

**NORFOLK STATE UNIVERSITY**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2009**

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***APA***

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**Auditor of  
Public Accounts**

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**COMMONWEALTH OF VIRGINIA**

## **AUDIT SUMMARY**

Our audit of Norfolk State University for the year ended June 30, 2009, found:

- the financial statements are presented fairly, in all material respects, with generally accepted accounting principles;
- certain matters that we consider to be significant deficiencies in internal control; however, we do not consider them to be material weaknesses; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

We have audited the basic financial statements of the University as of and for the year ended June 30, 2009 and issued our report thereon, dated June 17, 2010. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov).

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## AUDIT FINDINGS AND RECOMMENDATIONS

### Improve Information Security Program

The University does not address the Commonwealth's minimum security standards in its information security program, which decreases the University's effectiveness in protecting confidential data and ability to train staff to consistently manage IT systems with mission-critical data. Specifically, the University's program does not address the following requirements:

- Risk Assessment Compensating controls do not exist for security weaknesses in two sensitive applications. While the University is planning on upgrading these applications with software that can support current security standard requirements, the University needs to develop compensating controls that reduces the risks of the sensitive systems currently in production.

We recommend that the University include the current weaknesses in its risk assessment to determine and implement appropriate compensating controls until the new systems are available. The University should also consider any limitations of the new systems, and address these in their risk management plans before putting those systems in production.

- Administrator Accounts Administrators share a user account with weak password controls on a sensitive system, which increases the risk of unauthorized access to mission-critical and sensitive data, and prevents the University from holding individuals responsible for their actions. Therefore, the University should create a policy and procedure that prohibits administrators from using a shared account and requires adequate passwords. The University needs to also ensure consistent implementation by providing appropriate training.
- User Accounts Supervisors grant excessive user account privileges to employees. While the University has begun a review to identify user accounts with inappropriate access, the University should consider revising its user account request procedure to avoid granting excessive privileges in the future. The University should change its user account request process to include data owner approval in addition to the current supervisor approval. We also recommend that the University eliminate excessive privileges by granting access based on roles, rather than by individual.
- Logging The University does not retain and review the audit logs for two sensitive systems. By not retaining the logs, the University does not have the information to review and detect inappropriate actions should it need to conduct a forensic review.

We recommend that the University create a policy and procedure that requires retention and periodic review of all audit trails for sensitive systems. We also recommend that the University provide the necessary training to effectively implement this policy and procedure.

We communicated additional detailed information in separate correspondence to management marked *Freedom of Information Act Exempt* under Section 2.2-3705.2 of the Code of Virginia due to the description of a security system.

We recommend that the University's Information Security Officer address the issues above and work with the internal audit department to coordinate future reviews that evaluate the program's effectiveness.

### Strengthen Clearing Procedures Over Separated Employees

The University should continue to improve procedures to properly process separated employees. When an employee separates employment, the University must perform several actions including the removal of access to critical systems and determining if any amounts are due to the employee.

The University has developed the policies and procedures to properly separate employees; however, there is neither the oversight nor the enforcement mechanisms in place to make sure employees follow the process. Failure to comply with the process allows separated employees access to critical systems and could result in them receiving improper payments from the University.

- Out of 20 separated system users tested, missing clearance forms prevented OIT from removing system access for four employees (20 percent) timely. One user account remained open for nine months after their separation date. This sample was from the time period between May 2009 and April 2010.
- In a sample of six employees with leave balances who separated in fiscal year 2009, the University did not pay three individuals (50 percent) timely. During fiscal year 2009, Human Resources did not implement new policies or procedures to address the leave pay out problem.

The University should review and implement a process for managers to provide the appropriate oversight and enforcement of the University's process.

### Promptly Calculate and Return Title IV Funds for Unofficial Withdrawals

The University's Financial Aid Office did not promptly calculate and return Title IV funds for 47 students. The Registrar's office identified these students at the end of the semester as unofficially withdrawn from classes for the fall 2008 and spring 2009 terms. The University's policy for unofficial withdrawals requires the Registrar to provide the Student Financial Aid Office with a list of those students it identifies as possibly having withdrawn from classes at three points during the semester: prior to the mid-point, the mid-point, and the end of the semester. Student Financial Aid Office staff failed to properly evaluate the status of the students identified on the Registrar's end of semester report, and did not perform the Title IV fund calculations.

Section 34 CFR 668.22 "Treatment of title IV funds when a student withdraws" requires institutions to identify students who have withdrawn, to calculate earned and unearned funds, and to return the unearned funds to the Department of Education as soon as possible, but no later than 45 days after the college first determined the student withdrew.

In December 2009, after we identified the issue and notified the Financial Aid Office, the Office calculated and returned the total unearned financial aid of \$46,758 for these students to the Department of Education. As a result, there are no questioned costs.

We recommend that Financial Aid management strengthen its review procedures to ensure that staff performs all Title IV refund calculations accurately and in a timely manner. Better controls will help the University comply with federal regulations, avoid possible fines, and ensure federal financial aid continues to be available for University students.

### Comply with Federal Regulations for Exit Counseling

The University did not perform timely exit interview procedures for Perkins loan student borrowers who stopped attending prior to graduation without notifying the University. Seven students listed on the Default Report for the Cohort Year 2008/2009 were tested. Student Accounts did not perform the required exit interview procedures for six of the seven students.

Section 34 CFR 674.42(b) “exit interview” specifies that if the student borrower withdraws from school without the school’s prior knowledge or fails to complete an exit counseling session, the school must provide exit counseling through either interactive electronic means or by mailing counseling material to the borrower at the borrower’s last known address *within 30 days* after learning that the borrower has withdrawn from school or failed to complete exit counseling.

Student Accounts should perform adequate exit counseling procedures for all Perkins borrowers according to federal regulations. Exit counseling provides borrowers with information such as monthly payment amounts and advises the borrowers of the importance of their repayment obligation and the consequences of not meeting this obligation.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

June 17, 2010

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
Norfolk State University

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of **Norfolk State University** as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements and have issued our report thereon dated June 17, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial

reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies entitled "Improve Information Security Program" and "Strengthen Clearing Procedures Over Separated Employees", which are described in the section titled "Audit Findings and Recommendations", to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Instances of noncompliance and other matters, entitled "Improve Information Security Program", "Strengthen Clearing Procedures Over Separated Employees", "Promptly Calculate and Return Title IV Funds for Unofficial Withdrawals", and "Comply with Federal Regulations for Exit Counseling" are described in the section titled "Audit Findings and Recommendations".

The University's response to the findings identified in our audit is included in the section titled "University Response." We did not audit the University's response and, accordingly, we express no opinion on it.

#### Status of Prior Findings

The University has taken adequate corrective action with respect to audit findings reported in the prior year.

Exit Conference and Report Distribution

The “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on June 29, 2010.

AUDITOR OF PUBLIC ACCOUNTS

TAS/clj

July 6, 2010

Mr. Walter Kucharski  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218-1295

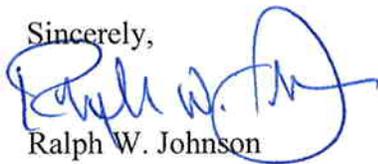
Dear Mr. Kucharski:

Norfolk State University has reviewed the internal control and compliance findings and recommendations provided by the Auditor of Public Accounts for the fiscal year ending June 30, 2009.

Attached is University's response and corrective action plan for those findings. Please contact me should you have any questions.

On behalf of Norfolk State University, please extend my appreciation to all of your staff for their professional audit work and recommendations.

Sincerely,



Ralph W. Johnson  
Vice President for Finance and Business

Cc: Dr. Kim Luckes  
Ms. Michelle Martin  
Mrs. Margaret Massey  
Mr. Ernest Ellis

## **Improve Information Security Program**

### Management Response

The Office of Information Technology (OIT) understands that two University sensitive systems have weaknesses built into the vendor delivered software which do not support the current VITA security standard requirements. Given that these are intrinsic software flaws, OIT had deployed compensating controls for some of them and will further develop compensating controls to offset any additional system vulnerabilities. OIT will also include such weaknesses in the risk assessment plan. In addition, OIT is working on replacing one such system and will address any limitation of the new system during the risk assessment process.

The University follows vendor provided support plans and practices for the purpose of performing system maintenance which at times requires shared accounts due to software specific implementation restrictions. Such specific administrative accounts are required by the software to perform maintenance and administrative tasks. OIT had already developed policies to address shared accounts and adequate passwords in policy *62.002: Computer Systems Passwords*. Efforts will be made to ensure that future vendor provided systems and software will comply with University and VITA policies and standards.

In accordance to COV ITRM SEC501 Standard: "Review all user accounts for the user's continued need to access all IT systems" NSU started performing account reviews in March of 2010 immediately following the Data Owner Security Awareness Training. This review process was successful and did yield changes to access. Given the amount of modules, sub-modules, and users that need to be reviewed, along with the dynamic nature of system access, this process will be ongoing, improved and performed on a rolling basis.

The University maintains extensive security logging of all critical systems when such logging capabilities are built into the vendor delivered software and system. Some specific software components and features do not provide for logging capabilities. When vendor delivered software does not provide logging capabilities, OIT endeavors to perform in-house logging and monitoring of such systems; in some instances, due to the nature of the software, logging is not possible or extremely difficult to implement given resources available. OIT is currently enhancing one such software to allow for additional security logging and will provide adequate training.

All items will be addressed by June 20, 2011.

## **Strengthen Clearing Procedures over Separated Employees**

### Management Response

Human Resources will continue to work with individual supervisors, OIT and the Payroll Department to develop more effective policies and procedures to ensure prompt communication regarding separated employees. New policies and procedures will be developed and implemented by June 30, 2011.

**Promptly calculate and return Title IV funds for unofficial withdrawals**

Management Response

Norfolk State University has implemented additional procedures to ensure all Title IV refund calculations are completed accurately and timely. Specific actions already taken include the development and use of queries to electronically monitor changes in student enrollment status and the use of the Federal Department of Education software for R2T4 calculations. Further actions to be implemented include the development of a tutorial for all faculty and the inclusion of the Title IV refund requirements in the University's faculty handbook. All action items will be corrected by October 31, 2010.

**Comply with Federal Regulations for Exit Counseling**

Management Response

Norfolk State University has improved exit counseling processes to ensure compliance with federal regulations. The Bursar's Office has established procedures to verify the enrollment status of students who have received Perkins Loans. Exit interview packages are requested and mailed to all students (current and projected) in repayment that do not have an exit interview on file. Campus Partners information is reviewed and cross referenced to ensure student enrollment status is correct. Corrective actions related to this item were completed on March 31, 2010.

NORFOLK STATE UNIVERSITY  
Norfolk, Virginia  
As of June 30, 2009

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