

## Northern Arizona University

**CONCLUSION:** Northern Arizona University is responsible for preparing its annual financial report, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the University's financial statements annually. Since the University is a component of the State of Arizona, the information in its financial statements will also be incorporated in the State of Arizona's comprehensive annual financial report. A summary of the University's financial statements is presented below.

Based on our audit, we issued our opinions on the University's financial statements and issued a report on internal control and on compliance over financial reporting. The information in the University's fiscal year 2017 financial statements is reliable. Our Office identified internal control weaknesses over financial reporting. These findings are summarized on the next page.

### Condensed financial information

**Statement of net position**—This statement reports all of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in property, buildings, and equipment.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the remaining net position balance after allocating the net investment in capital assets and restricted balances.

**Statement of revenues, expenses, and changes in net position**—This statement reports all revenues, expenses, and other changes in net position. The increase or decrease in net position indicates whether financial health has improved or deteriorated because of current-year activities. Net position increased by \$5 million, or 2 percent, in fiscal year 2017.

#### Statement of net position As of June 30, 2017 (In millions)

<b>Assets and deferred outflows</b>	
Current and other assets	\$ 304
Capital assets, net of depreciation	846
Deferred outflows of resources	54
<b>Total assets and deferred outflows</b>	<b>1,204</b>
<b>Liabilities and deferred inflows</b>	
Current liabilities	72
Noncurrent liabilities:	
Long-term debt	610
Net pension liability	193
Other	19
Deferred inflows of resources	22
<b>Total liabilities and deferred inflows</b>	<b>916</b>
<b>Net position</b>	
Net investment in capital assets	269
Restricted	64
Unrestricted (deficit)	(45)
<b>Total net position</b>	<b>\$ 288</b>

#### Statement of revenues, expenses, and changes in net position Year ended June 30, 2017 (In millions)

<b>Revenues</b>	
Tuition and fees, net of scholarship allowances	\$238
Grants and contracts	113
State appropriations	100
Auxiliary enterprises	60
Other revenues	67
<b>Total revenues</b>	<b>578</b>
<b>Expenses</b>	
Instruction and academic support	217
Scholarships and student services	90
Institutional support and operation and maintenance of plant	90
Other expenses	176
<b>Total expenses</b>	<b>573</b>
Increase in net position	5
Net position—beginning	283
<b>Net position—ending</b>	<b>\$288</b>

# Understanding the University's financial report

Understanding how to extract information from the University's financial report is important when reviewing financial performance and evaluating future financial decisions. As described below, our Office's financial report user guide and internal control and compliance reports user guide, available at [azauditor.gov](http://azauditor.gov), help users identify and understand important and useful information in the University's financial report and in our report on internal control and compliance over financial reporting. Specifically:

- **Financial report user guide**—describes key financial information contained in university financial reports and indicates where to find this information. Key components in a financial report include the independent auditors' report, management's discussion and analysis, financial statements, notes to financial statements, and other required supplementary information.
- **Internal control and compliance reports user guide**—describes our internal control and compliance report over financial reporting, which provides information about whether the University has effective internal control procedures and whether it has complied with certain financial-related laws and regulations.

## Summary of audit findings and recommendations

We found internal control weaknesses over the University's financial reporting related to its information technology (IT) resources. Our report on internal control and on compliance includes a schedule of findings and recommendations that contains further details to help the University correct the internal control weaknesses summarized below.

**University should improve controls over IT resources**—The University's IT resources, which include its systems, network, infrastructure, and data, are vital to its daily operations. However, the University did not have adequate IT policies and procedures to effectively identify, analyze, and respond to risks that may impact its IT resources and protect sensitive information; sufficiently manage access, including preventing and detecting unauthorized or inappropriate access or use; properly document, authorize, review, test, and approve changes to IT resources; and adequately secure its IT resources, including preventing and detecting loss of confidentiality, integrity, or availability of systems and data. The University also lacked a comprehensive up-to-date contingency plan to provide for the continuity of operations in the event of a disaster, system or equipment failure, or other interruption.

### Recommendations

To help identify, analyze, and respond to risks that may impact its IT resources and protect sensitive information; prevent, and detect unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT resources; ensure all changes to IT resources are properly documented, authorized, reviewed, tested, and approved; and ensure its operations continue in the event of a disaster, system or equipment failure, or other interruption, the University needs to update and implement policies and procedures over its IT resources to ensure they address the following:

- **Risk-assessment process**—The risk-assessment process should include the identification of risk scenarios, including the scenario's likelihood and magnitude; documentation and dissemination of results; review by appropriate personnel; and prioritization of risks identified for remediation.
- **Sensitive information**—Security measures should be developed to identify, classify, and inventory sensitive information and protect it.
- **User access**—A periodic, comprehensive review should be performed of all existing user access accounts to help ensure that access to IT resources is needed and compatible with job duties.
- **Logging and monitoring**—Key user activity should be logged and monitored, particularly for users with administrative access privileges and remote access.
- **Configuration management**—A change-management process should be established for each type of change, and all changes should be appropriately documented.
- **Contingency planning**—The contingency plan should be updated and tested at least annually for all critical information or when changes are made to IT resources, and updates to the plan should be communicated to key personnel.
- **IT standards and best practices**—IT policies and procedures should be reviewed against current IT standards and best practices, updated where needed, and implemented university-wide, as appropriate.