

## REPORT HIGHLIGHTS

### FINANCIAL STATEMENT AUDIT

#### Subject

Northern Arizona University issues financial statements annually. The University is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the University has met its responsibilities.

#### Our Conclusion

The information in the University's financial statements is fairly stated in all material respects, and the financial statements can be relied on. However, auditors identified internal control weaknesses over its computer systems as summarized on this page. This information will be incorporated in the State of Arizona's *Comprehensive Annual Financial Report*.



2009

Year Ended June 30, 2009

## Financial Statement Audit Summary

**Lack of Controls over Computer Systems—**The University processes and stores sensitive student, financial, and personnel data on its computer systems. However, the University lacked

sufficient controls over logical access, computer change management, and disaster recovery over these systems. Our recommendations are presented in the summary below.

### Auditor recommendations to improve computer system controls—

The University should enforce or establish policies and procedures to help strengthen computer system controls. These policies and procedures should include the following:

For logical access:

- Limit the use of stored passwords and ensure strong encryption methods are used for passwords being stored.
- Prohibit database user names and passwords from being shared among system users.
- Review system activity logs and investigate any unusual activity.
- Ensure the account lock-out policy is implemented and utilized on all systems.

For computer change management:

- Log, authorize, test, review, and approve all program changes prior to implementation and retain this documentation.
- Monitor all system change requests with a log or report-tracking system.

For disaster recovery:

- Test the disaster recovery plan periodically and take immediate action to remedy deficiencies that testing identifies.

# Condensed Financial Information

**Statement of Net Assets**—This statement reports all assets, liabilities, and net assets. Net assets, the difference between assets and liabilities, are reported in three major categories:

- Invested in capital assets, net of related debt, shows the equity in property, plant, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by donors and external entities.
- Unrestricted net assets shows the net resources available to fund general operations.

A condensed Statement of Net Assets is presented to the right.

## Statement of Revenues, Expenses, and Changes in Net Assets

—This statement reports all revenues, expenses, and other changes to net assets. Revenues and expenses are reported as either operating or nonoperating. The change in net assets indicates whether financial health has improved or deteriorated as a result of current-year activities. Net assets increased by \$40 million in the current year. A condensed Statement of Revenues, Expenses, and Changes in Net Assets is presented to the right.

Condensed Statement of Net Assets June 30, 2009 (In Millions)	
<b>Assets:</b>	
Cash and investments	\$152
Capital assets, net of depreciation	458
Receivables	71
Other assets	2
Total assets	683
<b>Liabilities:</b>	
Long-term debt	326
Other liabilities	45
Total liabilities	371
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	151
Restricted	36
Unrestricted	125
Total net assets	\$312

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2009 (In Millions)	
<b>Operating revenues:</b>	
Tuition and fees	\$112
Grants and contracts	18
Auxiliary enterprises	39
Other operating revenues	9
Total operating revenues	178
<b>Operating expenses:</b>	
Educational and general	\$305
Auxiliary enterprises	29
Depreciation	21
Total operating expenses	355
Operating loss	(177)
<b>Nonoperating revenues and expenses:</b>	
State appropriations	136
Grants, including federal fiscal stabilization funds of \$23	75
Other nonoperating, net	6
Net nonoperating revenues	217
Increase in net assets	40
Net assets—beginning of year	272
Net assets—end of year	\$312

**Federal fiscal stabilization funds**—For fiscal year 2009, the State of Arizona's Office of the Governor received Federal American Recovery and Reinvestment Act (ARRA) monies totaling \$183 million under the State Fiscal Stabilization Fund Program. Program monies were distributed to the State's universities and community colleges to restore the shortfall of fiscal year 2009 state funding for higher education. The Office of the Governor provided Northern Arizona University over \$23 million in program monies for fiscal year 2009. The University used the monies primarily for salaries and benefits to support those faculty members, advisors, and others providing direct services to students. In addition, the monies helped mitigate tuition increases for the 2009-10 academic year.

## TO OBTAIN MORE INFORMATION

A copy of the full report is available at:

[www.azauditor.gov](http://www.azauditor.gov)

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Year Ended June 30, 2009