



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Report on Internal Control and Compliance

# Northern Arizona University

Year Ended June 30, 2008

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**Debra K. Davenport**  
Auditor General

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Northern Arizona University  
Report on Internal Control and Compliance  
Year Ended June 30, 2008

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**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**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 Arizona State Legislature

The Arizona Board of Regents

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of Northern Arizona University as of and for the year ended June 30, 2008, and have issued our report thereon dated November 20, 2008. Our report was modified to include a reference to our reliance on other auditors and as to consistency because of the implementation of Governmental Accounting Standards Board Statement Nos. 45, 48, and 50. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units, the Northern Arizona University Foundation, Inc. and the Northern Arizona Capital Facilities Finance Corporation, as described in our report on the University's financial statements. The financial statements of the aggregate discretely presented component units were not audited by the other auditors in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control. We consider item 08-01 described in the accompanying Schedule of Findings and Recommendations to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University'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*.

The University's response to the finding identified in our audit has been included herein. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Arizona Board of Regents, the University, and management and not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Debbie Davenport  
Auditor General

November 20, 2008

Northern Arizona University  
Schedule of Findings and Recommendations  
Year Ended June 30, 2008

**Northern Arizona University Finding**

08-01

Northern Arizona University

**The University should improve controls over its computer systems**

The University processes and stores sensitive student, financial, and personnel data on its computer systems. Therefore, the University should ensure that its Advantage accounting system functions as designed by properly authorizing, testing, reviewing, and approving modifications to the application software before implementation. Further, it is essential that physical access to the University's central computing Data Center be properly authorized. The University used a Service Order System (SOS) to track application software changes to the Advantage accounting system; however, not all changes were made through the SOS since changes could be made by multiple users without an SOS request. Further, there was no log or generated report to document all application software changes requested and made. Consequently, the University was unable to ensure that all application software changes were authorized, tested, reviewed, and approved. Additionally, the University was unable to support the listing of employees given access to its central computing Data Center. This finding is considered a material internal control weakness.

To help ensure that the Advantage accounting system reports complete and accurate information and that physical access over the Data Center is granted only to appropriate personnel, the University should establish, implement, and enforce formal written policies and procedures to ensure that management and users:

- Authorize, test, review, and approve all application software changes prior to implementation. In the event of an emergency, ensure the nature of the emergency and that any changes made are subsequently documented, reviewed, and approved.
- Monitor all application software change requests with a log or report tracking system to ensure that all requests have been authorized, assigned resources, tested, reviewed, and approved.
- Maintain documentation to support that application software changes were authorized, tested, reviewed, and approved.
- Maintain support for the listing of those employees who have authorized access to the University's central computing Data Center and periodically review that listing to help ensure access is restricted to only essential personnel.



# NORTHERN ARIZONA UNIVERSITY

## COMPTROLLER'S OFFICE

January 5, 2009

Debra K. Davenport, CPA  
Auditor General  
2910 N. 44th Street, Suite 410  
Phoenix, AZ 85018

Re: Schedule of findings and recommendations for the Year Ended June 30,  
2008

Dear Ms. Davenport,

Please find attached Northern Arizona University's response to your findings and related recommendations as described in the fiscal year ended June 30, 2008 Schedule of Findings and Recommendations.

Sincerely,

Robert Norton  
Associate Vice President



# NORTHERN ARIZONA UNIVERSITY

## COMPTROLLER'S OFFICE

Northern Arizona University  
Corrective Action Plan  
Year Ended June 30, 2008

Finding 08-01 - The University should improve controls over its computer systems

Contact Person: Robert Norton, Associate Vice President of Administration and Finance / Comptroller

Anticipated Completion Date: June 30, 2009

Corrective Action Plan – The Financial Systems Change Management Committee (FIN CMC), which oversees modifications to the Advantage system, prioritizes and approves all planned production changes. Approval for such changes is subject to proper testing by the Advantage functional user group.

Although procedures for tracking the migration of production changes have been developed using the ITS SOS system, we agree that additional controls are needed to help prevent the circumvention of these procedures. In addition, approval documentation within the SOS system can be improved to better identify planned production changes versus emergency production changes.

Within ITS, efforts are already under way improve segregation of duties and logging of production change activity. These changes will be completed no later than 6/30/2009. In addition, effective immediately, the Comptroller's Office will begin referencing FIN CMC approval actions within the SOS system for all planned production changes. Furthermore, the Comptroller's office will periodically report back to the FIN CMC on the nature of all emergency production changes.

ITS will upgrade its door access control system no later than 6/30/09. This upgrade will establish the needed control procedures that limit and monitor physical access to the central computer Data Center.

As a part of the upgrade a recertification of all physical access granted to personnel will be conducted and procedures will be put in place for maintaining support for all physical access granted.