

Northern Arizona University Annual financial statement audit

The University's fiscal year 2023 reported financial information is reliable. However, we reported deficiencies over financial reporting, summarized on the next page.

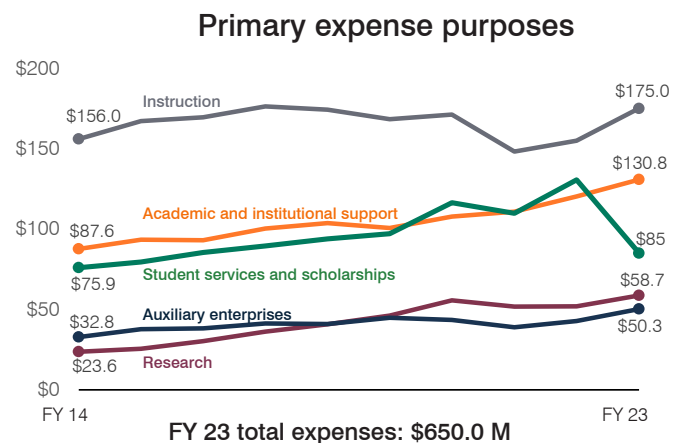
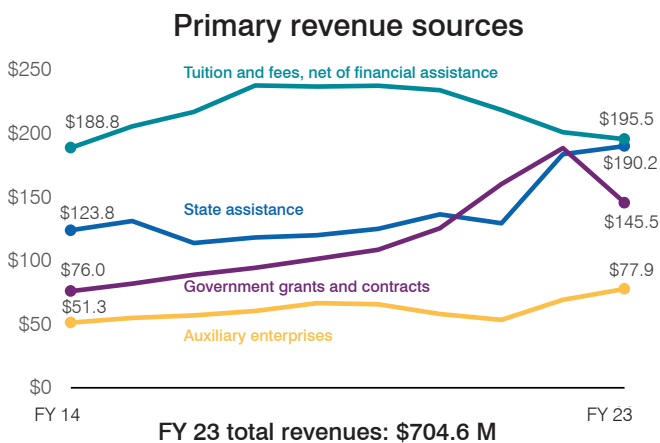
Audit purpose

To express our opinion on the University's financial statements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

Primary revenue sources and how they were spent

Fiscal years (FY) 2014 through 2023

(In millions)



Source: Auditor General staff summary of information obtained from the University's financial statements.

Largest primary revenue sources FY 2023

- **Tuition and fees, net of financial assistance 27.7%**—Includes charges to students for educational services, net of any University student financial assistance revenues that were used to cover the students' tuition and fees.
- **State assistance 27.0%**—Includes State appropriations for general operations and maintenance, capital appropriations for research infrastructure, capital commitments for debt service, and the University's share of State sales tax revenues.

Largest primary expense purposes FY 2023

- **Instruction 26.9%**—Costs to provide instruction for all degree and certificate programs.
- **Academic and institutional support 20.1%**—Costs for University-wide planning, management, and administrative support services, including fiscal operations, information technology, and course development.
- **Student services and scholarships 13.1%**—Costs that support social and cultural development, career guidance, financial aid administration, admissions, and records, as well as grants, scholarships, and tuition and fee waivers.

University's net position increased in FY 2023

University revenues were \$54.6 million more than its expenses, increasing its total net position to \$404.6 million at June 30, 2023. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. Of the total net position, \$365.8 million is restricted by external parties or is not in spendable form, and the remaining \$38.8 million is unrestricted.

Auditor findings and recommendations

Summarized below are our findings and recommendations included in the University's [Report on Internal Control and on Compliance](#) where there is further information and the University's responses. The University needs to:

- Enforce the University's procurement card policies and procedures by requiring procurement cardholders to report to the Purchasing Department when they have concerns about fraudulent or erroneous purchases and need to request a replacement procurement card; work with the University bank to be alerted if replacement procurement cards are requested; provide additional training to staff on procurement cards; and monitor and track procurement card violations. Because of the Purchasing Department's lack of monitoring, we found that a former employee made unallowable purchases totaling almost \$70,000, resulting in potential misuse of public monies. In addition, the employee originally reported to the Purchasing Department that there were fraudulent transactions and was allowed to directly contact the bank and request a replacement card. The employee then reported additional fraudulent transactions and requested and received 3 replacement purchasing cards without notifying the Purchasing Department.
- Update and implement policies and procedures to include detailed instructions for preparing the financial statements and supporting schedules to ensure they are accurate and prepared in accordance with generally accepted accounting principles (GAAP); evaluate significant changes to financial information to ensure it is properly classified and disclosed; require management to perform detailed supervisory reviews to ensure that the financial statement disclosures are accurate, properly supported, and presented in accordance with GAAP and to detect and correct errors in the financial statement disclosures before providing them for audit; and properly train all personnel responsible for preparing the financial statement disclosures. We found that the University's initially prepared financial statements and note disclosures contained errors and misclassifications that required correction.
- Fill vacant information technology (IT) positions to ensure that IT policies are consistently followed to restrict access and manage system configurations and changes. We found that processes for restricting access and managing changes for its IT systems and data were not sufficient, which may put University operations and IT systems and data at unintended and unnecessary risk or potential harm.

Auditor General website report links

- The June 30, 2023, Northern Arizona University Annual Comprehensive Financial Report and Report on Internal Control and on Compliance that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the University's overall financial picture and our reporting responsibilities.
- The University's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
 - [Financial Report User Guide for Colleges and Universities](#).
 - [Internal Control and Compliance Reports User Guide](#).