.076	18340138	2,185,900
Total R&D Cluster			<u>3,471,743</u>
Total National Science Foundation			<u>3,471,743</u>
U.S. Department of Energy			
NNSA DOE Subaward UofA PACT	81.123	DE-NA0003946	14,170
<i>Passed through the American Indian Higher Education Consortium</i>			
AIHEC DOE Advance Manufacturing Network Initiative	81.123	DE-NA002970	364,369
Total U.S. Department of Energy			<u>378,539</u>

The accompanying notes are an integral part of this Schedule.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Expenditures of Federal Awards – continued
For the Year Ended May 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Education			
DNU Title III Project A	84.031D	P031T100417	1,000
Title III Project A	84.031D	P031D150018	3,033,476
Title III Project B	84.031T	P031T150018	3,719,561
Federal Workstudy	84.033	16119	74,611
Pell Grant	84.063	P063P194256	4,481,732
Tribally Controlled Postsecondary Voc. & Tech. (CP)	84.245A	V245A070005-13	1,524,347
Carl Perkins Direct Beg	84.245A	V245A070005-14	4,395,161
Carl Perkins Indirect	84.245A	V245A070005-15	381,874
COVID-19 DOE CARES Act Pell	84.425E	P425E201678	282,588
Total U.S. Department of Education			<u>17,894,350</u>
U.S. Department of Health and Human Services			
Native Tribal Connections: Youth Substance Abuse & Prevention (SAMHSA)	93.243	1H79SM063472-01	75,506
DHHS NAU Sub Disability Diversity Pipeline	93.632	90DDT10001	40,274
Total U.S Department of Health and Human Services			<u>115,780</u>
Total expenditures of federal awards			<u>\$ 25,375,242</u>

The accompanying notes are an integral part of this Schedule.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2020

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Navajo Technical University (NTU) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) formerly OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NTU has elected not to use the ten percent (10%) de minimis indirect cost rate allowed under the Uniform Guidance but does charge indirect costs when specifically allowed for by the grants.

3) Subrecipients

Of the expenditures presented in the schedule, NTU provided no awards to subrecipients.

4) Outstanding Loans

NTU has no federal loan balances at May 31, 2020.

5) Reconciliation to the Financial Statements

Expenditures reported in the schedule of expenditures of federal awards	\$ 25,375,242
Capitalized expenditures funded by federal awards	(8,263,541)
Depreciation expense reported in the financial statements	2,713,870
Expenditures funded by other sources	<u>9,826,458</u>
Total operating expenses	<u>\$ 29,652,029</u>

6) Federal Award Identification Numbers

The federal granting agency is responsible for providing NTU with the Catalog of Federal Domestic Assistance (CFDA) numbers for each grant or contract. In cases where the federal granting agency did not provide the CFDA number to NTU, other available identifying numbers are presented on the schedule of expenditures of federal awards.



Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Members of the Board of Regents
Navajo Technical University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Navajo Technical University (NTU), a component unit of the Navajo Nation (the "Nation"), as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise NTU's basic financial statements and have issued our report thereon dated August 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NTU's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NTU's internal control. Accordingly, we do not express an opinion on the effectiveness of NTU's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of NTU's financial statements would not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 through 2020-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NTU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

NTU's Responses to Findings

NTU's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. NTU's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NTU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NTU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SJT Group LLC

Albuquerque, New Mexico
August 30, 2021



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Members of the Board of Regents
Navajo Technical University

Report on Compliance for Each Major Federal Program

We have audited the Navajo Technical University's (NTU) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NTU's major federal programs for the year ended May 31, 2020. NTU's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NTU's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NTU's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NTU's compliance.

Opinion on Each Major Federal Program

In our opinion, NTU complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2020.

 4811 Hardware Dr. NE, Suite E-4, Albuquerque, NM 87109

 (505) 312-8702  info@sjtgroupcpa.com  www.sjtgroupcpa.com

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-005 through 2020-009. Our opinion on each major federal program is not modified with respect to these matters.

NTU's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. NTU's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of NTU is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NTU's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NTU's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-005 and 2020-006 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-007 through 2020-009 to be significant deficiencies.

NTU's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. NTU's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SJT Group LLC

Albuquerque, New Mexico
August 30, 2021

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs
For the Year Ended May 31, 2020

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies reported? reported	None
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over the major program:	
Material weaknesses identified?	Yes
Significant deficiencies reported?	Yes
Type of auditor’s report issued on compliance for each major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs – continued
For the Year Ended May 31, 2020

Section I — Summary of Auditor’s Results — continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
47.049/47.070/47.075/47.076	National Science Foundation Research and Development Cluster
84.031	Higher Education Institutional Aid
84.245	Tribally Controlled Postsecondary Career and Technical Institutions
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:	\$761,257
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Auditee qualified as low-risk auditee?	No
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Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section II — Financial Statement Findings

2020-001 — Account Reconciliation and Analysis

Criteria: Maintenance of complete and accurate accounting records and preparation of annual financial statements and footnotes, required supplementary information, and supplementary information in accordance with generally accepted accounting principles (GAAP) ensures that timely, accurate and useful information is available to management, those charged with governance and other interested parties. Internal controls must be in place to safeguard assets and ensure accurate financial accounting and reporting. Fundamental to a good system of internal controls is thorough review processes, accurate record keeping of accounting transactions, and preparation of the annual financial statements.

Condition: Internal controls have not been implemented to ensure all general ledger balances are properly supported by account reconciliations that have been reviewed and approved by management on a timely basis. Significant adjusting journal entries were required to correct balances after the books were closed at year-end. Adjustments were needed to properly record the following: cash, student receivables, accounts payable, scholarships payable, accrued payroll liabilities, interfunds, capital assets and net position.

Cause and Effect: An adequate review of significant transactions to ensure proper accounting treatment was not performed for the accounts listed above, resulting in significant audit adjustments needed to correct the accounting records.

The accounting records and financial statements were not kept in accordance with GAAP and significant additional effort was required in order to prepare the audited financial statements.

Auditors' Recommendations: Implement effective internal control that ensures all significant matters impacting the accounting records and financial statements are evaluated for proper accounting treatment in a timely manner.

Management's Response: NTU has developed a monthly and year-end closeout procedure in fiscal year 2021 that is currently being managed and implemented by the Accounting Manager and all staff. The Finance Director and Accounting Manager will provide an overview of procedures and training to all accounting employees to ensure close-out procedures are being followed to ensure the timeliness and accuracy of accounting entry postings. Review of all general ledger accounts will be completed on a monthly basis. This was implemented on June 1, 2021. Fiscal policies are currently under review by management.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section II — Financial Statement Findings – continued

2020-002 — Student Receivables

Criteria: NTU is not collecting all amounts due from students. NTU had \$3.4 million in balances due from students as of May 31, 2020. Of this total, \$3.3 million is older than 150 days and has been deemed uncollectable by management. As a result, NTU has incurred significant losses and bad debt for these balances.

Condition: Internal controls have not been implemented to ensure amounts due from students are collected and/or collected in a timely manner.

Cause and Effect: NTU does not have effective internal controls including detailed policies and procedures to ensure student accounts receivable are collected timely. This has resulted in \$3.3 million of outstanding balances that have been deemed to be uncollectable at year-end.

Auditors' Recommendations: Develop and implement extensive internal controls including policies and procedures surrounding student accounts receivable. These procedures should outline the collection and follow-up efforts to be undertaken on outstanding balances.

Management's Response: NTU will develop an accounts receivable policy on its collection process. The policy will incorporate write-offs and collection procedures that the business office will follow. Monthly statements will be generated and mailed to students within the accounts receivable subsidiary. NTU will consider hiring a 3rd party collection agency for collection on very old aged accounts. This will be implemented by January 2022 by the Finance Director, Accounting Manager and Student Accounts Technician.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section II — Financial Statement Findings – continued

2020-003 — Student Charges and Fees

Criteria: NTU did not accurately assess student fees and charges to various student accounts. We found NTU did not always charge students for applicable technology, library, and program fees. Total undercharges identified totaled approximately \$79,500 for the year ended May 31, 2020.

Condition: Internal controls have not been implemented to ensure various fees and charges are accurately assessed to student accounts.

Cause and Effect: NTU does not have effective internal controls including detailed policies and procedures to ensure applicable fees are accurately charged to students. This has resulted in lost revenue for NTU.

Auditors' Recommendations: Develop and implement internal controls including policies and procedures surrounding student billings. These procedures should outline the processes for reviewing and verifying the accuracy of fees charged to students.

Management's Response: NTU will develop an internal procedure and process to ensure controls exist between the charge master tables and that revenue is recorded accurately and in accordance with the approved NTU University Catalog. The Accounting Manager will generate and review all charges on a semester basis and agree to the general ledger. This will be implemented by September 1, 2021.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section II — Financial Statement Findings – continued

2020-004 — Bookstore Inventory

Criteria: NTU’s bookstore has experienced negative gross profit margins on books, supplies and merchandise inventory. Losses on the sale of inventory totaled \$346,600 and \$797,000 for the years ending May 31, 2020, and 2019, respectively. Additionally, we found NTU did not conduct an annual physical count of the inventory on hand at year-end.

Condition: Internal controls have not been implemented to ensure bookstore sales and product inventory are being effectively tracked and managed.

Cause and Effect: NTU does not have effective internal controls to ensure bookstore sales and product inventory are adequately monitored and accounted for. As a result, NTU has incurred significant losses related to bookstore sales and inventory.

Auditors’ Recommendations: Develop and implement internal controls including detailed policies and procedures surrounding bookstore operations. These procedures should at a minimum include the following:

- The use and implementation of a point-of-sale system;
- Inventory count procedures;
- Inventory security;
- Procedures for tracking and disposing of obsolete inventory;
- Procedures for marking up the retail price of inventory; and,
- Benchmarks and metrics used to monitor bookstore sales and inventory.

Management’s Response: NTU will develop policies and procedures surrounding bookstore inventory, acquire a point-of-sale system, and develop a benchmark for bookstore sales. An inventory will be conducted on a quarterly basis and incorporate a methodology of recording the resale of items in the general ledger. This will be implemented on November 1, 2021 by the Bookstore Manager, Accounting Manager and Purchasing Coordinator.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section III — Federal Award Findings and Questioned Costs

2020-05 — Allowable Activities and Allowable Costs

Federal program information:

Funding agency:	National Science Foundation, U.S. Department of Education
Title:	Research and Development Cluster; and Tribally Controlled Postsecondary Career and Technical Institutions
CFDA number:	47.049, 47.070, 47.075, 47.076 and 84.245
Award period:	June 1, 2019 – May 31, 2020

Criteria: To be allowable under Federal awards, costs must be necessary and reasonable for the performance and administration of the federal award. Costs must meet the following criteria: 1) necessary and reasonable; 2) consistent with policies and procedures; 3) accorded consistent treatment; and 4) are adequately documented.

Condition: We found the following in our review of expenditures:

Research and Development Cluster –

- Two instances where participants were reimbursed at the incorrect mileage rate per NTU’s policies and procedures.
- One payroll transaction, totaling \$1,000, that was charged to the incorrect research and development program.
- One instance where an employee was paid the incorrect pay rate.

Tribally Controlled and Postsecondary Career and Technical Institutions –

- One instance where an employee was paid the incorrect pay rate.

Questioned Costs: None greater than \$25,000.

Context: Five of twenty-five transactions tested for the Research and Development Cluster. One of twenty-five transactions tested for Tribally Controlled Postsecondary Career and Technical Institutions.

Cause and Effect: Internal controls were not in place to ensure payroll transactions were accurately recorded with regard to rates paid to employees and the amounts charged to grants. Additionally, internal controls were not in place to ensure participants were reimbursed for travel in accordance with NTU policies and procedures. NTU did not comply with its policies and procedures and OMB Uniform Guidance cost principles.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section III — Federal Award Findings and Questioned Costs – continued

2020-005 — Allowable Activities and Allowable Costs – continued

Auditors' Recommendation: Established policies and procedures should be enforced to ensure compliance with federal requirements and NTU's policies and procedures.

Management's Response: NTU will develop a written procedure for the human resources department and payroll office to ensure all payroll related transactions are recorded accurately. The Human Resources Director will be responsible for ensuring the accuracy of rates paid to employees and a report will be generated on a quarterly basis for review and to ensure controls are in order.

This will be handled by the Vice President of Operations, Finance Director and Human Resources Director and will be implemented by October 1, 2021.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section III — Federal Award Findings and Questioned Costs – continued

2020-006 — Cash Management

Federal program information:

Funding agency:	All major programs
Title:	All major programs
CFDA number:	All major programs
Award period:	June 1, 2019 – May 31, 2020

Criteria: Advanced grant/contract funds may not be transferred to other NTU accounts, lent to such NTU accounts, or expended for programs not authorized. There should be sufficient unrestricted cash and investment balances on hand to cover all unearned grant revenue associated with federal and nonfederal programs. Additionally, advanced funds should be deposited and maintained in insured or collateralized accounts. Alternatively, they should be invested in accounts backed by the federal government.

Condition: There is not sufficient cash and cash equivalent balances to cover all unearned grant revenue balances associated with federal and nonfederal funds received from funding agencies. NTU's unearned grant revenue balance exceeded the amount of available cash by \$3,069,724. Additionally, NTU did not maintain adequate insurance or collateral on bank balances.

Questioned Costs: None.

Context: As of May 31, 2020, the unearned grant revenue balance associated with federal and nonfederal funds was \$7,129,850. NTU had \$4,060,126 of unrestricted cash available at year-end. Additionally, NTU did not maintain adequate insurance or collateral on bank balances involving unspent advanced payments under federal awards. \$4,677,514 of NTU's unrestricted bank balances were uninsured and uncollateralized.

Cause and Effect: In current and prior years, NTU has expended advanced program funds to cover deficits in other programs. In addition, timely collections and drawdowns have not been performed for NTU's receivable balances to improve the cash situation. As a result, NTU did not comply with Uniform Guidance cash management requirements.

Auditors' Recommendation: Develop policies and procedures for cash management requirements related to advanced federal and nonfederal monies. Additional unrestricted monies should be generated to cover the current shortfall. In addition, ensure reimbursement grants are drawn down timely and other receivables are collected timely. Lastly, ensure NTU's cash balances are either insured, collateralized or invested in securities backed by the federal government.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section III — Federal Award Findings and Questioned Costs – continued

2020-006 — Cash Management – continued

Management's Response: NTU will work with Bank of America to insure its cash accounts in order to meet the requirements set forth by 2 CFR 200.305 entitled "Federal Payment". The Finance Director and Vice President of Operations will implement this by October 31, 2021.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section III — Federal Award Findings and Questioned Costs – continued

2020-007 — Equipment and Real Property Management

Federal program information:

Funding agency:	National Science Foundation
Title:	Research and Development Cluster
CFDA number:	47.049, 47.070, 47.075, 47.076
Award period:	June 1, 2019 – May 31, 2020

Criteria: Equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000 (2 CFR section 200.33). Property records must be maintained that include a description of the property, a serial or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR section 200.313(d)(1)).

Condition: During our testwork over Research and Development expenditures we found a transaction totaling \$11,480 for the purchase of a software module required for a CT scanner. This software purchase should have been added to NTU's property and equipment listing.

Questioned Costs: None.

Context: One of twenty-five transactions tested for the Research and Development Cluster.

Cause and Effect: Internal controls were not in place to ensure NTU's equipment policies and procedures were followed. NTU did not comply with its policies and procedures and OMB Uniform Guidance concerning equipment and real property management.

Auditors' Recommendation: Established policies and procedures should be enforced to ensure compliance with federal requirements and NTU's policies and procedures.

Management's Response: NTU will develop policies and procedures for its property, plant and equipment. Annual inventory counts will be performed and compared to the asset class listing per assignments in the general ledger and fixed asset module. The fixed asset module will be used to track all NTU assets. Each asset will be tagged and recorded by acquisition date and cost. Assets will be segregated by grant-funded assets and general fund assets. This will be implemented by March 31, 2022 by Harshwal & Company, LLC, the Accounting Manager and Property Technician.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section III — Federal Award Findings and Questioned Costs – continued

2020-008 — Cash Management

Federal program information:

Funding agency:	U.S. Department of Education
Title:	Tribally Controlled Postsecondary Career and Technical Institutions
CFDA number:	84.245
Award period:	June 1, 2019 – May 31, 2020

Criteria: Internal controls must be in place demonstrate that the time between the transfer of funds from the federal entity to the non-federal entity and disbursement by the non-federal entity has been adequately minimized.

Condition: During our testwork over cash drawdowns performed for the Tribally Controlled Postsecondary Career and Technical Institutions funded programs, we found four drawdowns that did not have underlying documentation to support the calculation for the amount of the drawdown requested.

Questioned Costs: None.

Context: Four of fourteen drawdowns tested for Tribally Controlled Postsecondary Career and Technical Institutions.

Cause and Effect: Formal policies and procedures were not in place to ensure appropriate cash management requirements are met. NTU did not comply with OMB Uniform Guidance regarding cash management.

Auditors' Recommendation: Establish formal cash management policies and procedures to ensure compliance with federal cash management requirements.

Management's Response: A procedure for draws will be developed and implemented by NTU. All documentation will be mandatory for each grant expenditure to support all draws. An evaluation of the entire grant process will be conducted to ensure the accuracy of each draw made by the financial services department to also ensure the matching principle is applied. This will be implemented fully by November 15, 2021 and will be assigned to Harshwal and Company, LLC, the Accounting Manager and the Grants Accountant.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Schedule of Findings and Questioned Costs — continued
For the Year Ended May 31, 2020

Section III — Federal Award Findings and Questioned Costs – continued

2020-009 — Reporting

Federal program information:

Funding agency:	U.S. Department of Education
Title:	Higher Education Institutional Aid
CFDA number:	84.031
Award period:	June 1, 2019 – May 31, 2020

Criteria: Internal controls must be in place to ensure performance reporting requirements for federal award programs are met.

Condition: During our assessment of the reports completed for the Higher Education Institutional Aid program, we found two annual performance reports were submitted sixty-six days late.

Questioned Costs: None.

Context: Two of two annual performance reports tested for Higher Education Institutional Aid.

Cause and Effect: Formal procedures were not in place to ensure federal performance reporting requirements were met. NTU did not comply with OMB Uniform Guidance related to reporting.

Auditors' Recommendation: Establish formal reporting procedures to ensure compliance with federal reporting requirements.

Management's Response: A procedure for grants reporting will be developed by NTU. All funding sources will be identified and timelines will be identified by the grantor to ensure all financial and administrative reports are submitted timely. Implementation will include communication of report due dates.

This will be implemented by September 30, 2021 and will be assigned to Harshwal and Company, LLC, the Accounting Manager and the Grants Accountant.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Summary Schedule of Prior Audit Findings
For the Year Ended May 31, 2020

2019-001 — Monthly and Year-End Closeout Procedures

Condition: This year's closeout process was marked by delays, uncertainties, and difficulties caused by inefficient closeout procedures, the absence of practical guidance typically provided by third-party consultation, difficulties in cost allocation, accrual preparations, final fund activity analysis and final trial balance preparation to be used for audit procedures.

Current Status: Unresolved – See current year finding at 2020-001.

2019-002 — Financial Management/General Ledger Control

Condition: NTU has experienced difficulties with common financial management tasks related to the maintenance of the general ledger such as properly recording audit adjustments, rolling forward fund balance accounts, reconciling and managing the aging of accounts payable and accounts receivable and properly setting up and classifying new funds.

Current Status: Unresolved – See current year finding at 2020-001.

2019-003 — Succession Planning

Condition: We noted during our audit risk assessment process that NTU had not made plans or arrangements for the subsequent replacement of the Director of Finance or a contingency plan during the search and subsequent hiring period when there was no Director of Finance or lead accountant. We also noted that there was no training of existing personnel to perform the Director of Finance job responsibilities.

Current Status: Resolved – corrective action taken.

2019-004 — Schedule of Expenditures of Federal Awards

Condition: NTU is responsible for preparing the Schedule of Expenditures of Federal Awards (SEFA). During testwork, significant adjustments to the SEFA were needed to correctly report the federal awards expended. Expenditures originally reported on the SEFA did not agree to the underlying accounting records. Additionally, because of correcting journal entries, additional corrections were needed to report the federal expenditures accurately.

Current Status: Unresolved – See current year finding at 2020-001.

Navajo Technical University
(A Component Unit of the Navajo Nation)
Summary Schedule of Prior Audit Findings – continued
For the Year Ended May 31, 2020

2019-005 — Financial Statement Preparation

Condition: This year’s closeout process was marked by delays and difficulties caused by inefficient closeout procedures, affecting financial statement preparation in accordance with GASB Statement No. 34.

Current Status: Unresolved – See current year finding at 2020-001.

2019-006 — Cash Management

Condition: Of the three drawdowns selected for testing, NTU was unable to provide supporting documentation (i.e. request for reimbursement worksheet, expenditure detail, drawdown approval form, etc.) to verify that management had reviewed expenditure detail to confirm amount and authorize the request prior to the drawdown.

Current Status: Unresolved – See current year finding at 2020-008.

2019-007 — Equipment and Real Property Management

Condition: NTU was unable to provide a comprehensive list of equipment by fund which was reconciled to a physical inventory taken in the past two years. Therefore, we were unable to confirm equipment purchased for the NSF program and whether a complete physical inventory was taken. Furthermore, we were unable to determine federal equipment charged to the National Science Foundation program in prior years for the purpose of testing safeguarding and maintenance.

Current Status: Partially resolved – See modified finding at 2020-007.

2019-008 — Procurement, Suspension and Debarment

Condition: Of the four purchase orders greater than \$5,000 (dollar threshold for implementing procurement procedures) selected for testwork, one did not include evidence of a full and open competition, public advertisement or cost vs. price analysis. Furthermore, NTU was unable to provide supporting documentation for the use of a “sole source”, noncompetitive proposal.

Current Status: Resolved – corrective action taken.



Navajo Technical University
(A Component Unit of the Navajo Nation)
Corrective Action Plan
For the Year Ended May 31, 2020

2020-001 — Account Reconciliation and Analysis

Corrective Action: NTU has developed a monthly and year-end closeout procedure in fiscal year 2021 that is currently being managed and implemented by the Accounting Manager and all staff. The Finance Director and Accounting Manager will provide overview of procedures and training to all accounting employees to ensure close-out procedures are being followed to ensure the timeliness and accuracy of accounting entry postings. Review of all general ledger accounts will be completed on a monthly basis. This was implemented on June 1, 2021. Fiscal policies are currently under review by management.

Person Responsible: Geraldine Gamble (Accounting Manager) and Twilia Chavez (Senior Accountant)

Estimated Completion Date: June 1, 2021

2020-002 — Student Receivables

Corrective Action: NTU will develop an accounts receivable policy on its collection process. The policy will incorporate write-offs and collection procedures that the business office will follow. Monthly statements will be generated and mailed to students within the accounts receivable subsidiary. NTU will consider hiring a 3rd party collection agency for collection on very old aged accounts.

Person Responsible: Geraldine Gamble (Accounting Manager) and Cheryl Thompson (Finance Director)

Estimated Completion Date: January 2022

2020-003 — Student Charges and Fees

Corrective Action: NTU will develop an internal procedure and process to ensure controls exist between the charge master tables and that revenue is recorded accurately and in accordance with the approved NTU University Catalog. The Accounting Manager will generate and review all charges on a semester basis and agree to the general ledger.

Person Responsible: Geraldine Gamble (Accounting Manager)

Estimated Completion Date: September 1, 2021



Navajo Technical University
(A Component Unit of the Navajo Nation)
Corrective Action Plan – continued
For the Year Ended May 31, 2020

2020-004 — Bookstore Inventory

Corrective Action: NTU will develop policies and procedures surrounding bookstore inventory, acquire a point-of-sale system, and develop a benchmark for bookstore sales. Inventory will be conducted on a quarterly basis and incorporate a methodology of recording the resale of items in the general ledger.

Person Responsible: Jackie Francisco (Bookstore Manager) and Jerlynn Henry (Dean of Student Services)

Estimated Completion Date: November 1, 2021

2020-05 — Allowable Activities and Allowable Costs

Corrective Action: NTU will develop a written procedure for the human resources department and payroll office to ensure all payroll related transactions are recorded accurately. The Human Resources Director will be responsible for ensuring the accuracy of rates paid to employees and a report will be generated on a quarterly basis for review and to ensure controls are in order.

Person Responsible: Wanda Cooke (Human Resources Director) and Beverly Miller (Payroll Technician)

Estimated Completion Date: October 1, 2021

2020-006 — Cash Management

Corrective Action: NTU will work with Bank of America to insure its cash accounts in order to meet the requirements set forth by 2 CFR 200.305 entitled “Federal Payment”.

Person Responsible: Cheryl Thompson (Finance Director) and Jason Arviso (Vice President of Operations)

Estimated Completion Date: October 31, 2021



Navajo Technical University
(A Component Unit of the Navajo Nation)
Corrective Action Plan – continued
For the Year Ended May 31, 2020

2020-007 — Equipment and Real Property Management

Corrective Action: NTU will develop policies and procedures for its property, plant and equipment. Annual inventory counts will be performed and compared to the asset class listing per assignments in the general ledger and fixed asset module. The fixed asset module will be used to track all NTU assets. Each asset will be tagged and recorded by acquisition date and cost.

Person Responsible: Harshwal & Company, LLC (Outsourced CPA) and Cheryl Thompson (Finance Director)

Estimated Completion Date: March 31, 2022

2020-008 — Cash Management

Corrective Action: A procedure for draws will be developed and implemented by NTU. All documentation will be mandatory for each grant expenditure to support all draws. An evaluation of the entire grant process will be conducted to ensure the accuracy of each draw made by the financial services department to also ensure the matching principle is applied.

Person Responsible: Harshwal & Company, LLC (Outsourced CPA) and Geraldine Gamble (Accounting Manager)

Estimated Completion Date: November 15, 2021

2020-009 — Reporting

Corrective Action: A procedure for grants reporting will be developed by NTU. All funding sources will be identified and timelines will be identified by the grantor to ensure all financial and administrative reports are submitted timely. Implementation will include communication of report due dates.

Person Responsible: Harshwal & Company, LLC (Outsourced CPA) and Geraldine Gamble (Accounting Manager)

Estimated Completion Date: September 30, 2021