

# Northern Arizona University

Report on Internal Control  
and on Compliance

Year Ended June 30, 2024



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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# TABLE OF CONTENTS

<b>Independent auditors' report</b> on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with <i>Government Auditing Standards</i>	1
<b>Schedule of findings and recommendations</b>	3
Financial statement findings	3
<b>University response</b>	
Corrective action plan	
<b>Report issued separately</b>	
Annual Comprehensive Financial Report	



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

## **Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Arizona Board of Regents

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of the business-type activities and discretely presented component unit of Northern Arizona University as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 31, 2024. Our report includes a reference to other auditors who audited the financial statements of the Northern Arizona University Foundation, the discretely presented component unit, as described in our report on the University's financial statements. The Foundation's financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

### **Report on internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies

in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2024-01, that we consider to be a significant deficiency.

## **Report on compliance and other matters**

As part of obtaining reasonable assurance about whether the University's basic financial statements are free from 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **University response to findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit that are presented in its corrective action plan at the end of this report. The University is responsible for preparing a corrective action plan to address each finding. The University's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

## **Purpose of this report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

October 31, 2024



# SCHEDULE OF FINDINGS AND RECOMMENDATIONS

## Financial statement findings

### 2024-01

The University's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

**Condition**—Contrary to University policies and procedures, the University did not identify, classify, and inventory sensitive information during the fiscal year that might need stronger access and security controls.

**Effect**—The University's administration and IT management may put the University's operations and IT systems and data at unintended and unnecessary risk of potential harm.

**Cause**—The University's IT management reported they did not have sufficient staffing to fully implement their policies and procedures over data classification and handling.

**Criteria**—Effectively managing risk includes following the University's established policies and procedures that require all campuses, units, and University Community Members to identify, classify, and inventory sensitive information on an annual basis that might need stronger access and security controls to address the risk of unauthorized access and use, modification, or loss of that sensitive information.<sup>1</sup>

**Recommendations**—The University's administration and IT management should:

1. Plan for where to allocate resources.
2. Implement policies and procedures to evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the University holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

The University's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

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<sup>1</sup> All campuses, units, and University Community Members are required to follow the NAU Data Classification and Handling Policy. University Community Members include all University faculty, staff, student employees, students, alumni, affiliates, contractors, consultants, agents, and volunteers wherever located. (Northern Arizona University. [August 19, 2022] *NAU Data Classification and Handling Policy*. Retrieved on 8/27/2024 from <https://nau.edu/wp-content/uploads/sites/26/Data-Classification-and-Handling.pdf>).

# UNIVERSITY RESPONSE

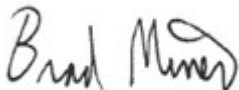
October 24, 2024

Lindsey A. Perry  
Arizona Auditor General  
2910 N. 44<sup>th</sup> St. Suite 410  
Phoenix, AZ 85018

Dear Ms. Perry,

We have prepared the accompanying corrective action plan as required by the standards applicable to the financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*. Specifically, for each finding, we are providing you with our responsible officials views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,



Bradley Miner  
Associate Vice President and University Comptroller

Cc: Bjorn Flugstad, Senior Vice President and Chief Financial Officer  
Steve Burrell, Vice President and Chief Information Officer



# Northern Arizona University

## Corrective Action Plan

### Year ended June 30, 2024

## Financial statement findings

### 2024-01

The University's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

University contact personnel:

***Steve Burrell, Vice President and Chief Information Officer***

***Laura Jones, Associate Vice President and Chief Data Officer***

Anticipated completion date: January 1, 2025

Management agrees and acknowledges the University was not compliant with existing policy during fiscal year 2024. Specifically, around the annual review of data elements and the use of the "Cookbook" data repository. The University's prior attempts to conduct annual assessments as identified in the existing Data Classification and Policy were labor intensive and produced poor and varied results with data handling protocol compliance. As such, the metadata on high-risk data was not always maintained in Cookbook, the University's system of record for data repository. Recognizing the high-overhead and poor returns on work investment, NAU Information Technology Services (ITS) has been investigating ways of improving metadata collection and periodic reviews.

Going forward in fiscal year 2025, the Chief Information Officer and Chief Data Officer will propose a rewritten policy to create a risk-based process around L4 (Highly Sensitive) and L3 (Sensitive) data. The University will continue the process of adding definitions and associated metadata to the Cookbook on a regular basis and collecting Metadata to include data classification, the system of record, the data steward (unit), and associated compliances (EG, GLBA, FERPA) to facilitate periodic reviews and other analysis to mitigate institutional risk.

University efforts will extend to Level 2 (internal) and Level 1 (public) data used in our Peoplesoft systems as may be prudent, noting that many of these data elements are already in Cookbook. Hence, the intent is to maintain Cookbook as the system of record regarding data and enhance processes around periodic review based on its inherent capabilities.

