



NORFOLK STATE UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2022

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

We have audited the basic financial statements of Norfolk State University (University) as of and for the year ended June 30, 2022, and issued our report thereon, dated May 26, 2023. Our report, included in the University's Annual Report, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.nsu.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring management's attention; 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 did not perform audit work related to the prior audit finding titled "Improve Compliance over Enrollment Reporting" because the University did not implement corrective action during our audit period. We will follow up on this finding during the fiscal year 2023 audit.

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STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Remove System Access Timely

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued in fiscal year 2019)

In our last audit, we recommended that the University deactivate terminated employees' access to the Commonwealth's purchasing system and University's network timely in accordance with the Commonwealth's Information Security Standard, SEC 501 (Security Standard), and University policy. This finding resulted from the decentralized nature of the University's operations. As of June 30, 2022, corrective action remains ongoing.

The University is developing policies, procedures, and training materials regarding its employee clearance process to ensure timely removal of system access. Additionally, the University transitioned to the Commonwealth's new purchasing system in November 2022, which delayed the implementation of corrective action. Management should continue to monitor the implementation of the corrective action plan to resolve this finding. We will review management's corrective action during our next audit.

Comply with Prompt Payment Provisions

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Yes (first issued in fiscal year 2019)

In our last audit, we recommended that the University ensure proper processing of all vendor payments in compliance with the prompt payment requirements of the Virginia Public Procurement Act (VPPA). This finding resulted from the decentralized nature of the University's operations and delays by individual departments in updating purchase orders or informing the Accounts Payable Department of payment authorization on invoices. As of June 30, 2022, corrective action remains ongoing.

The University is reviewing its policies and procedures and providing training to managers and staff to ensure they process payments timely. Management should continue to monitor the implementation of the corrective action plan to resolve this finding. We will review the implementation of management's corrective action during our next audit.

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Wireless Local Area Network Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The University does not implement certain security controls for its Wireless Local Area Network (WLAN) in accordance with the Security Standard. The Security Standard requires the implementation of certain controls that reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information. We identified and communicated the specific control weaknesses to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls. By not meeting the minimum requirements in the Security Standard and aligning the WLAN's settings and configurations with best practices, the University cannot ensure the confidentiality, integrity, and availability of data within the WLAN or the information it processes.

The University should dedicate the necessary resources to implement the security controls for the WLAN, as communicated in the FOIAE recommendation, that meet the requirements of the Security Standard.

Comply with Employment Eligibility Requirements

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The University's Human Resources Department (Human Resources) did not comply with federal requirements to complete the Employment Eligibility Verification form (Form I-9). In addition, Human Resources did not create cases in the Employment Eligibility Verification system (E-Verify) within three business days of employment. In our review of 24 employees, we found:

- Two (8%) employees did not sign Form I-9 on the first day of employment;
- Human Resources did not retain Form I-9 for five (21%) employees;
- Human Resources did not complete Section 2 or Section 3 of Form I-9 for seven (29%) employees;
- Human Resources did not retain a copy of a U.S. Passport with Form I-9 for one employee; and
- Human Resources did not create E-Verify cases within three business days of the employee's start date for six (25%) employees.

The Immigration Reform and Control Act of 1986 requires that employers complete Form I-9 to verify both identity and employment eligibility for all employees. The U.S. Citizenship and Immigration Services sets forth federal requirements for completing Form I-9 in the Handbook for Employers M-274 (Handbook). Chapter 3 of the Handbook requires the employee to complete and sign Section 1 of Form I-9 by the first date of employment. Chapter 4 of the Handbook requires the employer to complete Section 2 of Form I-9 within three business days of the first date of employment. The E-Verify User Manual M-775 (Manual), Chapter 2.2 requires the employer to create a case for each newly-hired employee no later than the third business day after he or she starts work for pay. If an employee presents a U.S. passport, Chapter 2.1 of the Manual requires the employer to retain a copy with Form I-9. Additionally, § 40.1-11.2 of the Code of Virginia requires all agencies to use the E-Verify program for each newly-hired employee who is to perform work within the Commonwealth. Noncompliance with federal regulations related to employment verification could result in civil and/or criminal penalties and debarment from government contracts.

These instances of noncompliance resulted from the decentralized nature of hiring and onboarding of employees, turnover, a shortage of trained Human Resources staff, and untimely submission of documents by new hires. In addition, Human Resources stated that navigating new processes due to the COVID-19 pandemic while performing normal business contributed to the issues identified. Management should properly train employees tasked with completing Form I-9 and E-Verify procedures to ensure they are familiar with the internal processes for onboarding employees and aware of all requirements for completing these procedures accurately and timely.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 26, 2023

The Honorable Glenn Youngkin
Governor of Virginia

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, in accordance with the 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, the financial statements of the business-type activities and aggregate discretely presented component units of **Norfolk State University** (University) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated May 26, 2023. Our report includes a reference to other auditors who audited the financial statements of the component units of the University, as described in our report on the University's financial statements. The other auditors did not audit the financial statements of the component units of the University in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the component units of the University.

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 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 entity's 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 did identify certain deficiencies in internal control titled "Remove System Access Timely," "Comply with Prompt Payment Provisions," "Improve Wireless Local Area Network Security," and "Comply with Employment Eligibility Requirements," which are described in the sections titled "Status of Prior Year Findings and Recommendations" and "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies.

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 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the sections titled "Status of Prior Year Findings and Recommendations" and "Internal Control and Compliance Findings and Recommendations" in the findings and recommendations titled "Remove System Access Timely," "Comply with Prompt Payment Provisions," "Improve Wireless Local Area Network Security," and "Comply with Employment Eligibility Requirements."

The University's Response to Findings

We discussed this report with management at an exit conference held on May 2, 2023. Government Auditing Standards require the auditor to perform limited procedures on the University's response to the findings identified in our audit, which is included in the accompanying section titled "University Response." The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Status of Prior Findings

The University has not taken adequate corrective action with respect to the previously reported findings "Remove System Access Timely" and "Comply with Prompt Payment Provisions." Accordingly, we included these findings in the section titled "Status of Prior Year Findings and Recommendations." The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

We did not perform audit work related to the finding included in our report dated May 9, 2022, titled "Improve Compliance over Enrollment Reporting," because the University did not implement corrective action during our audit period. We will follow up on this finding during the fiscal year 2023 audit.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

DLR/vks



We see the future in you.

FINANCE AND ADMINISTRATION

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May 26, 2023

Ms. Stacie Henshaw
The Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218-1295

Dear Ms. Henshaw:

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, 2022, and agrees in principle with all of the findings.

Attached for your consideration is a brief update as to where the University is with respect to the findings. The formal Corrective Action Workplan will be submitted within thirty days as required by CAPP Manual Topic No. 10205. Please contact Ms. Karla Amaya Gordon, AVP for Finance and Administration/University Controller, 757-823-8345, kjagordon@nsu.edu; or me should you have any questions or require additional information.

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

Sincerely,

Gerald E. Hunter, PhD
Vice President for Finance and Administration

Cc: Javaune Adams-Gaston, PhD, President
Justin Moses, J.D., EdD, VP for Operations & Chief Strategist for Institutional Effectiveness
Karla Amaya Gordon, AVP for Finance and Administration/University Controller
Derika Burgess, University Internal Auditor
S. Faye Monroe-Davis, Chief Information Officer

**FY 2022 – Internal Control & Compliance Findings
Management Response**

Remove System Access Timely

The University has developed a workgroup to address the timeliness of departments completing the employee clearance process to ensure timely removal of system access. The Logical Access Control Policy states account deactivation occurs within 24 hours of notification of user termination or transfer. Additionally, the University is providing continuous training to staff on the clearance process to ensure timely removal of system access.

Comply with Prompt Payment Provisions

The University has provided divisional training for budget managers and fiscal staff on the importance of timely receipts of goods and services within the University's financial system and providing Accounts Payable the appropriate authorization time to pay invoices. The training is on-going and includes additional resources to aid in the Procure-to-Pay process.

Improve Wireless Local Area Network Security

The University is developing security controls for the WLAN as communicated in the FOIAE recommendation that meet the requirements of the Security Standard. The controls will be implemented no later than October 31, 2023.

Comply with Employment Eligibility Requirements

The University is implementing the following actions to ensure all requirements for completing the I-9 and E-Verify procedures are performed accurately and timely.

- Employees who have worked less than 3 months will have work verified by HR staff.
- Internal I-9 audits will be conducted twice a year.
- All staff will be trained on I-9 compliance, regardless of years of experience.
- Supervising new employees filling out Section 1 as part of onboarding training.
- Discuss unacceptable documents for I-9 as part of onboarding training.
- Ensure that corrections are made by HR employees by initialing and dating them.
- Ensure copies are made of I-9 documents (e.g., passports).

NORFOLK STATE UNIVERSITY

As of June 30, 2022

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