

NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED NOVEMBER 16, 2016

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Northwestern State University

November 2016

Audit Control # 80160072

Introduction

As a part of our audit of the University of Louisiana System (System) financial statements, the Single Audit of the State of Louisiana (Single Audit), and the process for re-accreditation required by the Southern Association of Colleges and Schools for the year ended June 30, 2016, we performed procedures at Northwestern State University (University) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of the University's internal controls over financial reporting and compliance; and determine whether the University complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

The University is a part of the System and reported an enrollment of 9,324 students for the fall 2015 semester. The University's mission is to prepare its students to become productive members of society and promote economic development and improvements in the quality of life of the citizens in its region.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the management letter issued November 30, 2015. We determined that management has not resolved the prior-year finding related to inappropriate system access, and the finding is addressed again in this letter.

Current-year Finding

Inappropriate System Access

For the second consecutive year, the University granted employees inappropriate access to the Banner System Student Module. In addition, for the current fiscal year, employees were granted inappropriate access to the Payroll/Human Resource Module. Inappropriate system access increases the risk of errors or fraud.

We identified the following examples of employees granted access without a business need:

- Nine business affairs employees and one auxiliary services employee had the ability to enter or delete charges to students' accounts.
- Nine business affairs employees and two financial aid employees had the ability to create or edit positions and position budgets.
- Seven business affairs employees had the ability to edit pay.

Good internal control requires the University to restrict access to those functions necessary for its employees' job duties and ensure that no employees have the ability to make unauthorized changes to system data.

Management has represented that these accesses were given during testing and implementation of the Banner System modules and were not subsequently re-evaluated. The accesses were removed in July 2016 and August 2016 after auditors brought matters to management's attention. Although the deficiencies above increase the risk of errors or fraud, no errors or fraud were identified as a result of these deficiencies.

University management should follow established policies to limit its employees' access to only what is required for their job duties. Management should also further restrict or closely monitor any access that allows an employee to change system data. Management concurred with the finding and outlined a plan of corrective action (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, 2016, we considered the University's internal controls over financial reporting and examined evidence supporting certain account balances and classes of transactions as follows:

Statement of Net Position

Assets - Capital assets

Liabilities - Unearned revenues

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, scholarship allowances, and federal nonoperating revenues

Expenses - Educational and general expenses

Based on the results of these procedures on the financial statements, we reported a repeat finding regarding inappropriate system access, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2016, we performed procedures on loan information submitted by the University to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards.

Based on the results of these Single Audit procedures, the loan information, as adjusted, was materially correct.

Other Procedures

In addition to the financial statement and federal compliance work noted above, we performed certain procedures which included obtaining, documenting, and reviewing the University's internal control and compliance with related laws and regulations over the LaCarte procurement program, the FuelTrac card program, the State of Louisiana Corporate Liability Travel Card Program, and movable property.

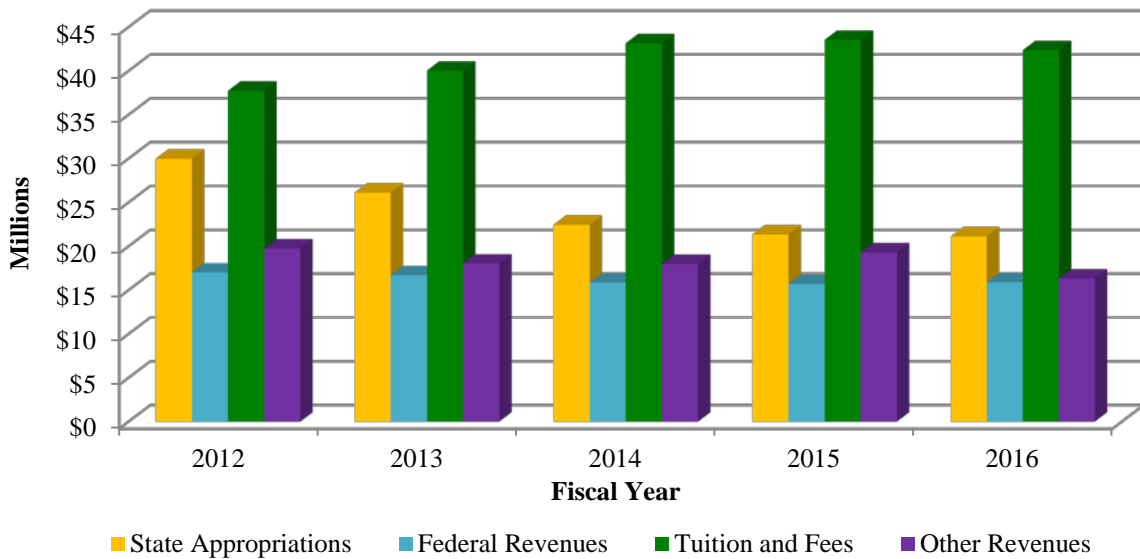
Based on the results of the procedures performed, we found no issues or weaknesses that were required to be reported.

Trend Analysis

We compared the most current and prior-year financial activity using the University's annual fiscal reports and/or system-generated reports and obtained explanations from University 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.

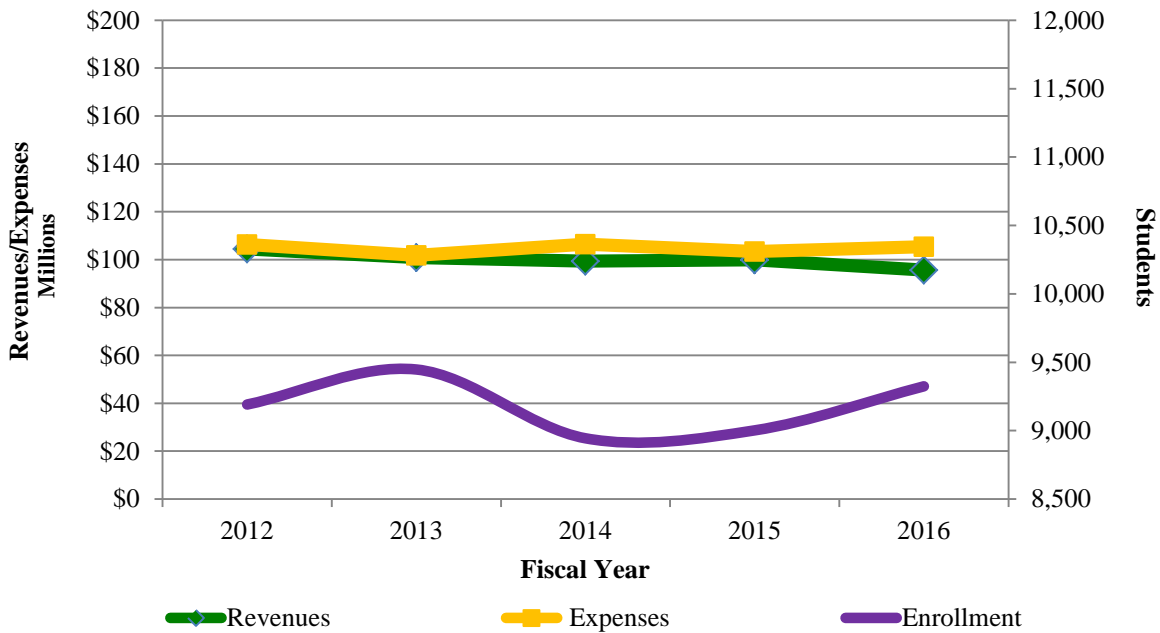
In analyzing the financial trends of the University over the past five fiscal years, expenses have consistently exceeded revenues. The impact of the state funding reductions on the University's budgets has been significant. In fiscal year 2012, the University received \$30 million from state appropriations, and in fiscal year 2016 received only \$21.1 million from state appropriations. While tuition revenues increased during the time period, this additional revenue was not enough to offset the reduction in state funding.

Exhibit 1 Five-Year Revenue Trend



Source: Fiscal year 2012-2016 University Annual Fiscal Reports, as adjusted

Exhibit 2 Fiscal/Enrollment Trend Analysis



Sources: Fiscal years 2012-2016 University Annual Fiscal Reports, as adjusted, and Board of Regents website Data/Publication

The recommendation in this letter represents, in our judgment, that which would likely bring about beneficial improvements to the operations of the University. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the University should be considered in reaching decisions on courses of action.

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

PGH:BAC:BH:EFS:aa

NWSU2016

APPENDIX A: MANAGEMENT'S RESPONSE



NORTHWESTERN STATE

Information Technology Services

Roy Hall, Room 200
Natchitoches, LA 71497
Telephone: 318.357.5594
Fax: 318.357.5745

October 14, 2016

Mr. Daryl G. Purpera
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Regarding the finding of inappropriate access to the identified Banner System Modules during your recent audit, we concur with the finding. The access identified was granted during testing and implementation of the system and was not appropriately adjusted upon entering production. Corrective action was initiated immediately upon identification of the issue.

Access levels of the identified staff members have been evaluated and adjusted as recommended. To enhance existing review processes, the Office of Information Technology Services will work with the data custodians for each Banner Module to identify and implement additional methods to assist with the routine review of access to critical areas and functions. This process will begin immediately.

I will serve as the contact person responsible for corrective actions.

If you have any questions or need additional information related to this item, please do not hesitate to contact me.

Sincerely,

Ron Wright
Chief Information Officer
Northwestern State University

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Northwestern State University (University) for the period from July 1, 2015, through June 30, 2016, 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, 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, the Single Audit of the State of Louisiana (Single Audit), and the process for re-accreditation required by the Southern Association of Colleges and Schools for the year ended June 30, 2016.

- We evaluated the University'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 the University.
- Based on the documentation of the University's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain University account balances and classes of transactions to support the opinion on the System financial statements.
- We performed procedures on the loan information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2016, to support the Single Audit.
- We compared the most current and prior-year financial activity using the University's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from University management for significant variances.

The purpose of this report is solely to describe the scope of our work at the University and not to provide an opinion on the effectiveness of the University'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 the University's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. The University's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.