NORFOLK STATE UNIVERSITY

REPORT ON AUDIT

FOR THE YEAR ENDED

JUNE 30, 2011

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AUDIT SUMMARY

Our audit of Norfolk State University for the year ended June 30, 2011, found:

- the financial statements are presented fairly, in all material respects;
- deficiencies which we consider to be material weaknesses in internal control over financial reporting;
- additional items which we consider significant deficiencies in internal control;
- noncompliance required to be reported under Government Auditing Standards; and
- certain items previously reported, for which the University has not implemented appropriate corrective action.

We have audited the basic financial statements of Norfolk State University as of and for the year ended June 30, 2011, and issued our report thereon, dated September 12, 2013. Our report is included in the University's consolidated financial report, which the University anticipates releasing in September.

INTRODUCTION

The organization recognized for setting the standard for sound internal control is the Committee of Sponsoring Organizations (COSO). According to COSO, management establishes the internal control system and is primarily responsible, with the support of senior management, for ensuring the effectiveness of the system. Management is accountable to the Board of Visitors, which should be comprised of members with sufficient independence from management. The Board of Visitors is responsible for governance, guidance, and oversight.

More than any other individual or function, the President of the University sets the tone at the top that affects internal control, specifically the control environment. Expressing a positive tone at the top regarding internal control and the importance of monitoring those controls involves the Board of Visitors communicating expectations and taking action when necessary.

Management develops internal controls in response to one or more identified risks that affect the achievement of organizational objectives, within the context of an effective control environment, and with proper information and communication. The process includes:

1. Setting objectives,
2. Identifying risks to achieving those objectives,
3. Prioritizing those risks, and
4. Designing and implementing responses to the risks (internal controls).

Internal control systems fail for three reasons, which are as follows:

1. They are not designed and implemented properly at the onset;
2. The environment in which they operate changes, (through changes in risks, people, processes, or technology) and the design of the internal control system does not change accordingly; and/or
3. The operations change in some way rendering them ineffective in managing or mitigating applicable risks.

When management or the Board of Visitors identifies control problems, the actions they are required to take to correct the problem depend on the circumstances. By taking appropriate action, especially when deficiencies or their consequences are significant, management and the Board of Visitors send a strong message throughout the organization about the role of monitoring and the importance of internal control.

In our observation, management did not take appropriate action with respect to implementing corrective action on findings from previous audits, nor did they identify significant risks that arose as a result of staff turnover and the implementation of a new accounting system, which resulted in the need for members of the Board of Visitors to engage in the audit process on a day-to-day basis. When the Board of Visitors must engage in functions typically performed by management, it is an indicator that the Board lacks confidence in the ability of University management to accomplish the objectives of the University. In order for the University to correct issues currently noted and prevent the future occurrence of these issues, University management must be proactive in communicating with the Board regarding potential problems and take a proactive approach to addressing deficiencies which may prevent the University from achieving its objectives.

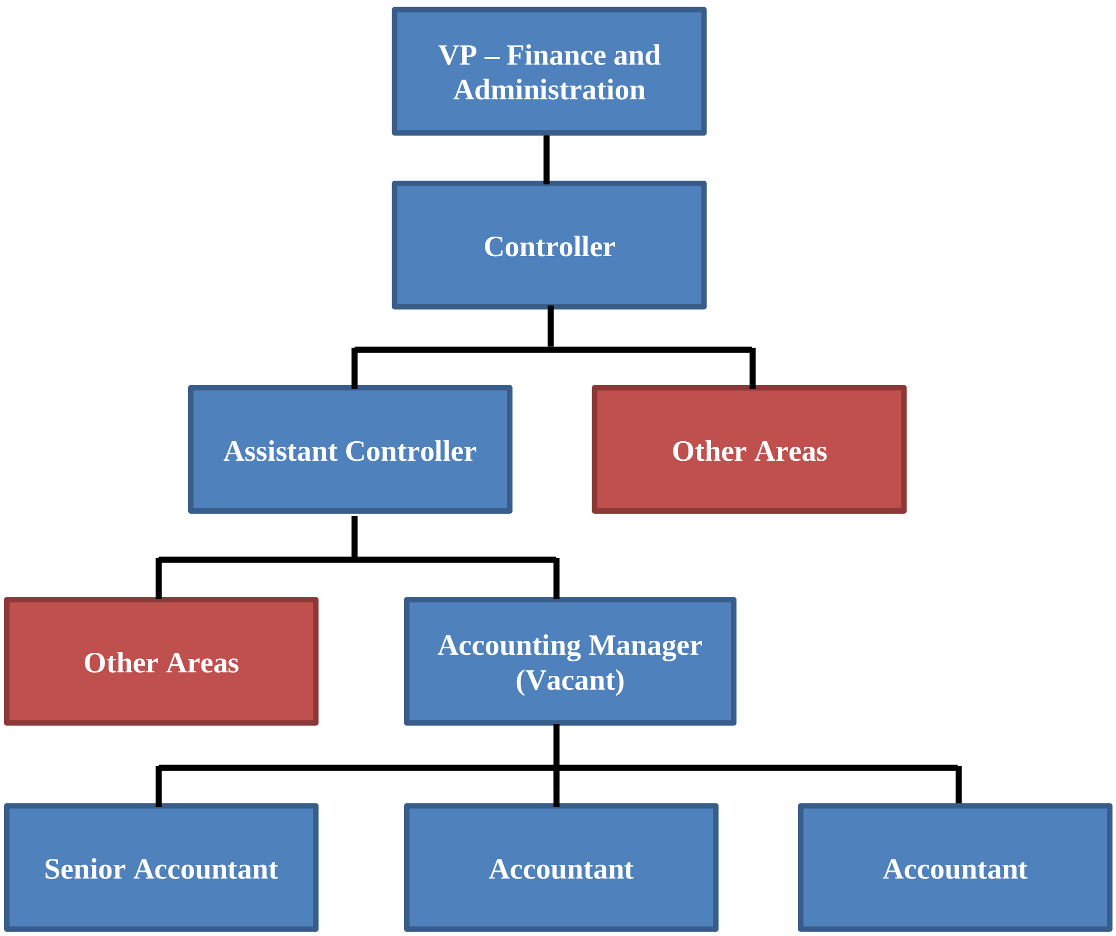
The findings included in this report are intended to provide a roadmap for management in addressing the University’s most significant risks related to financial and administrative functions and to ensure the Board of Visitors has adequate information to provide guidance, oversight, and expectations to University management.

FINANCIAL INTERNAL CONTROL AND COMPLIANCE FINDINGS

Address Inadequate Staffing and Organizational Structure

Norfolk State University's office of Finance and Administration is currently structured as seen in Figure 1 below. The University maintains an enrollment of approximately 6,500 students and based on analysis of institutions of a similar size and nature, it is apparent that the University is significantly understaffed in key financial and administrative functions.

Figure 1. Diagram of Norfolk State University's current organizational structure:



Concerns regarding significant staff turnover and inadequate staffing levels were originally noted as part of our letter dated, May 7, 2012. Although the University made attempts during the last year to hire individuals to fill key positions, it is still vastly understaffed. As a result, insufficient staffing in finance and administrative positions resulted in significant delays throughout the audit process, and often, the inability to locate necessary audit documentation and provide timely answers to audit inquiries.

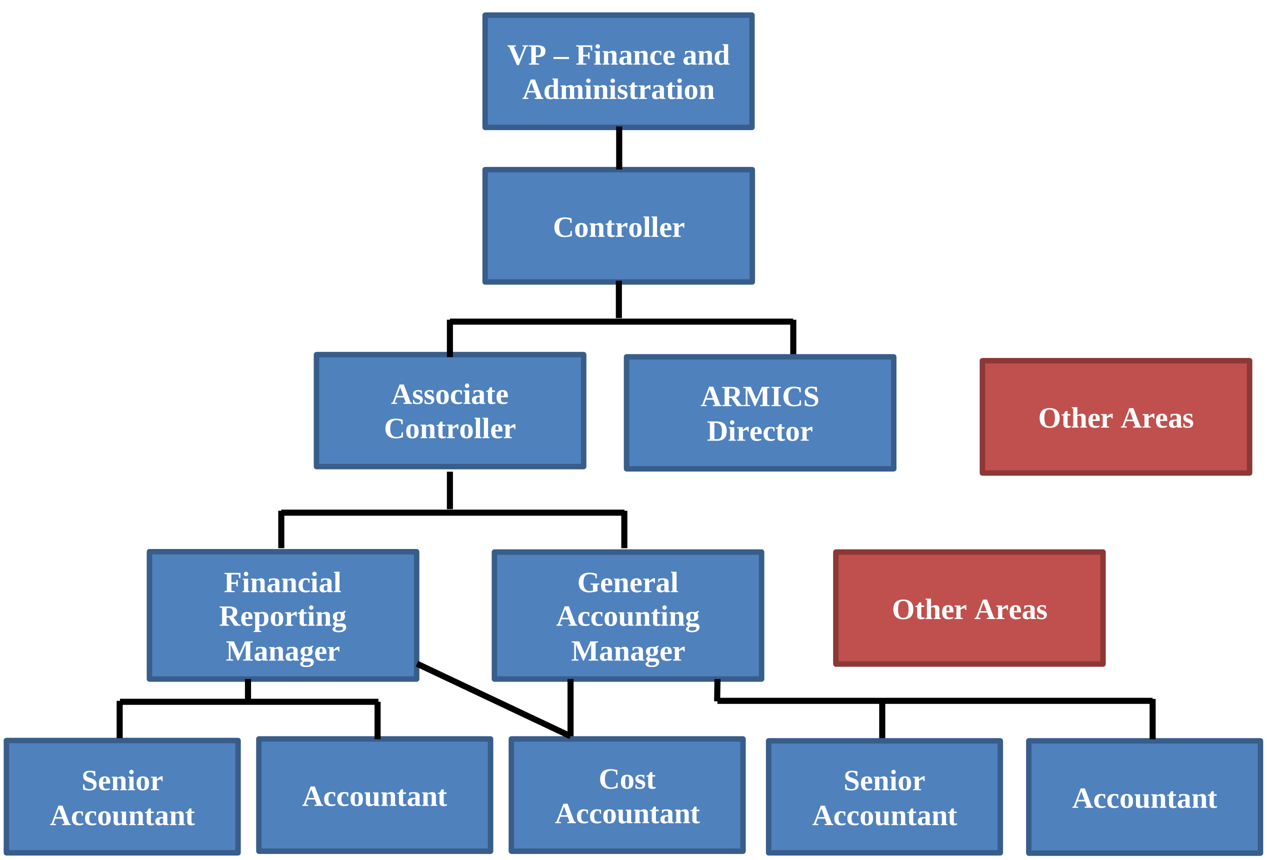
The University currently employs three full-time individuals and two part-time individuals as part of the Controller's office. The University hired three of these individuals as temporary employees to perform reconciliations and other general accounting functions. Based on the current organizational structure, vacancies continue to exist in key positions, particularly in the role of Accounting Manager and Fixed Asset Accountant.

Other public four-year institutions of a similar size to the University have between six and 12 employees in accounting functions. Specifically, the majority of universities of similar enrollment size have positions such as Assistant Controller, Financial Reporting Manager, General Accounting Manager, ARMICS compliance officer, as well as a number of staff accountant positions. A diagram of the typical structure of these offices has been included in Figure 2 for reference below.

<u>Recommendation</u>

University management should immediately analyze its needs with respect to accounting and reporting functions and allocate the appropriate resources to enable efficient and effective operation of the University. It should be noted that not all institutions are organized in the same fashion, nor do they have the same institutional needs; however, this recommendation is intended to address the current impracticality of the University's organizational structure and to emphasize the importance of appropriate division of labor and adequate allocation of resources to ensure continuity of University operations.

<u>Figure 2. Approximate Organizational Structure for Similar-sized Institutions:</u>



Develop and Implement Policies and Procedures

The University is currently lacking policies and procedures related to key financial reporting and accounting functions, which could result in inconsistent preparation and compilation of financial statement schedules and financial data. The University finalized the transition to the Colleague accounting system at the beginning of fiscal year 2012. As a result, the fiscal year 2012 financial statements will represent the first set of financial statements prepared from data entered and maintained entirely in Colleague.

Consistency, with regard to preparation and presentation of financial data, is an essential principle of accounting. Without consistency in preparation of financial schedules, it is nearly impossible to compare financial information between periods. In addition, the lack of policies and procedures in this area greatly increases the risk of error and misstatement of financial information. Combined with unsustainably low staffing levels in the Controller's office, the lack of policies and procedures greatly increases the risk, in the event of the departure of a key employee, that the University will be unable to perform required functions in an efficient, effective, and timely manner.

In response to our letter dated May 7, 2012, the University detailed the appointment of three individuals to key positions, including Controller, Assistant Controller, and Director of Procurement. These individuals began working at the University in May 2012, and as of August 2013, only the Controller remains employed with the University. While it is difficult to predict with absolute certainty the length of time in which an employee will remain in a given position, this commentary merely serves as an example of the importance of documented policies and procedures to ensure continued functionality of the department and University.

Recommendation

The combined impact of insufficient staffing and lack of clearly documented policies and procedures constitutes a material weakness in internal control and must be prioritized and corrected to avoid potentially catastrophic lapses in operational functionality. The University should immediately begin to document all processes related to everyday accounting functions and year-end financial reporting, as well as ensure policies and procedures are developed for all other administrative functional areas. This documentation should include specific and detailed references as to how information is entered into and obtained from the Colleague system.

Improve Year-end Financial Reporting Process

The process used to prepare the fiscal year 2011 financial statements was inefficient and outdated, resulting in material adjustments to financial information presented in the University's financial statements. To prepare the fiscal year 2011 financial statements, the University utilized a crosswalk spreadsheet, which summarized activity by fund on individual tabs, starting with balances from the financial accounting system and then adding any necessary adjusting entries. During our audit, we noted multiple instances of improper posting of adjusting entries to the crosswalk, inaccurate formulas, and adjusting entries that were unnecessary for financial reporting purposes.

In addition to the errors related to the financial statements, we noted inconsistencies and inaccuracies in financial statement footnote disclosures. Many of the footnotes lacked required elements as prescribed by the Government Accounting Standards Board (GASB), and as such, required revision. Similarly, we encountered errors in preparation of the year-end submissions provided to the Department of Accounts for consolidation in the Commonwealth's Comprehensive Annual Financial Report. As the Department of Accounts relies on the information submitted by the colleges and universities, it is essential that this information is accurate to ensure fair presentation of the Commonwealth's financial report.

Although an integrated financial reporting module is not included as part of the Colleague financial accounting system, it is not uncommon for universities to utilize third-party reporting software to aid in the consolidation of information from the financial accounting system to the appropriate financial statement presentation. Appropriately mapping accounts in the financial system to financial statement line items in reporting software will allow the University to eliminate some of the reclassification adjusting entries currently required at fiscal year end. Additionally, utilizing this approach should reduce the number of tabs and spreadsheets needed in the consolidation, which will decrease risk of human error in the compilation process.

Recommendation

The University should leverage report-writing software to develop an efficient and effective process for compiling financial statement information from the accounting system. During this process, the University should attempt to minimize the number of steps requiring manual adjustment of financial data, as these situations represent a higher risk of material misstatement to the financial statements. In addition, the University should clearly document the procedures used to generate the financial statements, footnotes, and year-end submissions, as these procedures will help ensure compliance with accounting pronouncements and aid in consistency of presentation from year-to-year. Lastly, all documentation related to the compilation of the financial statements, adjusting entries, and footnotes, should be maintained in a centralized location, organized in an efficient manner, and available to auditors promptly upon request.

Properly Maintain Documentation for Audit

Throughout the audit process, our auditors noted missing or incomplete audit documentation. In some cases, there was insufficient documentation to support the specific item selected for testing. While we were ultimately able to obtain sufficient appropriate audit evidence to support the individually published financial statements, the lack of an audit trail represents an issue that could have significant impacts on the audit process. If auditors are unable to obtain sufficient appropriate audit evidence due to lack of documentation, it could result in the inability of the auditor to provide an opinion on the financial statements.

The inability to locate needed supporting documentation for audit requests resulted in significant delays during the audit. Although some documentation was located, the delays resulted in inefficiency on the part of auditors and staff in attempting to support the financial statements. Additionally, in multiple instances, University staff provided "final" documents to staff, which were later discovered to be incomplete versions of the documentation requested. As a result, the auditors had to reperform audit procedures on multiple occasions, resulting in lost time for auditors and University personnel.

Recommendation

The University should develop a comprehensive system for filing documentation to ensure that it is available during future audits. In addition, this system should be documented in a way that inexperienced staff can determine the appropriate location for storing final versions of supporting documentation. The University personnel should strive to develop a process which will enable them to respond promptly to audit requests to reduce the length of time required to complete the audit. The prompt provision of supporting documentation for audit requests will significantly decrease the burden on the auditors and University personnel and will decrease the amount of time required to complete the audit.

Properly Perform Reconciliations of Bank Accounts and Accounting System

As noted in our letter dated May 7, 2012, the University lacked resources to promptly reconcile its primary bank account, as well as complete the reconciliation of the University's accounting system to the Commonwealth Accounting and Reporting System (CARS). While we noted improvement in the performance of reconciliations since our letter, there is the potential for further improvement of the reconciliation process.

During our review of the reconciliations and supporting documentation, we noted many reconciling items. Although these reconciling items were identified by University personnel, they were not utilized to adjust and properly reflect the appropriate activity in the accounting system. In addition, supporting documentation for reconciling items was unavailable or improperly maintained, and as such, was not available to the auditors. Often, University staff were unable to sufficiently explain the existence of the reconciling items and, as a result, these items continued to accumulate on each subsequent reconciliation.

While the completion of the reconciliation is an important part of the process, it should be noted that an equally important part of the process is ensuring that reconciling items have resulted in adjustments to the system. Researching reconciling items and adjusting the system, when necessary, ensures financial information is up to date and accurately reflects the current financial position of the University. Additionally, appropriately accounting for reconciling items reduces the risk of inappropriate activity, which may go unnoticed if reconciling items are allowed to accumulate on reconciliations.

Recommendation

The University should ensure that timely reconciliations are performed between the accounting system and all bank accounts. Additionally, the University should ensure they have timely reconciled the accounting system to CARS. As part of this process, the University should investigate all reconciling items and make adjustments to the system where appropriate. Reconciling items should not continue to accumulate from month to month, and the University should institute a review process to ensure reconciliations have been completed properly and all necessary adjustments have been made.

Correct Deficiencies in Fixed Asset Management Program

As noted as part of our report on internal control for fiscal year 2010, dated June 7, 2011, the University had several deficiencies in internal control related to disposal of fixed assets and completion of fixed asset physical inventories. Additionally, in our letter dated May 7, 2012, we indicated the University had not "recorded, tagged, or otherwise controlled fixed assets, including equipment, for most of 2012." While our audit of the financial statements pertained solely to fiscal year 2011, auditors performed procedures over fixed assets covering the period through June 30, 2012.

During our procedures, we noted the following:

- Several missing assets, including one with significant remaining book value;
- Many instances where fixed assets were not appropriately tagged and were not accurately reflected in the fixed asset system with respect to cost or useful life, resulting in improper depreciation of assets and requiring adjustments to the financial statements;
- Several instances where assets were ordered, but never placed into service. These assets remain unopened in the University's warehouse, and represent an inefficient use of University resources;
- Implementation of the Colleague financial system was not properly tracked and recorded as an intangible asset, which resulted in a significant adjustment to the financial statements;
- Inability of University staff to locate supporting documentation for asset disposals occurring during the fiscal year;
- Physical inventory of assets has not been performed during the last two years resulting in noncompliance with the Commonwealth Accounting Policies and Procedures Manual; and,
- Use of inaccurate reports to generate financial statement information, resulting in multiple adjustments during the audit process.

Recommendation

The lack of physical inventory, insufficient tagging of equipment, number of idle or unused assets, and errors in financial reporting present a significant risk of misappropriation of assets from the University. The University should develop updated policies and procedures to ensure fixed assets are properly controlled. These policies should include the initial identification of potential fixed assets following procurement, proper recording of the value of the assets in the fixed asset system, assignment of an appropriate useful life and salvage value, tagging of fixed assets, completion of required fixed asset inventories, and appropriate disposal of assets deemed obsolete or no longer needed for University purposes. Following development of these procedures, the

University should complete a full physical inventory, ensuring that all equipment has been properly tagged. In addition, any assets determined to be obsolete, or fully depreciated and no longer needed by the University, should be surplussed or disposed using an approved methodology. Idle or unused assets remaining in the warehouse should be re-deployed to other departments within the University, if possible, or should be surplussed unless the University expects to use them imminently. Finally, the University should ensure the information used to prepare the financial statements is reasonable and properly prepared.

Perform Internal Control Risk Assessment Procedures

As outlined in the Commonwealth's Accounting Policies and Procedures (CAPP) Manual topic 10305, each Agency head is responsible for having agency management document the agency's assessment of internal controls to include:

- Strengths, weaknesses, and risks over the recording of financial transactions in the General Ledger;
- Compliance with the agency's financial reporting requirements;
- Compliance with laws and regulations; and,
- Stewardship over the Commonwealth's assets

The initial implementation of Agency Risk Management and Internal Control Standards (ARMICS) included the documenting, evaluating, and testing of agency-level controls. The Department of Accounts provides that once the process has been successfully implemented, the institution should refresh and refine the evaluation each year. Ultimately, the agency head is required to certify that they have established, maintained, and evaluated their agencies' internal control framework.

Our audit found incomplete documentation related to the completion of ARMICS reviews and the improper certification of the completion of those reviews to the Department of Accounts. Additionally, the ARMICS documentation for fiscal year 2012 should have resulted in a significant amount of documentation regarding changes in internal control following the implementation of the Colleague system. Our audit indicated that documentation of internal control, with respect to the implementation of the Colleague system, has not yet occurred.

Recommendation

As the University addresses staffing concerns, it should dedicate resources to ensure all policies and procedures are up-to-date and reflect the current system of internal control. Following this update, the ARMICS officer should perform a complete review of the University's system of internal control and the agency head should appropriately certify its completion to the Department of Accounts. Following the complete review of internal control, the ARMICS officer should annually refine the evaluation to reflect any changes in internal control or areas of concern.

EFFICIENCY RECOMMENDATIONS

Improve Management of Small Purchase Charge Card Program

The University participates in the Commonwealth's Small Purchase Charge Card program, which is administered by Bank of America. Purchase cards (P-cards), enable individuals to make small purchases, up to their transaction limit, without obtaining prior approval through the normal requisition and purchase order process. Using P-cards, enables departmental users to obtain needed supplies or other items in a timely manner and eliminates some of the workload on central procurement department staff.

During our review, our auditors determined the University is not managing the P-card program in an efficient manner. In order for a user to make a purchase with his P-card, the user is required to submit a requisition to the Procurement department for approval. Once approved, the P-card administrator will activate the user's card, allowing them to complete the purchase. After the purchase has been completed, the card reverts to inactive status until the next requisition is submitted.

While managing the program in this way reduces the risk of fraudulent activity by P-card users, it is not an efficient use of the understaffed Procurement function at the University. The University currently employs three full-time individuals within the Procurement department, a Procurement Director and two buyers, which handle all purchasing activity for the entire University. Additionally, the University's management of this program is not the general methodology utilized by other decentralized agencies and universities.

Recommendation

We recommend the University reassess its management of the Small Purchase Charge Card program to increase efficiency at the departmental level and reduce workload for administrative functions. The University should ensure it provides adequate training to P-card users and approvers to ensure they are aware of the requirements to receive and maintain a purchase card. Adjusting this process could decrease the backlog of purchase requests submitted to the Purchasing department for approval and result in a more efficient procurement of resources at the departmental level. The University should also develop a P-card monitoring or audit program that ensures proper management by cardholders and supervisors to reduce risk of unnoticed inappropriate activity. Lastly, management should evaluate staffing within the Procurement department to determine if adequate staffing levels exist given the volume of transactions needing processing.

FEDERAL INTERNAL CONTROL AND COMPLIANCE FINDINGS

Properly Calculate and Return Title IV Funds

University staff used incorrect dates to calculate refunds of Title IV funds for Fall 2011 and Spring 2012 student withdrawals.

When calculating the length of the semester, financial aid office staff used the last day of classes, rather than the last day of exams as the official end of each semester. This error causes an understatement in the amount of the return and applies to all items in the sample tested, resulting in the return of $1,171 less than required to the Department of Education. In accordance with 34 CFR 668.3, for return of Title IV funds calculation purposes, a week of instructional time is that in which at least one day of instruction or examinations occurs or, after the last day of classes, at least one day of study for final examinations occurs.

Recommendation

As this finding was identified as part of the fiscal year 2012 Statewide Single audit, we recognize that the error was corrected by the institution and the appropriate amount of funds have since been returned to the Department of Education. Moving forward, financial aid personnel should use the last date of exams as the end date for determining the length of the semester.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 12, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
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, 2011, which collectively comprise the University's basic financial statements and have issued our report thereon dated September 12, 2013. 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 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

Management of the University is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the sections entitled "Financial Internal Control and Compliance Findings," "Efficiency Findings," and "Federal Internal Control and Compliance Findings," we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies in 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. We consider the following deficiencies, which are described in the section titled "Financial Internal Control and Compliance Findings," to be material weaknesses:

- Address Inadequate Staffing and Organizational Structure
- Develop and Implement Policies and Procedures
- Improve Year-end Financial Reporting Process
- Properly Maintain Documentation for Audit
- Properly Perform Reconciliations of Bank Accounts and Accounting System; and,
- Correct Deficiencies in Fixed Asset Management Program

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. We consider the deficiency entitled "Perform Internal Control Risk Assessment Procedures," which is described in the section titled "Financial Internal Control and Compliance Findings," to be a significant deficiency.

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 "Properly Calculate and Return Title IV Funds" are described in the section titled "Federal Internal Control and Compliance Findings."

Additionally, we have provided a separate communication to management, which details less significant, but nevertheless important, deficiencies in internal control, which should be addressed by the University.

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 Year Findings

The University has not taken adequate corrective action with respect to the previously reported findings "Address Inadequate Staffing and Organization Structure," "Properly Perform Reconciliations of Bank Accounts and Accounting System," and "Correct Deficiencies in Fixed Asset Management Program." Accordingly, we included these findings in the section entitled "Financial Internal Control and Compliance Findings." 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 September 6, 2013.

AUDITOR OF PUBLIC ACCOUNTS

EMS/clj

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September 11, 2013

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

Dear Ms. Mavredes:

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, 2011.

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,

Mr. Gerald E. Hunter
Vice President for Finance and Business

Cc: Dr. Sandra J. DeLoatch
Mr. Earlie P. Horsey
Mr. Barry O. Herring
Mr. Ernest Ellis

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Norfolk State University
Management's Response and Corrective Action
Fiscal Year 2011 Audit

Inadequate Staffing and Organizational Structure:

Response: Management concurs with the audit finding of inadequate finance staffing and the need to reorganize the University's finance and general accounting functions.

Corrective Action: Management has developed a new organizational structure for the University's finance and general accounting functions. The new structure requires eight (8) new positions at the staff accounting and accounting management levels. There will be one new section (Financial Reporting) consisting of six (6) new positions. The current Financial Services section will be allocated the remaining two (2) new positions; which will be assigned to strengthen the fixed assets operation. These new positions are included in the University's Decision Package Submission for the 2014-2016 Biennial Budget.

Develop and Implement Policies and Procedures

Response: Management concurs with the audit finding requiring the need to develop and implement policies and procedures for all finance and administrative functions.

Corrective Action: Management is scheduling new training for all staff in the use and operations of the Colleague Financials system. The training will be conducted by an outside vendor, Ellucian. The new system will require updates, new policies and procedures and training for each area within the finance division. These new and/or improved policies and procedures will be maintained within and updated digitally so that access will be readily available to all employees. The success of this action is contingent upon our ability to add new staff to the finance unit.

Improve Year-end Financial Reporting Process

Response: Management concurs with the audit finding of the need to improve year-end reporting process.

Corrective Action: Among the areas identified for training will be specific training in the development and production of financial statements and other financial reports. The finance staff will be trained in the use and application of the Colleague Financials' report writer SYNOPTIX. This new tool will be used to develop all future financial statements starting with FY 2013.

Properly Maintain Documentation for Audit

Properly Maintain Documentation for Audit

Response: Management concurs with the finding of the requirement to maintain appropriate documentation for APA audits, engagements.

Corrective Action: During the training process all staff will receive detailed instructions in the need to keep and produce on-demand, the necessary documentation required for audits and other financial reports. Documentation will be maintained digitally with accessible hardcopy backup, where permitted and appropriate.

Properly Perform Reconciliations of Bank Accounts and Accounting System

Response: Management concurs with the audit finding of the requirement to complete the reconciliation process for both accounting systems and banks accounts, including all necessary adjusting entries.

Corrective Action: All reconciliations will be completed in accordance with the established due dates and required adjusting entries will be completed. A review of the reconciliations will be conducted by the new manager of Financial Reporting to ensure that all required adjustments have been properly processed.

Correct Deficiencies in Fixed Asset Management Program

Response: Management concurs with the need to correct deficiencies in the fixed asset management program.

Corrective Action: The University is developing an RFP to engage a company to conduct a complete physical inventory of all the fixed assets. A successful vendor is anticipated to be selected before December 2013 with a start date of January, 2014. The engagement period will be from January, 2014 to June, 2014. An additional new staff position will be provided to support the fixed asset system and maintain the physical inventory.

Perform Internal Control Risk Assessment Procedures

Response: Management concurs with the need to perform internal control risk assessment procedures.

Corrective Action: The University will redefine existing position job duties to include the responsibility of conducting and documenting the internal control and risk assessment processes. These added responsibilities will be assigned to a current position in Vice President for Finance and Administration office.

Improve Management of Small Purchase Charge Card Program

Response: Management concurs with the audit finding of the need to improve small purchase card program.

Corrective Action: The University has created a position to manage the Small Purchase Charge (SPCC) card program. The position has been advertised and will be filled by October, 2013. This position will be placed in the University Purchasing Department and has the sole responsibilities of managing the process and use of the SPCC card program and training the cardholders.

Properly Calculate and Return Title IV Funds

Response: Management concurs with the audit finding of the need to properly calculate refunds to Title IV Funds.

Corrective Action: As noted in the finding recommendation, the University's financial aid staff recognized and corrected the error to properly calculate and reimburse Title IV refunds. In the future, the financial aid staff and bursar will make every effort to use the appropriate dates for determining the applicable amount of the return of funds.

NORFOLK STATE UNIVERSITY
Norfolk, Virginia