

NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED NOVEMBER 25, 2015

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Nicholls State University

November 2015

Audit Control # 80150139

Introduction

As a part of our audit of the University of Louisiana System's (System) financial statements for the year ended June 30, 2015, we performed procedures at Nicholls State University (Nicholls) to provide assurances on financial information that is significant to the System's financial statements and to evaluate the effectiveness of Nicholls's internal controls over financial reporting.

Nicholls is a part of the System and reported an enrollment of 6,314 students for the fall 2014 semester. Nicholls is a student-centered regional institution dedicated to the education of a diverse student body in a culturally-rich and engaging learning environment through quality teaching, research, and service. Nicholls supports the educational, cultural, and economic needs of its service region and cultivates productive, responsible, and engaged citizens.

Results of Our Procedures

Current-year Finding

Information Technology Control Weaknesses

Nicholls lacked adequate Information Technology (IT) controls over the Banner system, exposing data to unauthorized access, changes, or loss. Banner processes over \$79 million in revenues and expenses annually and contains confidential data. Inadequate policies and procedures led to the following weaknesses:

- Twenty university employees, including three IT personnel, had excessive access to make changes that might not be detected timely through review.
- IT system changes lacked appropriate documentation, restriction, and oversight.
- The disaster recovery plan did not include minimum resource requirements, recovery priorities, or timeframes to restore critical functions.

We evaluated IT controls using the Information Systems Audit and Control Association's *Control Objectives for Information and Related Technology* framework. We also privately

communicated other sensitive security matters but found no unauthorized data changes or disclosure.

Management should restrict access to business need only, implement and enforce change documentation and monitoring procedures, revise its disaster recovery plan to include required components based on an impact analysis, and address other security matters identified during the audit. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2015, we considered Nicholls's internal controls over financial reporting and examined evidence supporting certain account balances and classes of transactions as follows:

Statement of Net Position

Assets - Cash and cash equivalents, investments, due from State Treasury, and capital assets

Liabilities - Bonds payable and unearned revenues resulting from tuition and fees

Net Position - Net investment in capital assets, restricted-expendable, restricted-nonexpendable, and unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student tuition and fees, auxiliary enterprise, and state appropriations

Expenses - Education and general

Based on the results of these procedures on the financial statements, the account balances and classes of transactions tested, as adjusted, are materially correct. In addition, we reported a finding related to Information Technology Control Weaknesses.

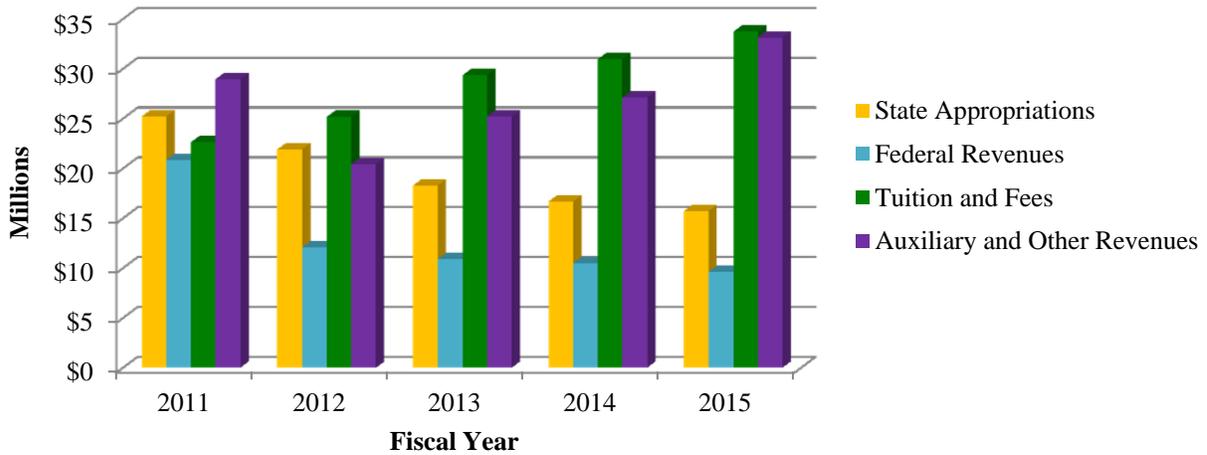
Trend Analysis

We compared the most current and prior-year financial activity using Nicholls's annual fiscal reports and/or system-generated reports and obtained explanations from Nicholls's management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the last five fiscal years, as shown in Exhibits 1 and 2.

In analyzing financial trends of Nicholls over the past five fiscal years, expenses have remained relatively consistent. Since fiscal year 2011, state appropriations have decreased 38% and federal revenues have decreased 54%. As these revenues continue to become a smaller portion of total revenues, the university's operations are becoming more dependent on student tuition and fees, and auxiliary and other revenues. Over that same period, tuition and fees have increased by 49% mainly due to the increases in tuition permitted by the GRAD Act (Act 741 of

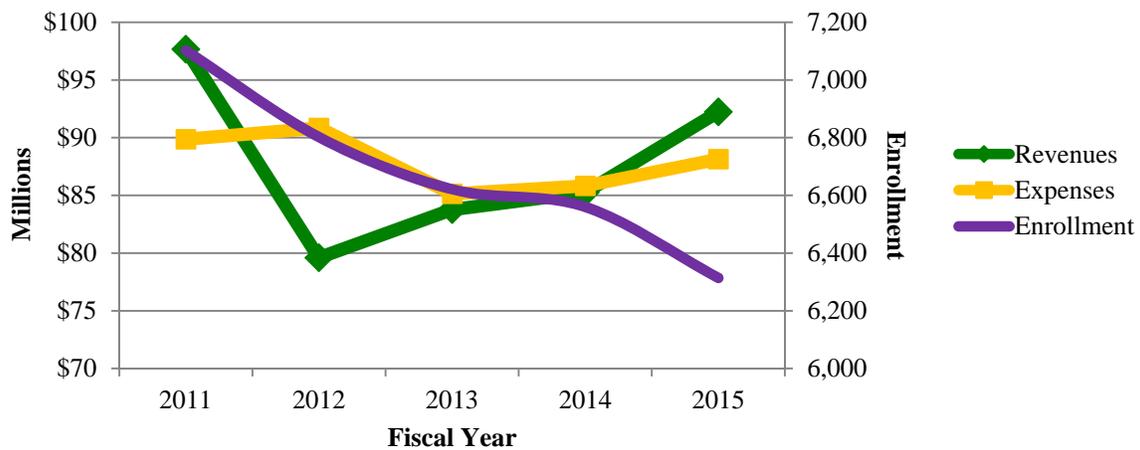
the 2010 Regular Session of the Louisiana Legislature). Auxiliary and other revenues have increased by 15%. In addition, the increases in tuition rates are offset by an 11% decline in enrollment.

**Exhibit 1
Five-Year Revenue Trend**



Source: Fiscal Year 2011-2014 System Audit Reports; Fiscal Year 2015 Nicholls Annual Fiscal Report

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Year 2011-2014 System Audit Reports; Fiscal Year 2015 Nicholls Annual Fiscal Report; Louisiana Board of Regents Statewide Student Profile System - Institutional Summary Reports

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of Nicholls. The nature of the recommendations, their implementation costs, and their potential impact on the operations of Nicholls should be considered in reaching decisions on courses of action. The finding relating to Nicholls’s information technology control weaknesses should be addressed immediately by management.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DG:JT:WG:EFS:aa

NICHOLLS2015

APPENDIX A: MANAGEMENT'S RESPONSE

November 23, 2015

Daryl G. Purpera, CPA, CFE
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-0397

RE: Information Technology Control Weakness

Dear Mr. Purpera

In response to your letter dated November 16, 2015, this letter serves as Nicholls State University's official response related to the reportable finding included in the Nicholls State University fiscal year ended June 30, 2015 Management Letter titled Information Technology Control Weakness. Our responses are as follows:

1. Twenty university employees, including three IT personnel, had excessive access to make changes that might not be detected timely through review:

Nicholls State University concurs and will review Banner functional and IT user roles and align access with user responsibility as needed. Any additional access that appears to be incompatible with an assigned role but that may be necessary due to limited resources will be documented and approved by management to determine if additional compensating controls are warranted.

The responsible person is Stacey Latka, Database Administrator and the completion date is June 30, 2016.

2. IT system changes lacked appropriate documentation, restriction, and oversight.

Nicholls State University concurs and future system or data changes will be centrally maintained and will include logging, documentation and user review and approvals.

The responsible person is Stacey Latka, Database Administrator and the completion date is June 30, 2016.

3. The disaster recovery plan did not include minimum resource requirements, recovery priorities, or timeframes to restore critical functions.

Nicholls State University concurs and notes that the institution maintains regular backups offsite and had already begun reviewing options for minimum resource requirements including pricing for a hosted solution. Nicholls management will review all options to determine the best course of action based on available resources.

The responsible person is Sam Cagle, Deputy Chief Information Officer and the anticipated completion date is June 30, 2016, or as resources are made available.

4. Other security matters discussed with auditors:

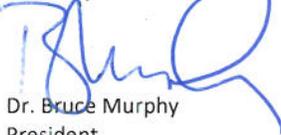
Other items discussed with the auditors have been noted and will be reviewed, prioritized and implemented as appropriate on an ongoing basis by June 30, 2016, or as resources are made available.

The responsible person is Slade Besson, Director, Telecommunications and Networking and the anticipated completion date is June 30, 2016, or as resources are made available.

The overall responsible person for the above corrective actions is Charles Ordoyne, Chief Information Officer.

Comment: The manner of presentation is misleading in that the main purpose of the audit is buried in the second paragraph. The analysis of funding fails to put the proximate cost of tuition increase, i.e., decline in State appropriations, first. Additionally, the specific law, rule, or guidance from the "finding" is not specified.

Sincerely,



Dr. Bruce Murphy
President

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Nicholls State University (Nicholls) for the period from July 1, 2014, through June 30, 2015, to provide assurances on financial information significant to the University of Louisiana System (System) and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The procedures included inquiry, observation, and review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements and the process for re-accreditation required by the Southern Association of Colleges and Schools, for the year ended June 30, 2015.

- We evaluated Nicholls's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to Nicholls.
- Based on the documentation of Nicholls's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on Nicholls's account balances and classes of transactions to support the opinion on the System's financial statements.
- We compared the most current and prior-year financial activity using Nicholls's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from Nicholls's management for significant variances.

The purpose of this report is solely to describe the scope of our work at Nicholls and not to provide an opinion on the effectiveness of Nicholls's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review Nicholls's Annual Fiscal Report, and, accordingly, we do not express an opinion on that report. Nicholls's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.