

NORTHWESTERN STATE UNIVERSITY

UNIVERSITY OF LOUISIANA SYSTEM

FINANCIAL AUDIT SERVICES

**Management Letter
Issued May 22, 2024**

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
BETH Q. DAVIS, CPA

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Northwestern State University



May 2024

Audit Control # 80230110

Introduction

As a part of our audit of the University of Louisiana System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2023, we performed procedures at Northwestern State University (NSU) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of NSU's internal controls over financial reporting and compliance; and determine whether NSU complied with applicable laws and regulations.

In addition to the procedures noted above, we also performed certain other procedures for the period July 1, 2021, through June 30, 2022.

We also determined whether management has taken actions to correct the findings reported in the prior engagement.

Results of Our Procedures

Follow-up on Prior-engagement Findings

Our auditors reviewed the status of the prior-engagement findings reported in the NSU management letter dated June 22, 2022. We determined that management has resolved the prior-engagement findings related to Inadequate Controls Resulting in Theft via Direct Deposit, Weakness in Calculation of Return of Title IV Funds, Weakness in Controls over Eligibility Requirements, and Untimely Return of Title IV Funds. The prior-engagement finding related to Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security has not been resolved and is addressed again in this letter.

Current-year Findings

Noncompliance with Gramm-Leach Bliley Act Regarding Student Information Security Requirements

For the third consecutive year, NSU was not in compliance with all of the requirements of the Gramm-Leach-Bliley Act (GLBA) for safeguarding student information. Postsecondary institutions and third-party servicers must protect student financial aid information provided to them or obtained as part of the administration of the Federal Student Financial Aid programs (Title IV programs) authorized under Title IV of the Higher Education Act of 1965, as amended. Each institution that participates in Title IV programs has agreed in its Program Participation Agreement to comply with the GLBA Safeguards Rule under Title 16 of the Code of Federal Regulations, Part 314.

In order to have an information security program, as required by GLBA, a formal risk assessment must be performed. NSU contracted with an outside firm to perform a formal risk assessment; however, the related report was not issued until August 2023, and therefore, NSU was unable to design and implement safeguards to address the risks identified. Noncompliance with GLBA requirements may result in an increased risk of unauthorized disclosure, misuse, alteration, destruction or other compromise of student information.

Management should design and implement safeguards to control the risks identified through the risk assessment in regards to student information. Furthermore, the entity should regularly test or otherwise monitor the effectiveness of the key controls, systems, and procedures put in place to safeguard student information. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Weakness in Controls over Information Technology

In March 2022, a cybersecurity event occurred at NSU. NSU did not have adequate controls over certain information technology functions and cyber-related response documentation. Due to their sensitive nature, we have communicated the specific weaknesses confidentially to NSU. A lack of adequate controls over information technology increases the risk of insecure applications and devices. Inadequate response documentation may also preclude NSU from supporting that a potentially adverse event was negligible or isolated and did not cause error or fraud in financial reporting.

We evaluated NSU's information technology controls over financial reporting based on best practices, as defined by *Control Objectives for Information and Related Technology*, a framework by the Information Systems Audit and Control Association as well as guidance provided by the National Institute of Standards and Technology (NIST).

NSU should improve its security controls and incident response documentation procedures. These procedures should clearly address retention of appropriate records and documentation, define responsibilities of outside parties, and delineate any business and legal-related components of incident response. Additionally, NSU should require all outside parties involved in incident response to document their activities in detail according to NIST guidance and obtain these records as evidence of successful incident response and remediation. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2023, we considered NSU's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets – Cash and Cash Equivalents and Capital Assets

Net Position – Net Investment in Capital Assets, Restricted – Nonexpendable, Restricted – Expendable, and Unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student Tuition and Fees Net of Scholarship Allowances, State Appropriations, and Federal Nonoperating

Expenses - Educational and General

Based on the results of these procedures on the financial statements, we reported a finding related to Weakness in Controls over Information Technology, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2023, we performed certain procedures as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on information submitted by NSU to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA) and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings.

Based on the results of these Single Audit procedures, we reported a finding related to Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security Requirements. In addition, NSU's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

Other Procedures

In addition to the System and Single Audit procedures noted above, we performed other limited procedures on bank account reconciliations, student tuition and fees revenue, state appropriations, federal nonoperating revenue, payroll expenses, and non-payroll expenses.

Based on the results of these procedures, we did not report any findings.

Trend Analysis

We compared the most current and prior-year financial activity using NSU's Annual Fiscal Reports and/or system-generated reports and obtained explanations from NSU's management for any significant variances.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of NSU. The nature of the recommendations, their implementation costs, and their potential impact on the operations of NSU should be considered in reaching decisions on courses of action. The finding related to NSU's compliance with applicable laws and regulations should be addressed immediately by management.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

LA:LMN:RR:BQD:aa

NSU2023

APPENDIX A: MANAGEMENT'S RESPONSES

NORTHWESTERN STATE

Office of the President

February 27, 2024

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack:

In response to the audit finding: Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security Requirements, the University concurs with the finding and submits the following:

Northwestern State University will complete the mitigation of the risks identified by the risk assessment and will continue to design and implement controls identified by the GLBA Safeguards Rule. This is scheduled to be completed by April 2, 2024. Regular testing of the controls will also be conducted to safeguard and ensure the integrity of student information and systems.

The individuals responsible for corrective action are Antionette Carter, Security Officer, and Stanley Hippler, Chief Information Officer.

Sincerely,



Dr. Marcus D. Jones
President

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February 27, 2024

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack:

In response to the audit finding: Weakness in Controls over Information Technology, the University concurs with the finding and submits the following:

- 1) The Incident Response Plan will be updated to clearly define incident documentation requirements for all parties, to include retention of incident records and documentation, and to transfer a copy of all documentation to the University. This will be complete by March 1, 2024.
- 2) Information Technology Services will work with new and existing third parties involved in incident response to ensure the third parties are aware of their incident response requirements. This will be completed no later than April 2, 2024.
- 3) Information Technology Services has taken steps to improve its security controls on desktops and servers. This is complete.
- 4) Information Technology Services will review and add additional security monitoring. This is scheduled to be completed by March 7, 2024.

The individuals responsible for corrective action are Antionette Carter, Security Officer, and Stanley Hippler, Chief Information Officer.

Sincerely,



Dr. Marcus D. Jones
President

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Northwestern State University (NSU) for the period from July 1, 2022, through June 30, 2023, to provide assurances on financial information significant to the University of Louisiana System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the System's financial statements and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2023.

- We evaluated NSU's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to NSU.
- Based on the documentation of NSU's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed certain procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2023, as a part of the 2023 Single Audit.
- We compared the most current and prior-year financial activity using NSU's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from NSU's management for significant variances.

In addition, we performed certain other procedures for the period from July 1, 2021, through June 30, 2022. Our objective was to evaluate certain controls NSU uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is solely to describe the scope of our work at NSU and not to provide an opinion on the effectiveness of NSU's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review NSU's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. NSU's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.