

# **Northern Oklahoma College**

## **Internal Audit Report**

**Fiscal Year**  
**2019 - 2020**

**NORTHERN OKLAHOMA COLLEGE**  
TONKAWA, OK

**NORTHERN OKLAHOMA COLLEGE**



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

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# **NORTHERN OKLAHOMA COLLEGE**

## **Internal Audit Report Fiscal Year 2019-2020**

### **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 (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 Management and Enterprise Services).

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, 2019 to June 30, 2020; 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
- Management review of edits and checks to enable identification of unusual or unexpected transactions
- Conflict of interest
- Controls over the expenditure process are evaluated.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Expenditures** (Continued)

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

- 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.

### **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.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Expenditures** (Continued)

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

*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 20 expense checks from the E & G 290 Fund and 20 expense checks from the Auxiliary 700 Fund. The check register reports were dated July 1, 2019 through June 30, 2020. 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.

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.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Expenditures** (Continued)

### **Internal Audit Procedures Performed** (Continued)

### **Audit Limitations** (Continued)

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 findings were noted.

### **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 Management and Enterprise Services).

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, 2019 through June 30, 2020; 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.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

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

#### **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

#### **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.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

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

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

*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.

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

##### *Document Sampling Techniques*

We randomly selected 25 travel claims from travel activity beginning July 1, 2019 through June 30, 2020. 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 2019-2020**

### **Payroll & HR Policy**

#### **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, 2019 through June 30, 2020; 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 2019-2020**

### **Payroll & HR Policy** (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, an OTC withholding form (new employees or current employees who change their withholding status), and sign an acknowledgement they have received the Employee Handbook.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Payroll & HR Policy** (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.

#### **Document Sampling Techniques**

We randomly selected 40 employees from the NOC Payroll Warrant Register report dated July 1, 2019 through June 30, 2020. 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.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Payroll and HR Policy** (Continued)

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

##### **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.

### **Results, Findings, & Recommendations**

No exceptions were noted.



# **NORTHERN OKLAHOMA COLLEGE**

## **Internal Audit Report Fiscal Year 2019-2020**

### **Fuel Management**

#### **Audit Approach**

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

- Compliance with policies and guidelines related to fuel management;
- Reliability and integrity of data, including fuel inventory and consumption information; and
- 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, fuel consumption of vehicles and equipment.

A review of the controls for the monitoring of fleet and equipment fuel 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 audit scope was focused on fleet equipment fuel consumption log activities from July 1, 2019 through June 30, 2020. We reviewed the recording of fuel expenses, vendor invoices, and fuel logs 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 fuel purchases and consumption were compliant with management and financial administration policies, and whether appropriate processes existed to ensure adequate governance and control over the fleet and equipment fuel operating activities.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Fuel Management** (Continued)

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

- Fuel consumption may be unauthorized or unapproved
- Fuel 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 fuel/consumption activities
- Non-compliance with laws and regulations may put the College at risk with regulatory agencies

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

Accountability for fuel purchases and consumption control purposes is the delegation of authority to qualified persons to initiate, approve, process and review fuel transactions and fuel consumption logs 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 fuel purchase transactions or fuel consumption processes.

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

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

**Physical Security:** The fuel tanks are locked after hours and only unlocked when Physical Plant employees arrive. There are a limited number of individuals with keys to the pumps at each location. During business hours, the tanks remain unlocked but are visible by the Director and Assistant Director and those fueling vehicles are required to log the amount of fuel pumped. All fuel tanks are monitored by security cameras as well. The only difference between the locations is the Tonkawa campus has a locked gate around the Maintenance yard where the fuel tanks are located.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Fuel Management** (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:* 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 fuel purchases and consumption reporting and as a result, could be at risk of not satisfying its overall goal. However, departmental level fuel usage policies and operating procedures are verbally communicated to employees.

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

##### **Documentation Reviewed**

We reviewed the fleet fuel consumption, mileage, and maintenance reports for the periods of FY 2018, FY2019 and FY2020. We also reviewed the fuel consumption logs for the periods of FY19 and FY20 for fuel being disbursed to campus equipment via portable gas container for items as lawn mowers, weed eaters, etc.

We examined each of these schedules, compared vendor invoices to the annual vendor fuel consumption history, compared the vendor invoices to the accounting records, and then did a walk through to properly gain an understanding of the control environment that properly supports and approves fuel consumption processes, then cataloged the equipment fuel consumption for policy compliance and comparative analysis, which provided the elements for our test design.

##### **Design Test**

We reviewed and evaluated the current staffing levels and procedures for the fuel purchase program 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, processing and cataloging the fuel consumption activities.

##### **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 activities successfully meet their financial, compliance, and operational objectives.



# **NORTHERN OKLAHOMA COLLEGE**

## **Internal Audit Report Fiscal Year 2019-2020**

### **Internal Audit Procedures Performed** (Continued)

#### **Audit Limitations** (Continued)

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**

#### **Finding No. 1**

We noted multiple instances of incomplete/missing information, such as drivers' name/initials, odometer readings, that were not included in the equipment fuel logs for fiscal years 2019 and 2020. We also noted that some of the signature/initial boxes on the fuel log had a department or program instead of a person's name.

#### **Recommendation No. 1**

We recommend a new fuel log worksheet that would include in the header that shows the Employee Name/Department to replace the header word 'Driver'. We also recommend that any person who fuels a piece of small equipment, gas cans, or vehicles, to always record the activity by signing their initials. Additionally, we recommend a review system of the equipment fuel logs that would help ensure that the daily NOC equipment fuel log reports are being accurately completed each time a piece of equipment is being filled with fuel. The recommendations may include a sign-off name and date by the supervisor who oversees the fuel logs reporting.

#### **Management Response No. 1**

Management agrees with findings and recommendations and has made changes to the fuel log worksheet.

#### **Finding No. 2**

We noted instances of inconsistent odometer readings in the vehicle log reports in that the ending odometer reading in the mileage paper logs were different than the monthly reporting spreadsheet recorded during that same time period.

#### **Recommendation No. 2**

We recommend a review process to that would cross-check the paper report log to the actual odometer reading to include a supervisor's initial sign-off and date.

#### **Management Response No. 2**

Management agrees with findings and recommendations.





# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Results, Findings & Recommendations** (Continued)

#### Finding No. 3

We noted some instances of where fuel being recorded in the fuel logs was being assigned to only fuel containers instead of being assigned to specific equipment. We also noted this was occurring more frequently in the prior period and gradually, the reporting of how the fuel was being consumed was getting better in the current year.

#### Recommendation No. 3

We recommend recording fuel to its correct equipment usage when units are being re-filled.

#### Management Response No. 3

Management agrees with findings and recommendations.

### **Sheep Center**

#### Audit Approach

As an element of the Colleges' livestock operations, the sheep center will be audited using the risk-based approach. The audit will address the college's livestock operations.

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; walking through how the sheep center claims were processed from July 1, 2019 through June 30, 2020; review other related documents and information pertaining to the collection, reviewing, processing and reporting of livestock operations, 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, regulatory requirements, and information systems.

#### Audit Objectives

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

- Sheep Center operations authorization and processes.
- Functional and Organizational structure relating to delegation of authority and responsibility.
- Inventory recording and reporting.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Sheep Center** (Continued)

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

- Review of the Sheep Center Chore Guide.
- Expense payment processes for compliance with College policies.
- Other processes as needed, i.e. sheep shearing.

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

- Sheep Center expenses may be unauthorized or unapproved.
- Sheep Center 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 livestock operations.

### **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 Sheep Center transaction process.

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

**Review and Reconciliation:** Sheep Center 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:** Sheep Center records are secured and locked in the Center's office 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 Sheep Center policies and operating procedures are formalized and communicated to employees. Management adheres to documenting operational policies and procedures and making them accessible to employees. This helps provide day to day guidance to staff and students and has promoted continuity of Sheep Center operational activities.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### Sheep Center (Continued)

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

##### Document Sampling Techniques

We reviewed Sheep Center activities beginning July 1, 2019 through June 30, 2020. We examined documents and reports that properly supports and approves payment processes, which provided the elements for our test design.

##### Design Test

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

We reviewed and evaluated the current staffing levels and procedures to determine whether the current processes are effective and efficient and provide reasonable assurance that Northern Oklahoma College Sheep Center resources are being safeguarded. We interviewed personnel responsible for authorizing vendor payments.

##### 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**

##### Finding No. 1

In the Land Rent account, an account used by the Sheep Center to provide additional income and record expenses that exceeds the NOC budgeted amount, it was noted that the bank balance recorded in the Sheep Center's ledger in the land rent account that the Sheep Center relies upon, is often an estimated amount. This is due to the fact that the Sheep Center Herdsman/Manager does not receive reconciled bank statements that often show additional charges that were charged to the Sheep Center operations account, but not recorded in the Sheep Center's operations ledger as it was not provided/communicated.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### Sheep Center (Continued)

#### **Results, Findings & Recommendations** (Continued)

##### Recommendation No. 1

We recommend after the bank reconciliations are performed for each month for the Sheep Center account, a copy of the reconciliation report should be immediately provided to the Sheep Center manager so the manager may properly record adjustments as needed to more accurately reflect the income and expense ledger the manager maintains.

##### Management Response No. 1

Immediate view access is available to authorized personnel showing general ledger account activity and balance on the myNOC portal. Additionally, a printout of specific account detail is available upon request from the finance office. The Sheep Center does not maintain a separate bank account, so there is no reconciliation performed exclusively for the Sheep Center funds. When the NOC budgeted amount for the Sheep Center operations is fully expended, any additional expenditures are processed from the Land Rent account to prevent overages in the E&G budget. These are transactions that the Sheep Manager has incurred and is aware of, however no remaining operating budget is available. Any questionable transactions should be brought to the attention of finance personnel so that such matters may be researched, and corrections if needed can be made.

##### Finding No. 2

During the review of the livestock inventory, we discovered there was not a complete physical count sheet of all the livestock that rolled forward from year to year that showed the additions and deletions. We also noted the inventory did not contain a fair market value assigned to each of the livestock. We also noted the age of the livestock contained only the year born.

##### Recommendation No. 2

We recommend a current livestock inventory schedule to be maintained that records the additions and deletions of livestock with their respective acquisition or sale/departure dates noting both the month and the year. We also recommended including the fair market value of each of the livestock.

##### Management Response No. 2

Management agrees with findings and recommendations. In addition, a quarterly report of the livestock inventory shall be submitted to the President and Vice President for Financial Affairs within 30 days after the end of the quarter. Management also wants the current physical location of the animals added to the documentation reflected in the report at quarter end.

##### Finding No. 3

During the review of the livestock leases, we noted that the leases did not contain a date range in the lease that recorded the beginning date, ending date with year, nor a date by the signature of the lessee. It was also noted the leases did not contain a physical address of where the livestock would be located or a contact telephone number.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Sheep Center** (Continued)

### **Results, Findings & Recommendations** (Continued)

#### Recommendation No. 3

We recommend including all relevant dates of the lease to include the day, month and year of the term of the lease. We also recommend a date to be included with the signature of the leasee. We further recommend a telephone number of the leasee be recorded on the lease and include the physical address of where the livestock will be located during the term of the lease.

#### Management Response No. 3

Management agrees with findings and recommendations. Management also wants the personal email added to the form. In addition, a copy of these leases shall be provided to the Vice President for Financial Affairs upon signing to be retained for documentation purposes.

#### Finding No. 4

During our review of the livestock operations, we asked how are the medical records maintained and it was noted that relevant medical records were recorded on a calendar.

#### Recommendation No. 4

We recommended that all medical records be included with the information in the inventory schedule. This would create a simplified and manageable means of maintaining current and relevant medical information on the livestock.

#### Management Response No. 4

Management agrees with findings and recommendations.

#### Other Comments

During the review of the Sheep Center operations, we asked about the sheep shearing process, the related costs, and how the wool is harvested from the sheep. Mr. Bart Caldwell, the Sheep Center Herdsman, replied with the following:

“The wool from the sheep sheared at the NOC Sheep Center is actually given to the Sheep Shearer as a “tip” as the cost of storage and marketing the wool would be counterproductive to the operation’s finances. We shear on average about 8 lbs. of wool per mature ewe per year. The wool has a value of about \$.10 per lb. So, 150 ewes would yield \$120 of wool annually. To get enough wool to market it would take a semi load of wool. This would require us to buy a large storage container and take about 10 years to gather enough wool for a semi load. The nearest market for the wool is either New Mexico or Ohio. Cost of storage and transportation would be more than the actual value of the wool, so giving it to the sheep shearer actually saves the program money in the long run.”

It was also noted that the cost per head to shear a sheep is currently at \$5.50 per head. We confirmed this cost from the shearer’s invoice dated 6.18.2020. The Sheep Center has a long-standing relationship with the current sheep shearer vendor and according to the Sheep Center’s Herdsman, the rate per head to shear is lower than another shearing service by \$1.00 to \$1.50 per head.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Sheep Center** (Continued)

#### **Results, Findings & Recommendations** (Continued)

Given the stated criteria, the Sheep Center's Herdsman believes there is no significant cost benefit for NOC's Sheep Center to harvest its own wool at this time.

#### **Management Response to Other Comments**

Management recommends that the invoice for the shearing of the sheep and the wool that is retained by the sheep shearer be clearly documented and noted on the invoice that the College is not retaining the wool in lieu of receiving a reduced price per head sheared.

### **Rental Units – Follow Up Procedures to Recommendations**

During the prior period in fiscal year 2019, we conducted an internal control audit on the housing and dormitory rental units and noted the following findings, recommendations and management's response. In fiscal year 2020, we were instructed to conduct a follow-up review as to the status of our recommendations and to determine if they have been implemented. We also noted new recommendations following the follow-up procedure's updated section.

#### **Finding No. 2019-1**

We noted that during the requesting of the rental property and unit listings, there were 3 separate rosters provided that contained field information that was not current or consistent with the other rosters.

#### **Recommendation No. 2019-1**

We recommended the creation of a Master Roster Property List be implemented, and the unit information should be updated and monitored on a monthly basis thorough a coordinated effort between the Tonkawa and Enid site locations. The auditors, in effect, created a Master List from the 3 rosters and a copy of it was provided to management and it was used to create our testing matrix.

#### **Update on Recommendation No. 2019-1**

The Master Roster Property list was sent to the Office of Student Affairs after the 2019 internal audit to be implemented and used to update rental units as changes occurred.

#### **Finding 2019-2**

Within the rosters we were provided, we noted 17 instances of where the date the rental unit became vacant was not recorded.

#### **Recommendation No. 2019-2**

We recommended the vacant dates be recorded in vacant units to record when and how long the unit has been unoccupied and to show the availability of each vacant unit.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Rental Units – Follow Up Procedures to Recommendations** (Continued)

#### **Update on Recommendation No. 2019-2**

Twelve (12) units that were recorded as vacant, did not record the date the unit became vacant. Due to the nature of the year-to-year leases, management might consider recording an NV (not vacant) in the 'date unit became vacant' column. This would identify that the unit is currently occupied.

#### **Updated Management Response No. 2019-2**

The Office of Student Affairs stated that currently if the unit has a name beside it, then we know it is not vacant, but they can put 'NV' in the column titled 'Date Unit Became Vacant' in the Master Roster Property List beside the name of current resident.

#### **Finding No. 2019-3**

We noted 1 instance of a rental application that was missing its page 3 of the application which contained the signature, date, disclosure and consent information.

#### **Recommendation No. 2019-3**

We recommended the reviewer or landlord to review the rental application for completeness and then to sign off, date and initial.

#### **Update on Recommendation No. 2019-3**

We noted one instance that we were unable to locate a rental application in the tenant file.

#### **Updated Management Response No. 2019-3**

The Office of Student Affairs stated that a new file system was started for the renter identified in finding 3 and that his rental application was in his old file. The application wasn't transferred over but a copy will be made and put with the new file.

#### **Finding No. 2019-4**

We noted 2 instances of the renter that did not sign the rental application.

#### **Recommendation No. 2019-4**

We recommended the reviewer or landlord to review the rental application for completeness and then to sign off, date and initial.

#### **Update on Recommendation No. 2019-4**

No instances of unsigned applications noted.

#### **Finding No. 2019-5**

We noted one instance where the lease was not signed or dated by the Notary, Tenant or Landlord.

#### **Recommendation No. 2019-5**

We recommended the reviewer or landlord to review the lease application for completeness and then to sign off, date and initial.

#### **Update on Recommendation No. 2019-5**

No instances of unsigned leases noted.



## **NORTHERN OKLAHOMA COLLEGE**

### **Internal Audit Report Fiscal Year 2019-2020**

#### **Rental Units – Follow Up Procedures to Recommendations** (Continued)

##### **Finding No. 2019-6**

We noted 9 instances of where the leases were not dated by either the landlord or the resident/leasee.

##### **Recommendation No. 2019-6**

We recommended the reviewer or landlord to review the lease application for completeness and then to sign off, date and initial.

##### **Update on Recommendation No. 6**

No instances of unsigned leases noted.

#### **Rental Units - Current Findings and Recommendations FY2020**

During the review process of prior year's (2019) follow-up procedures on the rental units, we noted additional findings and recommendations.

##### **Finding No. 2020-1**

We noted 4 instances of where there were 4 occupants who were not recorded in the Master Roster Property worksheet, however there was some tenant data recorded at a separate tab.

##### **Recommendation No. 2020-1**

We recommend a review of all tenant files for completeness and accuracy of information to ensure their information is properly recorded in one place in the Master Roster Property worksheet. The rental unit tabs should be used as a back up to the Master Roster Property worksheet to record any relevant and additional information as needed.

##### **Management Response No. 2020-1**

The Administrative Assistant in the Office of Student Affairs will maintain the Master Roster Property worksheet with accurate information as this will be the document that the internal auditors will use to evaluate internal controls. The Dean of Students will verify monthly the information reflected in the Master Roster Property worksheet to ensure the correctness of the information. The Master Roster Property worksheet will be emailed to the President and the Vice President for Financial Affairs within 30 days after the end of each quarter of the fiscal year. If additional spreadsheets are maintained this information will be documented in the Master Roster Property worksheet.

##### **Finding No. 2020-2**

We noted several instances of the lease dates that had a tenant signature date different than the Notary date.





## NORTHERN OKLAHOMA COLLEGE

### Internal Audit Report Fiscal Year 2019-2020

#### **Rental Units – Follow Up Procedures to Recommendations** (Continued)

##### Recommendation No. 2020-2

We recommend that Notary dates and tenant signature dates recorded in the leases should have the same date.

##### Management Response No. 2020-2

Management agrees with the recommendation

##### Finding No. 2020-3

We noted one instance of not being able to locate a rental application in a tenant file.

##### Recommendation No. 2020-3

We recommend a review of all tenant files for completeness and accuracy of information. This could be accomplished by creating a check off list of documentation attached to every tenant file.

##### Management Response No. 2020-3

Management agrees with the recommendation. Office of Student Affairs will create a check off list of documentation that will be attached to every tenant file.

##### Finding No. 2020-4

We noted several instances of being unable to locate in the tenant files proof of the utility being transferred into the new tenant's name.

##### Recommendation No. 2020-4

Same as Recommendation 2020-3. We recommend a review of all tenant files for completeness and accuracy of information. This could be accomplished by creating a check off list of documentation attached to every tenant file.

##### Management Response No. 2020-4

Management agrees with the recommendation. Office of Student Affairs will create a check off list of documentation that will be attached to every tenant file. This will ensure that the utilities are not charged to the College and eliminate the additional processing that is required to assess the charges to the renter through their bursar account.

##### Finding No. 2020-5

We noted several instances that the number of keys being issued was not being recorded.

##### Recommendation No. 2020-5

Same as Recommendation 2020-3. We recommend a review of all tenant files for completeness and accuracy of information. This could be accomplished by creating a check off list of documentation attached to every tenant file.

##### Management Response No. 2020-5

Management agrees with the recommendation. Office of Student Affairs will create a check off list of documentation that will be attached to every tenant file. In addition, the Office of Student Affairs can verify that proof of transfer of utilities has occurred prior to issuing keys.



## NORTHERN OKLAHOMA COLLEGE

### Internal Audit Report Fiscal Year 2019-2020

#### **Rental Units – Follow Up Procedures to Recommendations** (Continued)

##### **Finding No. 2020-6**

We noted one instance of the date the unit became occupied was different than the commencement date of the lease. This same tenant file also recorded the rental agreement date was 7.2.20 and the lease ending date recorded was 6.30.20.

##### **Recommendation No. 2020-6**

Same as Recommendation 2020-3. We also recommend that due to the duration of the leases, which are year-to-year, then even long-term leases should have current leases in the tenant files.

##### **Management Response No. 2020-6**

Management agrees with the recommendation. Office of Student Affairs will create a check off list of documentation that will be attached to every tenant file.

##### **Finding No. 2020-7**

We noted one instance of a tenant lease with a different last name than the tenant signature.

##### **Recommendation No. 2020-7**

Same as Recommendation 2020-3. We recommend a review of all tenant files for completeness and accuracy of information. This could be accomplished by creating a check off list of documentation attached to every tenant file.

##### **Management Response No. 2020-7**

Management agrees with the recommendation. Office of Student Affairs will create a check off list of documentation that will be attached to every tenant file. Name changes should be noted in the Master Roster Property listing reflecting the name change.

##### **Finding No. 2020-8**

We noted one instance of a tenant lease commencement date recording the start of the lease after the date the unit became vacant.

##### **Recommendation 2020-8**

Same as Recommendation 2020-3. We recommend a review of all tenant files for completeness and accuracy of information. This could be accomplished by creating a check off list of documentation attached to every tenant file.

##### **Management Response No. 2020-8**

Management agrees with the recommendation. Office of Student Affairs will create a check off list of documentation that will be attached to every tenant file.

##### **Overall General Observation & Recommendation:**

A general recommendation to consider is to create an online application process that contains required fields and that would help to ensure completeness and accuracy of the tenant records by not allowing overrides or limits the ability to continue with the application processes without the required documentation.



# NORTHERN OKLAHOMA COLLEGE

## Internal Audit Report Fiscal Year 2019-2020

### **Rental Units – Follow Up Procedures to Recommendations** (Continued)

#### *Management Response 2020-General Recommendation*

Management recommends that a fillable application be created by the Office of Student Affairs to ensure that required fields are populated with information. Further automation of the application may be available within the new ERP system and will be discussed internally as an option.

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.

*Hinkle & Company, PC*

Hinkle & Company, PC  
October 16, 2020

