

**Northern Oklahoma College**

**Internal Audit Report**

**Fiscal Year 2017 - 2018**



**Northern Oklahoma College**  
**Internal Audit Report**  
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# **Northern Oklahoma College**

## **Internal Audit Report**

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

#### **Expenditures**

##### **Audit Approach**

As an element of the Colleges’ 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, 2017 to June 30, 2018; 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 Northern Oklahoma College (NOC) Departments, a review of available financial and management reports; review of key referencing/training material, evaluation of implementation of College-wide policies; consideration of key operational aspects; and an assessment of the information systems environment.

During the general overview, 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.



# **Northern Oklahoma College**

## **Internal Audit Report**

### **Fiscal Year 2017 – 2018**

#### **Expenditures** (Continued)

#### **Audit Objectives** (Continued)

- Management review of edits and checks to enable identification of unusual or unexpected transactions.
- Conflict of interest.
- Controls over the expenditure process are evaluated.
- Evaluate the local compliance with the following requirements:
  - Financial/Accounting Policies and Procedures Manual,
    - Colleges' expenditure policies.
    - Authorization limits.
- Applicable Federal/State rules and regulations.

#### **Identified Areas of Risk**

- Poor management communication regarding expectations may result in inappropriate behavior.
- Non-compliance with Colleges' policy may result in inappropriate practices.
- Risk assessment processes may not identify and address key areas of risk.
- Inadequate separation of responsibilities may create opportunities for fraud, misuse and errors or omissions.
- Inadequate accountability for the achievement of financial or programmatic results may decrease the likelihood of achieving results.
- Incomplete or inaccurate reporting of expenses.
- Non-compliance of local processes with College requirements may result in incorrect or inconsistent reporting of liabilities.
- Processes and/or information systems may not be well designed or implemented and may not yield desired results, i.e. accuracy of financial information, operational efficiency and effectiveness and compliance with relevant regulations, policies and procedures.

#### **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 Colleges' 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.



# Northern Oklahoma College

## Internal Audit Report

### Fiscal Year 2017 – 2018

#### **Expenditures** (Continued)

##### **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.

*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**

###### **Document Sampling Techniques**

We randomly selected 35 expense checks from the combined ranges of the E & G, Auxiliary and 295 Funds. The check register reports were dated July 1, 2017 through June 30, 2018. We examined each expense file selected to review file documentation that properly supports and approves expenditure transaction processes, which provided the elements for our test design.

###### **Design Test**

We reviewed the policies and procedures used to administer expenditure operations to ensure that they were effective and efficient. We documented procedures used, conducted a 'walk through' of operations and observed the expenditure process. We also conducted interviews with personnel involved in the Expenditure operations.



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**Expenditures** (Continued)

**Internal Audit Procedures Performed** (Continued)

We reviewed and evaluated the current staffing levels and procedures for the expenditure process to determine whether the current processes are effective and efficient and provide reasonable assurance that Northern Oklahoma College resources are being safeguarded. We interviewed personnel in Accounting and Purchasing along with other personnel involved in the payables process.

**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 Expenditure 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.

**Results, Findings, & Recommendations**

No exceptions were noted.



# **Northern Oklahoma College**

## **Internal Audit Report**

### **Fiscal Year 2017 – 2018**

#### **Travel Claims**

#### **Audit Approach**

As an element of the Colleges' 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, 2017 through June 30, 2018; 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 Northern Oklahoma College (NOC) Departments, a review of available financial and management reports; review of key referencing/training material, evaluation of implementation of College-wide policies; consideration of key operational aspects; and an assessment of the information systems environment.

During the general overview, 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 & State rules and regulations



# Northern Oklahoma College

## Internal Audit Report

### Fiscal Year 2017 – 2018

#### **Travel Claims** (Continued)

##### **Identified Areas of Risk**

- Travel may be unauthorized or unapproved.
- Travel expenses are not properly documented.
- Non-compliance with Colleges' policy may result in inappropriate practices.
- Inadequate separation of responsibilities may create opportunities for fraud, misuse and errors or omissions.
- Incomplete or inaccurate reporting of travel expenses.
- Non-compliance with laws and regulations may put the College at risk with regulatory agencies.

##### **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**  
**Internal Audit Report**  
**Fiscal Year 2017 – 2018**

**Travel Claims** (Continued)

**Internal Audit Procedures Performed**

Document Sampling Techniques

We randomly selected 30 travel claims from travel activity beginning July 1, 2017 through June 30, 2018. We examined each travel claim file selected to review file documentation that properly supports and approves travel reimbursement processes, which provided the elements for our test design.

Design Test

We reviewed the policies and procedures used to administer travel reimbursement operations to ensure that they were effective and efficient. We documented procedures used and conducted interviews with personnel involved in the travel reimbursement operations.

We reviewed and evaluated the current staffing levels and procedures for the travel claim process to determine whether the current processes are effective and efficient and provide reasonable assurance that Northern Oklahoma College resources are being safeguarded. We interviewed personnel responsible for authorizing and process all travel reimbursement claims.

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 claims 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.

**Results, Findings & Recommendations**

No exceptions were noted.



# **Northern Oklahoma College**

## **Internal Audit Report**

### **Fiscal Year 2017 – 2018**

#### **Payroll**

##### **Audit Approach**

As an element of the Colleges' 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 (NOC payroll warrant report 500 MISC). 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, 2017 through June 30, 2018; 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 Northern Oklahoma College (NOC) employees a review of the employment handbook; a review of available financial and management reports; review of key referencing/training material, evaluation of implementation of College-wide policies; consideration of key operational aspects; and an assessment of the information systems environment.

During the general overview, 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**

## **Internal Audit Report**

### **Fiscal Year 2017 – 2018**

#### **Payroll** (Continued)

##### **Identified Areas of Risk**

- Poor management communication regarding expectations may result in inappropriate behavior.
- Non-compliance with Colleges' policy may result in inappropriate practices.
- Risk assessment processes may not identify and address key areas of risk.
- Inadequate separation of responsibilities may create opportunities for fraud, misuse and errors or omissions.
- Incomplete or inaccurate reporting of employee wages;
- Processes and/or information systems may not be well designed or implemented and may not yield desired results, i.e. accuracy of financial information, operational efficiency and effectiveness and compliance with relevant regulations, policies and procedures.

##### **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 Colleges' 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.

Northern Oklahoma 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. 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, a Health Insurance Market Place, a New Employee Form and sign and acknowledgement they have received the Employee Handbook.



# Northern Oklahoma College

## Internal Audit Report

### Fiscal Year 2017 – 2018

#### **Payroll** (Continued)

#### **Summary of Policies and Procedures** (Continued)

All employees are given an Employee Handbook. Section 5 of this manual denotes the Colleges' 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.

All employees are required to have a valid I.D. and Social Security Number. Eligible employees must pass a background check through the E-Verify System as required.

#### **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.

**Physical Security:** Payroll records are secured physically in a vault and 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.



**Northern Oklahoma College**  
**Internal Audit Report**  
**Fiscal Year 2017 – 2018**

**Payroll** (Continued)

**Internal Audit Procedures Performed**

*Document Sampling Techniques*

We haphazardly selected 60 employees from the NOC Payroll Warrant Register report dated July 1, 2017 through June 30, 2018. We examined each employee file selected to review file documentation that properly supports all employee hiring, contract and wage qualifications which provided the elements for our test design.

*Design Test*

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. In the Field, we conducted interviews with personnel involved in the Payroll operations.

We reviewed and evaluated the current staffing levels and procedures for the payroll process to determine whether the current processes are effective and efficient and provide reasonable assurance that Northern Oklahoma College resources are being safeguarded. We interviewed personnel in Human Resources, Accounting, Operations and other persons involved in the process.

*Audit Limitations*

Internal 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 Payroll 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.



**Northern Oklahoma College**  
**Internal Audit Report**  
**Fiscal Year 2017 – 2018**

**Payroll** (Continued)

**Results, Findings, & Recommendations**

Finding No. 1

We noted one instance of an employee handbook acknowledgement form was not signed and dated by the employee. There was also another instance of the employer signature was missing from the employee acknowledgement handbook form on another employee.

Recommendation No. 1

We suggested having the forms signed and dated accordingly.

Management Response

Management agreed and will immediately take the necessary corrective action.



# **Northern Oklahoma College**

## **Internal Audit Report**

### **Fiscal Year 2017 – 2018**

#### **Fleet Maintenance**

##### **Audit Approach**

The audit criteria used to assess the College's overall business practices, general controls and governance processes for fleet management is organized into three areas:

- Compliance with policies and guidelines related to fleet management;
- Reliability and integrity of data, including fleet planning and inventory information;
- Monitoring and control.

The following methodology was used to conduct this audit:

We interviewed personnel and key officials in the maintenance department to ensure sufficient and representative audit coverage.

- An examination of the approval and payment process for the College's fuel acquisition.
- An examination of monthly reconciliation procedures supporting the mileage travel logs and fuel consumption.
- A review of the controls for the monitoring of fleet activities; and
- An inspection of vehicles and vehicle operation and maintenance records for compliance.

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 audit scope was focused on fleet activities from July 1, 2017 through June 30, 2018. We reviewed the recording of fleet expenses and vehicle asset records to determine whether the information was complete, accurate and updated on a timely basis.

During the general overview, we obtained a detailed understanding of the management structure, significant operational processes, compliance requirements and information systems.

##### **Audit Objectives**

The objective of the audit was to determine whether College practices for recording fleet assets were compliant with management and financial administration policies and whether appropriate processes existed to ensure adequate governance and control over vehicle assets including fleet operating and maintenance expenses.



# Northern Oklahoma College

## Internal Audit Report

### Fiscal Year 2017 – 2018

#### **Fleet Maintenance** (Continued)

##### **Identified Areas of Risk**

- Fleet Maintenance may be unauthorized or unapproved.
- Fleet Maintenance expenses are not properly documented.
- Non-compliance with Colleges' policy may result in inappropriate practices.
- Inadequate separation of responsibilities may create opportunities for fraud, misuse and errors or omissions.
- Incomplete or inaccurate reporting of fleet maintenance expenses.
- Non-compliance with laws and regulations may put the College at risk with regulatory agencies.

##### **Summary of Policies and Procedures**

Accountability for fleet maintenance control purposes is the delegation of authority to qualified persons to initiate, approve, process and review fleet maintenance 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 Colleges' 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 fleet maintenance transaction process.

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

**Review and Reconciliation:** Fleet maintenance records are routinely examined and reconciled to determine that expenses 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:** Fleet vehicles and maintenance records are secured and locked in an area 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

## Internal Audit Report

### Fiscal Year 2017 – 2018

#### **Fleet Maintenance** (Continued)

#### **Summary of Control Features of Internal Controls** (Continued)

*Documentation of policies and procedures:* A successful framework should include proper internal controls designed to provide reasonable assurance of effectiveness and efficiency in operations, as well as reliability and completeness of reporting information, compliance with applicable regulations and policies and protection of assets. A formalized, written system of comprehensive internal controls do not currently exist with fleet maintenance and as a result, fleet management could be at risk of not satisfying its overall goal. However, departmental level maintenance policies and operating procedures are verbally communicated to employees and monitored by management.

#### **Internal Audit Procedures Performed**

##### Document Sampling Techniques

We haphazardly selected 13 mileage reports from a field of 60 active vehicles used during the dates ranging from July 1, 2017 through June 30, 2018. We reviewed file documentation that properly supports how mileage logs are monitored, maintained and reported. We also reviewed maintenance expenses and conducted a walkthrough of the fleet operations cycle, which provided the elements for our test design.

##### Design Test

We reviewed and evaluated the current staffing levels and procedures for the fleet maintenance programs to determine whether the current processes are effective and efficient and provide reasonable assurance that Northern Oklahoma College resources are being safeguarded. We interviewed personnel responsible for authorizing and processing the fleet maintenance expenses.

##### Audit Limitations

Internal 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 maintenance 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.



**Northern Oklahoma College**  
**Internal Audit Report**  
**Fiscal Year 2017 – 2018**

**Fleet Maintenance** (Continued)

**Results, Findings & Recommendations**

Finding No. 1

We noted two instances of where the mileage was incorrectly reported on the mileage logs within the Access Software program.

Recommendation No. 1

We recommended the review all of the vehicle mileage logs to date to ensure the integrity of the data entered by making sure the amounts are properly reported and reconciled to the Access Software by confirming them to the vehicle odometer readings.

Management Response

The mileage recorded was manually imputed into the Access program incorrectly by the previous employee who has since then, retired. The current employee who oversees the reporting in the Access program discovered the mileage recording error during the internal audit fieldwork and made the corrections immediately.



# **Northern Oklahoma College**

## **Internal Audit Report**

### **Fiscal Year 2017 – 2018**

#### **Student Refunds**

##### **Audit Approach**

As an element of the Colleges' core business function, Student Refunds will be audited using the risk-based approach. The audit will only address activities.

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 includes interviews with the comptroller, student accounts management in the office of financial aid and key personnel responsible for student refund activities processed from July 1, 2017 through June 30, 2018; all other related documents and information pertaining to the processing and reporting of the student refund activities; plus a review of available financial and management reports.

During the general overview, 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 student refunds, 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.
- Student ledgers are properly credited.
- Review and approval processes.
- College payment processes.
- Management review of edits and checks to enable identification of unusual or unexpected transactions.
- Controls over the student refund processes are evaluated.
- Applicable Federal/State rules and regulations



# Northern Oklahoma College

## Internal Audit Report

### Fiscal Year 2017 – 2018

#### **Student Refunds** (Continued)

##### **Identified Areas of Risk**

- Poor management communication regarding expectations may result in inappropriate behavior.
- Non-compliance with Colleges' policy may result in inappropriate practices.
- Risk assessment processes may not identify and address key areas of risk.
- Inadequate separation of responsibilities may create opportunities for fraud, misuse and errors or omissions.
- Non-compliance of local processes with College requirements may result in incorrect or inconsistent reporting of liabilities.

##### **Summary of Policies and Procedures**

Accountability for student refund control purposes is the delegation of authority to qualified persons to initiate, approve, process and review refund 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 Colleges' 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 the student refund process.

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

*Review and Reconciliation:* Student refund records are routinely examined and reconciled to determine that transactions were properly processed.

*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 student refund policies and operating procedures are monitored and verbally communicated to employees.



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**Student Refunds** (Continued)

**Internal Audit Procedures Performed**

We randomly selected 30 student refund transactions for the period from July 1, 2017 through June 30, 2018. We then examined each student ledger file selected to review file documentation that properly supports and approves the student refund processes, which provided the elements for our test design.

We reviewed and evaluated the current staffing levels and procedures for the student refund transaction process to determine whether the current processes are effective and efficient and provide reasonable assurance that Northern Oklahoma College resources are being safeguarded.

**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 student refund 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.

**Results, Findings & Recommendations**

No exceptions were noted.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specific parties.

*Hill & Company, PC*

Tulsa, Oklahoma  
December 10, 2018

