

Northern Oklahoma College

Tonkawa, Oklahoma

Internal Audit Report

Fiscal Year 2015–2016



**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT

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**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT

Fiscal Year 2015–2016

**EXECUTIVE SUMMARY OF PROCEDURES
PERFORMED AND RESULTS THEREOF**

We performed the procedures detailed in the attached report to assist the Board of Regents and management of Northern Oklahoma College’s (the “College”) in maintaining an effective internal control system for the College. The following is a brief summary of the areas in which testwork was performed and the results.

Expenditures

Procedures Performed

We reviewed the College’s policies and procedures used for expenditures to ensure that they were effective and efficient. We documented procedures used, conducted a “walk through” of operations, and observed the process. We conducted interviews with personnel involved in the process.

We selected 30 expenditures from the E&G (290) Fund and 30 expenditures from the Auxiliary (700) Fund from July 1, 2015, through May 31, 2016. We utilized ACL (Audit Data Extraction software) to assist in making selections. All selections were examined for adequate supporting documentation, reviewed for proper approval in accordance with applicable policy, and verified to be properly recorded.

We selected 25 capital project expenditures from the D (600) Fund and the E (650) Fund from July 1, 2015, through May 31, 2016. We utilized ACL software to assist in making selections. All selections were examined for adequate supporting documentation, reviewed for proper approval in accordance with applicable policy, and verified to be properly recorded.

Results

No exceptions were noted.

Travel Claims

Procedures Performed

We reviewed the College’s policies and procedures used for travel claims to ensure that they were effective and efficient. We documented procedures used, conducted a “walk through” of operations, and observed the process. We conducted interviews with personnel involved in the process.

We selected 30 travel claims from July 1, 2015, through May 31, 2016. We utilized ACL (Audit Data Extraction software) to assist in making selections. All selections were examined for adequate supporting documentation, reviewed for proper approval in accordance with applicable policy, and verified to be properly recorded.

Results

No exceptions were noted.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

**EXECUTIVE SUMMARY OF PROCEDURES
PERFORMED AND RESULTS THEREOF, CONTINUED**

Property Rentals

Procedures Performed

We reviewed the policies and procedures used to administer property rental transactions to ensure that they were effective and efficient. We documented procedures used, conducted a “walk through” of operations, and observed the processes. We also conducted interviews with personnel involved in the process.

We received an inventory housing list of 32 rental units provided by the College. We reviewed all property rental documents and examined the details within each of the rental properties that support and approve the leasing transaction process. We verified rental property payments were paid timely and that tenants were current. For any noncurrent tenants we verified correspondence was remitted to the tenants.

Results

We noted two instances in which the tenant did not pay the required deposit amount.

Management's Response

There have been instances where some College employees were not required to pay a deposit on rental property. Thus, there were times when College employees were first renting a property for which they may have received a key prior to payment of their deposit, since it was not known if they would be required to pay a deposit at the time they requested a key. This was the case with one of the instances; the other instance did not involve a College employee. Procedures have been changed to require that any new tenant pay their deposit prior to receiving keys to their rental property. Personnel in the Office of Student Affairs will verify with cashiers in the Bursar's Office that the deposit has been properly paid. At that time, the renter's key will be made available for release to the tenant.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

**EXECUTIVE SUMMARY OF PROCEDURES
PERFORMED AND RESULTS THEREOF, CONTINUED**

Payroll

Procedures Performed

We reviewed the policies and procedures used to administer Payroll’s operations to ensure that they were effective and efficient. We documented procedures used, conducted a “walk through” of operations, and observed the payroll process. We conducted interviews with personnel involved in the Payroll operations, including Human Resources, Accounting, and other persons involved in the process.

We selected 60 employees from the Master File Employee Report dated July 1, 2015, through May 31, 2016. For each employee selected, we obtained documentation that properly supports employee hiring, contract, and wage qualifications.

Results

We noted one instance in which an employee’s I-9 form was not provided.

Management’s Response

The employee whose I-9 was missing began employment at the College before individual personnel files were maintained by Human Resources. I-9 forms were routinely obtained by Human Resources, but it is possible that this individual’s form was filed incorrectly and has not been located. Personnel in Human Resources have since implemented a checklist to verify that all required documentation is placed in new employee personnel files.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

**EXECUTIVE SUMMARY OF PROCEDURES
PERFORMED AND RESULTS THEREOF, CONTINUED**

Cashier

Procedures Performed

We reviewed the College’s policies and procedures for the cashier processes, daily balancing, including voided transactions and postdating of transaction’s to ensure that they were effective and efficient. We reviewed the cashiers’ daily functions to determine that proper segregation of duties, proper reconciliation of reports and proper review was occurring. We documented procedures used, conducted a “walk through” of cashier operations, and observed the process. We conducted interviews with personnel involved in the process.

A selection was made from the bookstore deposits and activity advances for cashier testwork (see Activity Advances and Bookstore sections). All selections were agreed to proper supporting documentation and reports, reviewed to determine whether proper cashier procedures were adhered to, traced to applicable bank statement, and verified to properly reconciled and properly recorded.

A selection was made from the Discrepancy Reports for testwork of transactions occurring from July 1, 2015, through May 31, 2016. We selected five transactions for 4 months of the fiscal year and verified adequate supporting documentation was reviewed and any void or postdated transaction made by a cashier was properly approved and recorded. We further reviewed the reports for the entire fiscal year noting they have been reviewed, worked, and considered to be proper by a supervisor.

Results

No exceptions were noted.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

**EXECUTIVE SUMMARY OF PROCEDURES
PERFORMED AND RESULTS THEREOF, CONTINUED**

Activity Advances

Procedures Performed

We reviewed the College’s policies and procedures for Activity Advances (including the cashier process), to ensure that they were effective and efficient. We reviewed the daily process related to activity advances for sponsors, cashiers, and accounting personnel to determine that proper segregation of duties, proper reconciliation of reports, and proper review was occurring. We documented procedures used, performed a “walk through” of operations, and conducted interviews with personnel involved in the process.

A selection of 25 activity advances from the Activity Advance Detail Report from July 1, 2015, through May 31, 2016, was made for testwork. All selections were examined for adequate supporting documentation, reviewed to verify proper cashier procedures were followed, reviewed for proper receipt and approval in accordance with applicable policy, traced to applicable bank statement, and verified to be properly reconciled and properly recorded.

Results

No exceptions were noted.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

**EXECUTIVE SUMMARY OF PROCEDURES
PERFORMED AND RESULTS THEREOF, CONTINUED**

Bookstore

Procedures Performed

We reviewed the College’s policies and procedures for bookstore deposits (including the cashier process), for bookstore expenditures, inventory, and sales to ensure that they were effective and efficient. We reviewed the daily bookstore functions to determine that proper segregation of duties, proper reconciliation of reports and proper review was occurring. We documented procedures used, conducted a “walk through” of bookstore operations, and observed the process. We conducted interviews with personnel involved in the process.

We selected 32 deposits for the Tonkawa bookstore and 32 deposits for the Enid bookstore from the Daily Transaction Reports. All selections were agreed to proper supporting bookstore and cashier reports, reviewed to verify proper cashier procedures were adhered to, traced to applicable bank statement, and verified to be properly reconciled and properly recorded.

A selection of 30 expenditures for the Tonkawa bookstore and 30 expenditures for the Enid bookstore was made from the E&G (290) Fund from July 1, 2015, through May 31, 2016, for testwork. We utilized ACL (Audit Data Extraction software) to assist in making selections. All selections were examined for adequate supporting documentation, reviewed for proper receipt and approval in accordance with applicable policy, and verified to be properly recorded.

Analytical procedures were applied to bookstore sales and inventory expenditures in relation to the number of students enrolled for a 3-year period. Any unusual variances were reviewed and were determined to be reasonable.

Results

No exceptions were noted.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

**EXECUTIVE SUMMARY OF PROCEDURES
PERFORMED AND RESULTS THEREOF, CONTINUED**

Data Extraction

Procedures Performed

Computer auditing techniques were used to assist in tests of expenditures and payroll. We used our ACL software to:

- Perform Benford analysis for all E&G (290) Fund and Auxiliary (700) Fund expenditures.
- Review for possible duplicate payments.
- Review for possible missing checks for Auxiliary (700) Fund.
- Review for duplicate addresses for payroll expenditures.
- Review for duplicate social security numbers for payroll expenditures.

Results

All possible instances of abnormalities were examined and resulted in no findings.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

EXPENDITURES

Audit Approach

As an element of the College's core business function, expenditures will be audited using the risk-based approach. The audit will only address expenditures as defined by the generation of pay (State of Oklahoma, Office of State Treasury).

Following completion of the general overview and risk assessment, we used professional judgment to select specific areas for additional focus and audit testing as needed.

Audit Scope

The general scope of the audit include interviews with Accounting, Purchasing, and Student Accounts management and key personnel; expenditures processed from July 1, 2015, through May 31, 2016; all other related documents and information pertaining to the collection, reviewing, processing, and reporting of expenditures, plus supporting documentation required to support the expenditures for the College's departments; a review of available financial and management reports; review of key referencing/training material; evaluation of implementation of College-wide policies; and consideration of key operational aspects.

We obtained a detailed understanding of the management structure, significant operational processes, compliance requirements, and information systems.

Audit Objectives

Our objective was to obtain an understanding of significant processes and practices employed in administering the expenditure function, specifically addressing the following components:

- Management philosophy, operating style, and risk assessment practices.
- Functional and organizational structure relating to delegation of authority and responsibility.
- Positions of accountability for financial and programmatic results.
- Purchasing policies, standard practices and procedures.
- Expenditures are properly coded.
- Vendor invoicing and College review and approval processes.
- College payment processes.
- Management review of edits and checks to enable identification of unusual or unexpected transactions.
- Conflicts of interest.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

EXPENDITURES, CONTINUED

Audit Objectives, Continued

- Controls over the expenditure process are evaluated.
- Evaluate the local compliance with the following requirements:
 - Financial/Accounting Policies and Procedures Manual,
 - College’s expenditure policies,
 - Authorization limits, and
 - Applicable federal/state rules and regulations.

Summary of Policies and Procedures

Accountability for expenditure control purposes is the delegation of authority to qualified persons to initiate, approve, process and review expenditure transactions and the holding of those persons responsible for the validity, correctness, and appropriateness of their actions.

Managers and leaders at all levels of the College’s organization are responsible for ensuring that an appropriate and effective control environment is in place in their areas of responsibility. All College personnel are responsible for communicating upward observed or suspected problems involving fraud or other improprieties involving College resources.

Summary of Control Features of Internal Controls

Segregation of Duties: Duties are divided, or segregated, among different employees to reduce risk of error or inappropriate actions. No one person has control over all aspects of any expenditure transaction process.

Authorization and Approval: Expenditure transactions are authorized by a person delegated approval authority consistent with policy.

Review and Reconciliation: Expenditure records are routinely examined and reconciled to determine that transactions were properly processed. The person performing the review signs and dates the expenditure report to signify that the review has been satisfactorily completed and any discrepancies resolved.

Physical Security: Expenditure records are secured and locked in filing cabinets and are only accessible to designated personnel.

Training and Supervision: Employees receive appropriate training and guidance to ensure they have knowledge necessary to carry out their job duties, are provided with an appropriate level of direction and supervision, and are aware of the proper channels for reporting suspected improprieties.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

EXPENDITURES, CONTINUED

Summary of Control Features of Internal Controls, Continued

Documentation of Policies and Procedures: College and departmental level expenditure policies and operating procedures are formalized and communicated to employees. Management adheres to documenting expenditure policies and procedures and making them accessible to employees. This helps provide day to day guidance to staff and has promoted continuity of expenditure activities.

Internal Audit Procedures Performed

Procedures Performed

We reviewed the College's policies and procedures used for expenditures to ensure that they were effective and efficient. We documented procedures used, conducted a "walk through" of operations, and observed the process. We conducted interviews with personnel involved in the process.

We selected 30 expenditures from the E&G (290) Fund and 30 expenditures from the Auxiliary (700) Fund from July 1, 2015, through May 31, 2016. We utilized ACL (Audit Data Extraction software) to assist in making selections. All selections were examined for adequate supporting documentation, reviewed for proper approval in accordance with applicable policy and verified to be properly recorded.

We selected 25 capital project expenditures from the D (600) Fund and the E (650) Fund from July 1, 2015, through May 31, 2016. We utilized ACL software to assist in making selections. All selections were examined for adequate supporting documentation, reviewed for proper approval in accordance with applicable policy, and verified to be properly recorded.

Audit Limitations

The purpose of the internal audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The internal audit report is a tool to help management discern and implement specific improvements. The internal audit report is not an appraisal or rating of management.

We detected no significant irregularities, abuse, or illegal acts. Although we exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management.

Findings and Recommendations

None.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

TRAVEL CLAIMS

Audit Approach

As an element of the College's core business function, Travel Claims will be audited using the risk-based approach. The audit will only address travel as defined by the generation of pay (State of Oklahoma, Office of State Finance).

Following completion of the general overview and risk assessment, we used professional judgment to select specific areas for additional focus and audit testing as needed.

Audit Scope

The general scope of the audit include interviews with Accounting management and key personnel; travel claims processed from July 1, 2015, through May 31, 2016; all other related documents and information pertaining to the collection, reviewing, processing, and reporting of travel plus supporting documentation required to support the travel expenses for the College's departments; a review of available financial and management reports; review of key referencing/training material; evaluation of implementation of College-wide policies; and consideration of key operational aspects.

We obtained a detailed understanding of the management structure, significant operational processes, compliance requirements, and information systems.

Audit Objectives

Our objective was to obtain an understanding and evaluate travel expense control processes, specifically addressing the following areas:

- Travel authorization and processes.
- Functional and organizational structure relating to delegation of authority and responsibility.
- Data recording and reporting.
- Travel expense payment processes for compliance with College travel policies.
- Other processes, as needed.
- Compliance with applicable Federal and State rules and regulations.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

TRAVEL CLAIMS, CONTINUED

Summary of Policies and Procedures

Accountability for travel claim control purposes is the delegation of authority to qualified persons to initiate, approve, process, and review travel reimbursement transactions, and the holding of those persons responsible for the validity, correctness, and appropriateness of their actions.

Managers and leaders at all levels of the College's organization are responsible for ensuring that an appropriate and effective control environment is in place in their areas of responsibility. All College personnel are responsible for communicating upward observed or suspected problems involving fraud or other improprieties involving College resources.

Summary of Control Features of Internal Controls

Segregation of Duties: Duties are divided, or segregated, among different employees to reduce risk of error or inappropriate actions. No one person has control over all aspects of any travel claim transaction process.

Authorization and Approval: Request for travel reimbursements must first be pre-approved and are then authorized by a person delegated approval authority consistent with policy.

Review and Reconciliation: Travel claim records are routinely examined and reconciled to determine that reimbursements were properly processed. The person performing the review signs and dates the report to signify that the review has been satisfactorily completed and any discrepancies resolved.

Physical Security: Travel claim records are secured and locked in the vault and are only accessible to designated personnel.

Training and Supervision: Employees receive appropriate training and guidance to ensure they have knowledge necessary to carry out their job duties, are provided with an appropriate level of direction and supervision, and are aware of the proper channels for reporting suspected improprieties.

Documentation of Policies and Procedures: College and departmental level travel reimbursement policies and operating procedures are formalized and communicated to employees. Management adheres to documenting travel reimbursement policies and procedures and making them accessible to employees. This helps provide day to day guidance to staff and has promoted continuity of travel reimbursement activities.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

TRAVEL CLAIMS, CONTINUED

Internal Audit Procedures Performed

Procedures Performed

We reviewed the College’s policies and procedures used for travel claims to ensure that they were effective and efficient. We documented procedures used, conducted a “walk through” of operations, and observed the process. We conducted interviews with personnel involved in the process.

We selected of 30 travel claims from July 1, 2015, through May 31, 2016. We utilized ACL (Audit Data Extraction software) to assist in making selections. All selections were examined for adequate supporting documentation, reviewed for proper approval in accordance with applicable policy, and verified to be properly recorded.

Audit Limitations

Audit procedures alone, even when carried out with professional care, do not guarantee that fraud will be detected. With that premise, it is our opinion that the travel claim reimbursement activities successfully meet their financial, compliance, and operational objectives.

The purpose of the internal audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The internal audit report is a tool to help management discern and implement specific improvements. The internal audit report is not an appraisal or rating of management.

We detected no significant irregularities, abuse, or illegal acts. Although we exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management.

Findings and Recommendations

None.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

PROPERTY RENTALS

Audit Approach

As an element of the College's core business function, property rentals will be audited using the risk-based approach. The audit will only address property rentals.

Following completion of the general overview and risk assessment, we used professional judgment to select specific areas for additional focus and audit testing as needed.

Audit Scope

The general scope of the audit include interviews with the key personnel responsible for property rentals; for activities processed July 1, 2015, through May 31, 2016; all other related documents and information pertaining to the collection, reviewing, processing, and reporting of the property rental activities, plus supporting documentation required to support property rentals for the College's departments; a review of available financial and management reports; review of key referencing/training material; evaluation of implementation of College-wide policies; and consideration of key operational aspects.

We obtained a detailed understanding of the management structure, significant operational processes, compliance requirements, and information systems.

Audit Objectives

Our objective was to obtain an understanding of significant processes and practices employed in administering the property rental function, specifically addressing the following components:

- Management philosophy, operating style, and risk assessment practices.
- Functional and organizational structure relating to delegation of authority and responsibility.
- Positions of accountability for financial and programmatic results.
- Leasing policies, standard practices and procedures.
- Student ledgers properly credited.
- Tenant review and approval process.
- Tenant payment process.
- Management review of edits and checks to enable identification of unusual or unexpected transactions.
- Applicable Federal/State rules and regulations.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

PROPERTY RENTALS, CONTINUED

Summary of Policies and Procedures

Accountability for property rental control purposes is the delegation of authority to qualified persons to initiate, approve, process, and review expenditure transactions and the holding of those persons responsible for the validity, correctness, and appropriateness of their actions.

Managers and leaders at all levels of the College's organization are responsible for ensuring that an appropriate and effective control environment is in place in their areas of responsibility. All College personnel are responsible for communicating upward observed or suspected problems involving fraud or other improprieties involving College resources.

Summary of Control Features of Internal Controls

Segregation of Duties: Duties are divided, or segregated, among different employees to reduce risk of error or inappropriate actions. No one person has control over all aspects of property rental process.

Authorization and Approval: Property rental transactions are authorized by a person delegated approval authority consistent with policy.

Review and Reconciliation: Property rental records are routinely examined and reconciled to determine that transactions were properly processed.

Physical Security: Property rental records are secured and locked in filing cabinets and are only accessible to designated personnel.

Training and Supervision: Employees receive appropriate training and guidance to ensure they have knowledge necessary to carry out their job duties, are provided with an appropriate level of direction and supervision, and are aware of the proper channels for reporting suspected improprieties.

Documentation of Policies and Procedures: College and departmental level property rental policies and operating procedures are verbally communicated to employees.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

PROPERTY RENTALS, CONTINUED

Internal Audit Procedures Performed

Procedures Performed

We reviewed the policies and procedures used to administer property rental transactions to ensure that they were effective and efficient. We documented procedures used, conducted a “walk through” of operations, and observed the processes. We also conducted interviews with personnel involved in the process.

We received an inventory housing list of 32 rental units provided by the College. We reviewed all property rental documents and examined the details within each of the rental properties that support and approve the leasing transaction process. We verified rental property payments were paid timely and that tenants were current. For any noncurrent tenants we verified correspondence was remitted to the tenants.

Audit Limitations

The purpose of the internal audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The internal audit report is a tool to help management discern and implement specific improvements. The internal audit report is not an appraisal or rating of management.

We detected no significant irregularities, abuse, or illegal acts. Although we exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance, or irregularities do not exist. The deterrence of fraud is the responsibility of management.

Findings and Recommendations

Findings

We noted two instances in which the tenants did not pay the required deposit amount.

Recommendations

We recommend that the tenant deposits, if required, be collected from the tenant prior to the tenant gaining access to the property.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

PROPERTY RENTALS, CONTINUED

Findings and Recommendations, Continued

Management's Response

There have been instances where some College employees were not required to pay a deposit on rental property. Thus, there were times when College employees were first renting a property for which they may have received a key prior to payment of their deposit, since it was not known if they would be required to pay a deposit at the time they requested a key. This was the case with one of the instances; the other instance did not involve a College employee. Procedures have been changed to require that any new tenant pay their deposit prior to receiving keys to their rental property. Personnel in the Office of Student Affairs will verify with cashiers in the Bursar's Office that the deposit has been properly paid. At that time, the renter's key will be made available for release to the tenant.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

PAYROLL

Audit Approach

As an element of the College's core payroll function, Payroll will be audited using the risk-based approach. The audit will only address payroll as defined by the generation of pay (Office of State Finance Payroll Warrant Register). The audit assumes that the employee was properly hired and that employment data was properly input into the system. No benefit issues will be addressed.

Following completion of the general overview and risk assessment, we used professional judgment to select specific areas for additional focus and audit testing as needed.

Audit Scope

The general scope of the audit include interviews with Payroll Office management and key personnel; payroll processed from July 1, 2015, to May 31, 2016; all other related documents and information pertaining to the collection, reviewing, processing, and reporting of payroll, plus supporting documentation required to support the payroll for all the College employees; a review of the employee handbook; a review of available financial and management reports; review of key referencing/training material; evaluation of implementation of College-wide policies; and consideration of key operational aspects.

We obtained a detailed understanding of the management structure, significant operational processes, compliance requirements, and information systems.

Audit Objectives

Our objective was to obtain an understanding of significant processes and practices employed in administering the payroll function, specifically addressing the following components:

- Management philosophy, operating style, and risk assessment practices.
- Organizational structure, and delegations of authority and responsibility.
- Positions of accountability for financial results.
- Additions, separations, wage rates, salaries, and deductions are properly authorized, recorded, and processed within Poise & People Soft in a timely manner.
- Employees' time and attendance are properly reviewed, approved, processed, documented, and accurately coded for accounting and distribution.
- Payroll data is properly reconciled, recorded in a timely manner, and in the proper accounting period.
- Payroll journal entries and supporting documentation are reviewed and approved by the appropriate level of Management.
- Confidentiality of personnel data is maintained.
- Controls over the payroll process are evaluated.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

PAYROLL, CONTINUED

Summary of Policies and Procedures

Accountability for payroll control purposes is the delegation of authority to qualified persons to initiate, approve, process, and review payroll transactions, and the holding of those persons responsible for the validity, correctness and appropriateness of their actions.

Managers and leaders at all levels of the College’s organization are responsible for ensuring that an appropriate and effective control environment is in place in their areas of responsibility. All College personnel are responsible for communicating upward observed or suspected problems involving fraud or other improprieties involving College resources.

The College is an “at-will” employer. The faculty is composed of five categories. These classifications include full-time faculty, part-time faculty, adjunct faculty, contractual faculty, and technical faculty. In addition, the College also employs administrative staff and students. These positions are paid either by salary or hourly. Positions are for the fiscal year July 1 through June 30 unless otherwise documented.

Depending upon the category of hire, each approved employee receives a signed and approved Employee Transaction Form or Temporary Employment Action Form in which the new hire brings to meet the Human Resource Director who will then prepare a Letter of Appointment. All employees are required to physically meet with the HR Director, without exception.

All employees must complete and sign an Employees Withholding Allowance Certification (W-4), an Employment Eligibility Verification (I-9), a Drug Free Schools Policy form, a Loyalty Oath Document, Direct Deposit Forms, and a Health Policy Examination document as/if required for special medical circumstances.

All employees are given an Employee Handbook. Section 5 of this manual denotes the College’s staff policies and general procedural information. The information contained in this section specifically addresses areas of compensation, hours of work, lunch period, work breaks, conduct, absenteeism, tardiness, overtime, extended leaves, employment policies, disciplinary action, etc.

Summary of Control Features of Internal Controls

Segregation of Duties: Duties are divided, or segregated, among different employees to reduce risk of error or inappropriate actions. No one person has control over all aspects of any payroll transaction process.

Authorization and Approval: Payroll transactions are authorized by a person delegated approval authority consistent with policy. Employees do not approve actions affecting their own pay.

Review and Reconciliation: Payroll records are routinely examined and reconciled to determine that transactions were properly processed. The person performing the review signs and dates the payroll report to signify that the review has been satisfactorily completed and any discrepancies resolved.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

PAYROLL, CONTINUED

Summary of Control Features of Internal Controls, Continued

Physical Security: Payroll records are secured physically in a secure room, locked in filing cabinets, and are only accessible to designated payroll custodians.

Training and Supervision: Employees receive appropriate training and guidance to ensure they have knowledge necessary to carry out their job duties, are provided with an appropriate level of direction and supervision, and are aware of the proper channels for reporting suspected improprieties.

Documentation of Policies and Procedures: College and departmental level payroll policies and operating procedures are formalized and communicated to employees. Management adheres to documenting payroll policies and procedures and making them accessible to employees. This helps provide day to day guidance to staff and has promoted continuity of payroll activities.

Internal Audit Procedures Performed

Procedures Performed

We reviewed the policies and procedures used to administer Payroll's operations to ensure that they were effective and efficient. We documented procedures used, conducted a "walk through" of operations, and observed the payroll process. We conducted interviews with personnel involved in the Payroll operations, including Human Resources, Accounting, and other persons involved in the process.

We selected 60 employees from the Master File Employee Report dated July 1, 2015, through May 31, 2016. For each employee selected, we obtained documentation that properly supports employee hiring, contract, and wage qualifications.

Audit Limitations

The purpose of the internal audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The internal audit report is a tool to help management discern and implement specific improvements. The internal audit report is not an appraisal or rating of management.

We detected no significant irregularities, abuse, or illegal acts. Although we exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

PAYROLL, CONTINUED

Findings and Recommendations

Findings

We noted one instance in which an employee's I-9 form was not provided.

Recommendations

We recommend that I-9 forms be obtained from each employee and properly retained with other required documentation.

Management's Response

The employee whose I-9 was missing began employment at the College before individual personnel files were maintained by Human Resources. I-9 forms were routinely obtained by Human Resources, but it is possible that this individual's form was filed incorrectly and has not been located. Personnel in Human Resources have since implemented a checklist to verify that all required documentation is placed in new employee personnel files.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

CASHIER

Audit Approach

As an element of the College's core business function, cashier transactions will be audited using the risk-based approach. The audit will address the cashier process as it relates to daily functions, including activity advances and bookstore transactions.

Following completion of the general overview and risk assessment, we used professional judgment to select specific areas for additional focus and audit testing as needed.

Audit Scope

The general scope of the audit include interviews with Cashiers, Accounting, and Student Accounts management and key personnel; transactions processed from July 1, 2015, through May 31, 2016; all other related documents and information pertaining to the collection, reviewing, processing, and reporting of cashier's daily work, plus supporting documentation required to support the transactions for the College's departments; a review of available financial and management reports; review of key referencing/training material; evaluation of implementation of College-wide policies; and consideration of key operational aspects.

We obtained a detailed understanding of the management structure, significant operational processes, compliance requirements, and information systems.

Audit Objectives

Our objective was to obtain an understanding of significant processes and practices employed in administering the cashier function, specifically addressing the following components:

- Management philosophy, operating style, and risk assessment practices.
- Functional and organizational structure relating to delegation of authority and responsibility.
- Positions of accountability for financial and programmatic results.
- Data recording and reporting.
- Activity advance policies, standard practices and procedures.
- Bookstore policies, standard practices and procedures.
- Deposit policies, standard practices and procedures.
- College review and approval processes.
- Management review of edits and checks to enable identification of unusual or unexpected transactions.
- Conflicts of interest.
- Compliance with applicable Federal and State rules and regulations.
- Other processes, as needed.
- Controls over the cashier process are evaluated.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

CASHIER, CONTINUED

Summary of Policies and Procedures

Accountability for cashier control purposes is the delegation of authority to qualified persons to initiate, approve, process, and review cashier transactions, and the holding of those persons responsible for the validity, correctness, and appropriateness of their actions.

Managers and leaders at all levels of the College's organization are responsible for ensuring that an appropriate and effective control environment is in place in their areas of responsibility. All College personnel are responsible for communicating upward observed or suspected problems involving fraud or other improprieties involving College resources.

Summary of Control Features of Internal Controls

Segregation of Duties: Duties are divided, or segregated, among different employees to reduce risk of error or inappropriate actions. No one person has control over all aspects of any cashier transaction process.

Authorization and Approval: Cashier transactions are authorized by a person delegated approval authority consistent with policy.

Review and Reconciliation: Cashier reports and records are routinely examined and reconciled to determine that transactions were properly processed. The person performing the review signs and dates the cashier reports to signify that the review has been satisfactorily completed and any discrepancies resolved.

Physical Security: Cashier records are secured and locked in filing cabinets and are only accessible to designated personnel.

Training and Supervision: Employees receive appropriate training and guidance to ensure they have knowledge necessary to carry out their job duties, are provided with an appropriate level of direction and supervision, and are aware of the proper channels for reporting suspected improprieties.

Documentation of Policies and Procedures: College and departmental level cashier policies and operating procedures are formalized and communicated to employees. Management adheres to documenting cashier policies and procedures and making them accessible to employees. This helps provide day to day guidance to staff and has promoted continuity of cashier activities.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

CASHIER, CONTINUED

Internal Audit Procedures Performed

Procedures Performed

We reviewed the College’s policies and procedures for the cashier processes, daily balancing, including voided transactions, and postdating of transaction’s to ensure that they were effective and efficient. We reviewed the cashiers’ daily functions to determine that proper segregation of duties, proper reconciliation of reports, and proper review was occurring. We documented procedures used, conducted a “walk through” of cashier operations, and observed the process. We conducted interviews with personnel involved in the process.

A selection was made from activity advances for cashier testwork (see also Activity Advances section). All selections were agreed to proper supporting documentation and reports, reviewed to determine whether proper cashier procedures were adhered to, traced to applicable bank statement, and verified to properly reconciled and properly recorded.

A selection of transactions from the Discrepancy Reports for July 1, 2015, through May 31, 2016, was made for testwork. We selected five transactions for 4 months of the fiscal year and verified adequate supporting documentation was reviewed and any void or postdated transaction made by a cashier was properly approved and recorded. We further reviewed the reports for the entire fiscal year noting they have been reviewed, worked, and considered to be proper by a supervisor.

Audit Limitations

The purpose of the internal audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The internal audit report is a tool to help management discern and implement specific improvements. The internal audit report is not an appraisal or rating of management.

We detected no significant irregularities, abuse, or illegal acts. Although we exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management.

Findings and Recommendations

None.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

ACTIVITY ADVANCES

Audit Approach

As an element of the College's core business function, activity advances will be audited using the risk-based approach. The audit will only address activity advances.

Following completion of the general overview and risk assessment, we used professional judgment to select specific areas for additional focus and audit testing as needed.

Audit Scope

The general scope of the audit include interviews with Cashiers, Accounting, and Student Accounts management and key personnel; activity advances processed from July 1, 2015, through May 31, 2016; all other related documents and information pertaining to the collection, reviewing, processing, and reporting of activity advances, plus supporting documentation required to support the advance for the College's departments; a review of available financial and management reports; review of key referencing/training material; evaluation of implementation of College-wide policies; and consideration of key operational aspects.

We obtained a detailed understanding of the management structure, significant operational processes, compliance requirements, and information systems.

Audit Objectives

Our objective was to obtain an understanding of significant processes and practices employed in administering the activity advances, specifically addressing the following components:

- Management philosophy, operating style, and risk assessment practices.
- Functional and organizational structure relating to delegation of authority and responsibility.
- Positions of accountability for financial and programmatic results.
- Purchasing policies, standard practices and procedures.
- Data recording and reporting.
- Advances properly recorded.
- Deposits properly recorded.
- Vendor invoicing and College review and approval processes.
- College payment processes.
- Management review of edits and checks to enable identification of unusual or unexpected transactions.
- Conflicts of interest.
- Other processes, as needed.
- Controls over the activity advance process are evaluated.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

ACTIVITY ADVANCES, CONTINUED

Summary of Policies and Procedures

Accountability for activity advance control purposes is the delegation of authority to qualified persons to initiate, approve, process, and review activity advance transactions, and the holding of those persons responsible for the validity, correctness, and appropriateness of their actions.

Managers and leaders at all levels of the College's organization are responsible for ensuring that an appropriate and effective control environment is in place in their areas of responsibility. All College personnel are responsible for communicating upward observed or suspected problems involving fraud or other improprieties involving College resources.

Summary of Control Features of Internal Controls

Segregation of Duties: Duties are divided, or segregated, among different employees to reduce risk of error or inappropriate actions. No one person has control over all aspects of any activity advance transaction process.

Authorization and Approval: Activity advance transactions are authorized by a person delegated approval authority consistent with policy.

Review and Reconciliation: Activity advance records are routinely examined and reconciled to determine that transactions were properly processed. The person performing the review signs and dates the activity advance report to signify that the review has been satisfactorily completed and any discrepancies resolved.

Physical Security: Activity advance records are secured and locked in filing cabinets and are only accessible to designated personnel.

Training and Supervision: Employees receive appropriate training and guidance to ensure they have knowledge necessary to carry out their job duties, are provided with an appropriate level of direction and supervision, and are aware of the proper channels for reporting suspected improprieties.

Documentation of Policies and Procedures: College and departmental level activity advance policies and operating procedures are formalized and communicated to employees. Management adheres to documenting activity advance policies and procedures and making them accessible to employees. This helps provide day to day guidance to staff and has promoted continuity of activity advance activities.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

ACTIVITY ADVANCES, CONTINUED

Internal Audit Procedures Performed

Procedures Performed

We reviewed the College’s policies and procedures for activity advances (including the cashier process), to ensure that they were effective and efficient. We reviewed the daily process related to activity advances for sponsors, cashiers, and accounting personnel to determine that proper segregation of duties, proper reconciliation of reports, and proper review was occurring. We documented procedures used, performed a “walk through” of operations, and conducted interviews with personnel involved in the process.

A selection of 25 activity advances from the Activity Advance Detail Report from July 1, 2015, through May 31, 2016, was made for testwork. All selections were examined for adequate supporting documentation, reviewed to verify proper cashier procedures were followed, reviewed for proper receipt and approval in accordance with applicable policy, traced to applicable bank statement, and verified to be properly reconciled and properly recorded.

Audit Limitations

The purpose of the internal audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The internal audit report is a tool to help management discern and implement specific improvements. The internal audit report is not an appraisal or rating of management.

We detected no significant irregularities, abuse, or illegal acts. Although we exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management.

Findings and Recommendations

None.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

BOOKSTORE

Audit Approach

As an element of the College's core business function, bookstore transactions will be audited using the risk-based approach. The audit will only address bookstore transactions.

Following completion of the general overview and risk assessment, we used professional judgment to select specific areas for additional focus and audit testing as needed.

Audit Scope

The general scope of the audit include interviews with Bookstore personnel, Accounting, Purchasing, and Student Accounts management and key personnel; bookstore transactions processed from July 1, 2015, through May 31, 2016; all other related documents and information pertaining to the collection, reviewing, processing and reporting of bookstore transactions plus supporting documentation required to support the transactions for the College's departments; a review of available financial and management reports; review of key referencing/training material; evaluation of implementation of College-wide policies; and consideration of key operational aspects.

We obtained a detailed understanding of the management structure, significant operational processes, compliance requirements, and information systems.

Audit Objectives

Our objective was to obtain an understanding of significant processes and practices employed in administering the bookstore function, specifically addressing the following components:

- Management philosophy, operating style, and risk assessment practices.
- Functional and organizational structure relating to delegation of authority and responsibility.
- Positions of accountability for financial and programmatic results.
- Purchasing policies, standard practices and procedures.
- Inventory policies, standard practices and procedures.
- Expenditures are properly coded.
- Sales are properly coded.
- Vendor invoicing and College review and approval processes.
- College payment processes.
- Deposit policies, standard practices and procedures.
- Management review of edits and checks to enable identification of unusual or unexpected transactions.
- Conflicts of interest.
- Other processes, as needed.
- Controls over the bookstore process are evaluated.

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

BOOKSTORE, CONTINUED

Audit Objectives, Continued

- Evaluate the local compliance with the following requirements:
 - Financial/Accounting Policies and Procedures Manual,
 - College's expenditure policies,
 - Authorization limits, and
 - Applicable Federal/State rules and regulations.

Summary of Policies and Procedures

Accountability for bookstore control purposes is the delegation of authority to qualified persons to initiate, approve, process and review bookstore transactions and the holding of those persons responsible for the validity, correctness and appropriateness of their actions.

Managers and leaders at all levels of the College's organization are responsible for ensuring that an appropriate and effective control environment is in place in their areas of responsibility. All College personnel are responsible for communicating upward observed or suspected problems involving fraud or other improprieties involving College resources.

Summary of Control Features of Internal Controls

Segregation of Duties: Duties are divided, or segregated, among different employees to reduce risk of error or inappropriate actions. No one person has control over all aspects of any bookstore transaction process.

Authorization and Approval: Bookstore transactions are authorized by a person delegated approval authority consistent with policy.

Review and Reconciliation: Bookstore records are routinely examined and reconciled to determine that transactions were properly processed. The person performing the review signs and dates the bookstore reports to signify that the review has been satisfactorily completed and any discrepancies resolved.

Physical Security: Bookstore records are secured and locked in filing cabinets and are only accessible to designated personnel.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

BOOKSTORE, CONTINUED

Summary of Control Features of Internal Controls, Continued

Training and Supervision: Employees receive appropriate training and guidance to ensure they have knowledge necessary to carry out their job duties, are provided with an appropriate level of direction and supervision, and are aware of the proper channels for reporting suspected improprieties.

Documentation of Policies and Procedures: College and departmental level bookstore policies and operating procedures are formalized and communicated to employees. Management adheres to documenting bookstore policies and procedures and making them accessible to employees. This helps provide day to day guidance to staff and has promoted continuity of bookstore activities.

Internal Audit Procedures Performed

Procedures Performed

We reviewed the College’s policies and procedures for bookstores deposits (including the cashier process), for bookstore expenditures, inventory, and sales to ensure that they were effective and efficient. We reviewed the daily bookstore functions to determine that proper segregation of duties, proper reconciliation of reports and proper review was occurring. We documented procedures used, conducted a “walk through” of bookstore operations, and observed the process. We conducted interviews with personnel involved in the process.

A selection of 32 deposits for the Tonkawa bookstore and 32 deposits for the Enid bookstore was made from the Daily Transaction Reports for testwork. All selections were agreed to proper supporting bookstore and cashier reports, reviewed to verify proper cashier procedures were adhered to, traced to applicable bank statement and verified to be properly reconciled and properly recorded.

We selected 30 expenditures for the Tonkawa bookstore and 30 expenditures for the Enid bookstore from the E&G (290) Fund from July 1, 2015, through May 31, 2016. We utilized ACL (Audit Data Extraction software) to assist in making selections. All selections were examined for adequate supporting documentation, reviewed for proper receipt and approval in accordance with applicable policy and verified to be properly recorded.

Analytical procedures were applied to bookstore sales and inventory expenditures in relation to the number of students enrolled for a three year period. Any changes were reviewed and were determined to be reasonable.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

BOOKSTORE, CONTINUED

Internal Audit Procedures Performed, Continued

Audit Limitations

The purpose of the internal audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The internal audit report is a tool to help management discern and implement specific improvements. The internal audit report is not an appraisal or rating of management.

We detected no significant irregularities, abuse, or illegal acts. Although we exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management.

Findings and Recommendations

None.

**NORTHERN OKLAHOMA COLLEGE
TONKAWA, OKLAHOMA**

INTERNAL AUDIT REPORT, CONTINUED

Fiscal Year 2015–2016

DATA EXTRACTION

Expenditures

Computer auditing techniques were applied to the complete check register from July 1, 2015, to May 31, 2016, in order to perform extensive testing. Procedures performed included:

Benford Analysis was performed for the E&G (290) Fund and the Auxiliary (700) Fund. The Benford analysis is performed to detect anomalies or abnormal recurrences of digits. Any abnormalities could pinpoint areas for investigation to determine if there are symptoms of error, waste, processing inefficiencies, or fraud.

- The Benford analysis performed on the E&G (290) Fund produced no unusual results.
- The Benford analysis performed on the Auxiliary (700) Fund produced no unusual results.

Procedures were performed to identify any possible duplicate payments.

- The results for duplicate payments produced 3 instances of possible duplicates. All instances were reviewed and determined to be appropriate.

Procedures were performed to identify any possible missing checks.

- The results for possible missing checks produced 79 instances of possible missing checks. All instances were reviewed and determined to be appropriate.

Payroll

Computer auditing techniques were applied to the complete payroll from July 1, 2015, to May 31, 2016, in order to perform extensive testing. Procedures performed included:

Procedures were performed to identify any duplicate addresses of employees.

- The results produced 50 instances of duplicate addresses. All instances were reviewed and determined to be appropriate.

Procedures were performed to identify any duplicate social security numbers of employees.

- The results produced no duplicate social security numbers.