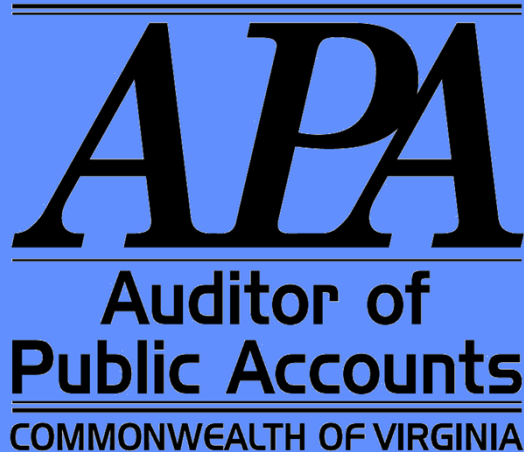


**NORFOLK STATE UNIVERSITY**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2010**



## **AUDIT SUMMARY**

Our audit of Norfolk State University for the year ended June 30, 2010, found:

- the financial statements are presented fairly, in all material respects;
- certain matters involving 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 have audited the basic financial statements of the University as of and for the year ended June 30, 2010 and issued our report thereon, dated June 7, 2011. 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).

### **Systems Development Update:**

The University is replacing their current financial system, IFAS, with a more current system, Colleague. The University plans to go live with the new financial system on July 12, 2011. In conjunction with this audit, we reviewed the current Colleague implementation plan and additional project documentation, as well as interviewed project implementation staff. We communicated our project management and implementation concerns to University management in a letter dated March 29, 2011.

After receiving our recommendations, the University project team expanded the project plans into more manageable tasks, identified critical tasks, and increased the level of oversight to ensure proper monitoring. In addition, the University has dedicated the project manager and additional staff resources solely to the project implementation. The University is confident they will successfully go live as scheduled, however they should continue to closely monitor the implementation progress and address ongoing and new risks to ensure success.

– TABLE OF CONTENTS –

|  | <u>Pages</u> |
|--|--------------|
| AUDIT SUMMARY  |              |
| AUDIT FINDINGS AND RECOMMENDATIONS   | 1-2          |
| INDEPENDENT AUDITOR’S REPORT:  |              |
| Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters | 3-4          |
| UNIVERSITY RESPONSE  | 5-6          |
| UNIVERSITY OFFICIALS   | 7            |

## **AUDIT FINDINGS AND RECOMMENDATIONS**

### **Improve Controls Over Fixed Assets**

The University does not research lost or missing assets, but instead immediately identifies items as a “disposal” and removes the item from the Fixed Asset System. This procedure does not try to determine whether the item is lost, stolen, or missing.

University Policies and Procedures require departments to send the Fixed Asset Accountant disposal or transfer of fixed assets information. During our review, the Fixed Asset Accountant was unable to provide a disposal form or other documentation for eight out of 10 disposals.

Additionally, this procedure does not try to determine if a particular department has an unusually high rate of lost assets and the reason these losses are occurring. Further, if the loss is the result of theft, the University does not have the information to protect its assets or deter future losses.

The Fixed Asset Accountant has responsibility to take biennial physical inventories of equipment and other fixed assets. We also found that 50 percent of the inventory logs selected for review did not contain the custodian’s signature acknowledging their concurrence with the results of the inventory taken.

We recommend that the University exercise and enforce existing University procedures for physical inventories and the disposal of capital assets. The University should also improve existing procedures to protect University-owned assets to ensure assets have adequate safeguards. We recommend the University also create and implement procedures for capital assets identified as missing, lost, or stolen.

## **FOLLOW UP ON PRIOR FINDINGS AND RECOMMENDATIONS**

### **Systems Development Update**

After receiving the following recommendations, the University project team expanded the project plans into more manageable tasks, identified critical tasks, and increased the level of oversight to ensure proper monitoring. In addition, the University has dedicated the project manager and additional staff resources solely to the project implementation. The University should continue to closely monitor the implementation progress and address on-going and new risks in order to successfully go-live as scheduled.

The University is replacing their current financial system, IFAS, with a more current system, Colleague. The University plans to go live with the new financial system on July 12, 2011. In conjunction with this audit, we reviewed the current Colleague implementation plan and additional project documentation, as well as interviewed project implementation staff. We communicated our concerns to University management in a letter dated March 29, 2011, which included the following recommendations:

1. Re-examine the project schedule and due dates and break the remaining tasks into smaller, more detailed and manageable units of work.
2. Assign specific team members to work on those detailed tasks rather than assigning tasks to a large, generic workgroup.
3. Examine team member assignments and availability to ensure they have the time to meet the completion of their tasks by a set deadline.

4. Identify the tasks that create the critical path. The critical path is the series of tasks and deadlines that team members must complete for a project to finish on schedule.
5. Establish a process to regularly and consistently collect actual team member hours worked on tasks and update, evaluate, and monitor task completion dates and the critical path.

#### Improve Information Security Program

The University has made significant progress towards improving the management of its information security program since our last audit in 2010. Specifically, the University has updated their policies and procedures, including Logical Access, Data Storage Media Protection, Remote Access, Firewall, Business Impact Analysis, Risk Assessment, Continuity of Operations Plan, and Disaster Recovery Plan. These plans now address the Commonwealth's security standard, SEC 501, and industry best practices.

We recommend that the University continue to implement their corrective action plan by providing training regarding the new information security program to all employees impacted by the requirements before the University scheduled June 30, 2011 compliance date.

#### Strengthen Clearing Procedures Over Separated Employees

Over the past year, the University has developed a new electronic clearance form to help ensure prompt communication regarding separated employees; however, the University still must incorporate the new process into their policies and procedures as well as complete the implementation of this new process. Failure to comply with the process allows separated employees access to critical systems. In addition, failure to comply with the process could result in separated employees receiving improper payments from the University.

We recommend that Office of Information Technology and Human Resources continue to work to have the process in place by the June 30, 2011 corrective action due date. Further, the Human Resources Department should continue to work with individual supervisors, the Office of Information Technology, and the Payroll Department to implement effective clearance policies and procedures to ensure prompt communication regarding separated employees.



# Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

June 7, 2011

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, 2010, which collectively comprise the University's basic financial statements and have issued our report thereon dated June 7, 2011. Our report includes 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 Norfolk State University Foundation Inc. and the Athletic Foundation of Norfolk State University Inc, 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. We also 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 Enterprise and Empowerment Foundation of Norfolk State University and Affiliates, which were audited by other auditors in accordance with Government Auditing Standards upon whose reports we are relying.

### 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 opinions 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting which are described in the section titled “Audit Findings and Recommendations” that we consider to be significant deficiencies in internal control over financial reporting. 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.

#### 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 are described in the section titled “Audit Findings and Recommendations.”

In addition, on March 29, 2011, we issued a letter to University Management regarding our concerns over the management of the new financial system implementation.

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 not completed their corrective action with respect to the previously reported findings “*Improve Information Security Program*” and “*Strengthen Clearing Procedures Over Separated Employees*,” however substantial progress has been made. Accordingly, we included these findings in the section entitled “Audit 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.

#### Report Distribution and Exit Conference

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 7, 2011.

AUDITOR OF PUBLIC ACCOUNTS

TS/alh

June 15, 2011

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, 2010.

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,



Regina V.K. Williams  
Interim Vice President for Finance and Business

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



### **Improve Controls over Fixed Assets**

#### Management Response

In order to adequately safeguard and protect University owned assets, Norfolk State University is committed to improving existing procedures for inventory and the disposal of fixed assets. In addition, management oversight will be enhanced to ensure adherence to fixed asset procedures. Improvements to existing procedures will be accomplished by December 31, 2011.

### **Systems Development Update**

#### Management Response

The University is committed to ensuring the Colleague Financials Project is implemented successfully and take the auditor's recommendations very seriously. The University issued a letter dated May 2, 2011 which addressed the auditor's project management and implementation concerns. University responses reflected that appropriate actions had been taken with respect to expanding tasks into greater detail, identifying critical tasks, and collecting data on a regular basis to ensure proper updating, evaluating and monitoring of completion dates and tasks. Implementation progress will continue to be closely monitored to ensure issues are addressed in a timely manner. The Colleague Financials Project is on track for a successful implementation and is scheduled to be operational on July 12, 2011.

### **Improve Information Security Program**

#### Management Response

The University is on target to provide training to all employees impacted by improvements in its information security programs. The corrective action plan is scheduled to be completed by June 30, 2011.

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

#### Management Response

Human Resources will continue to work with the Office of Information Technology (OIT) to implement its new electronic clearance form by June 30, 2011. This valuable tool will enhance the accuracy and timeliness of communication for those individuals separating from the University.

NORFOLK STATE UNIVERSITY  
Norfolk, Virginia  
As of June 30, 2010

BOARD OF VISITORS

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OFFICIALS

As of June 7, 2011

Kim Luckes, Acting President

Clarence Coleman, Vice Provost

Regina V. K. Williams, Interim Vice President for Finance and Administration

Sharon B. Lowe, Vice President for Student Affairs

Joseph C. Hall, Vice President for Research and Economic Development

Phillip D. Adams, Vice President for University Advancement