

July 18, 2023

Board of Regents
Northern Oklahoma College
1220 East Grand Avenue
Tonkawa, OK 74653-0310

Re: Report on Internal Audit Type Monitoring Activities – NOC

Members of the Board:

Northern Oklahoma College (NOC) engaged Crawford and Associates, P. C. to provide certain professional services as identified in the Scope and Objectives of Our Services section below. This report describes the scope and objectives of our services, the specific procedures we performed, our findings and recommendations, and NOC management's responses to our findings and recommendations.

Scope and Objectives of Our Services

The scope of our professional services was limited to performing certain consulting services designed to assist the NOC Board in meeting its fiduciary responsibilities. These services were performed in accordance with the standards applicable to consulting engagements of the American Institute of Certified Public Accountants. With regards to this specific engagement, the scope of our services included certain internal audit type monitoring procedures in the following areas at NOC:

- Miscellaneous Claims Encumbrance and Pre-Audit System
- Follow-up on Prior Year Recommendations

The objectives of our services in this engagement were to obtain information and review selected accounting records to determine whether any recommendations are warranted regarding the design of established internal control policies and procedures, and to report on the level of compliance with those policies and procedures as designed based on our test work.

Miscellaneous Claims Encumbrance and Pre-Audit System

Procedures Performed:

To accomplish the stated objectives, we performed the following procedures:

- Obtained and reviewed NOC policies and procedures, and State laws and regulations regarding the Miscellaneous Claims Encumbrance and Pre-Audit System as established by the Oklahoma State Regents for Higher Education (OSRHE) and the Office of Management and Enterprise Services (OMES).
- Conducted a walkthrough of the Miscellaneous Claims Encumbrance and Pre-Audit System process, and evaluated the established internal controls as designed, noting any recommendations for strengthening those controls.
- Obtained and reviewed prior OMES Quality Control Compliance Review reports for claims processed by NOC through the Miscellaneous Claims Encumbrance and Pre-Audit System; and

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Miscellaneous Claims Encumbrance and Pre-Audit System – continued

Procedures Performed – continued:

- Selected a random sample of claims processed by NOC through the Miscellaneous Claims Encumbrance and Pre-Audit System for testing compliance with the established internal control policies and procedures and applicable State laws and regulations. Such testing was designed to meet the OMES Internal Audit Procedures Minimum Requirements.

We identified a population of 4,319 claims processed through the Miscellaneous Claims Encumbrance and Pre-Audit System for the audit scope period of July 2022 to May 2023. We randomly selected 30 claims to be tested. This represents approximately one percent (0.7%) of the total claims processed by the College for the period.

Findings:

- Based on our review and evaluation of the internal controls surrounding the College's Pre-Audit System, we noted there is a three-step process whereby the accounting staff first reviews the Authorization for Expenditure packet, and then the accounts payable staff reviews both the Edit Transactions Report and the MISC Claims Report before posting to the general ledger and transmitting to OMES. Within this three-step process, there is a secondary-level of review during each step of the process, but that was not consistently occurring.
- All claims tested included a proper invoice or other supporting documentation.
- All claims tested appeared to be for a public purpose and were expended appropriately.
- All claims tested contained documentation of proper receipt and evidence of payment approval.
- All claims tested were properly recorded in the appropriate fiscal year of expenditure.
- Twenty-nine (97%) of the 30 claims tested were properly approved with the mandatory certification statement. The following claim did not include the required signature from the Agency Approving Officer:

<u>Claim Number</u>	<u>Payee</u>	<u>Dollar Amount</u>
240092	Richard Mansfield	\$418.00

- Twenty-nine (97%) of the 30 claims tested were properly encumbered prior to the receipt of goods and/or services. The following claim was not encumbered prior to the receipt of goods and/or services:

<u>Claim Number</u>	<u>Payee</u>	<u>Invoice Date</u>	<u>Encumbrance Date</u>
245245	Study Abroad Association, LLC.	02/07/2023	03/21/2023

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Miscellaneous Claims Encumbrance and Pre-Audit System – continued

Findings – continued:

- Twenty-nine (97%) of the 30 claims tested had proper information that agreed to the vendor invoice and other supporting documentation. The following claim included an invoice date on the OMES Form 15A that did not agree to the date of the actual invoice:

Claim Number	Payee	Invoice Date on OMES Form 15A	Actual Invoice Date
241279	Ramona Munsell & Associates	10/14/2022	10/01/2022

- Twenty-eight (93%) of the 30 claims tested included the proper State Account Code. The following two claims had minor misclassifications:

Claim Number	Payee / Description	Account Code Used	Proper Account Code
238105	Bradley Gordon / Out-of-State Airfare	521250	521220
243307	Enid Public Schools / Trip from Enid to UCO	522110	522111

The following is a list of the State Account Codes referenced above with a brief description for each:

Account Code Number	Account Code Description
521250	Out-Of-State Miscellaneous Charges
521220	Out-Of-State Transportation Charges
522110	Out-Of-State Purchase of Transportation Costs – Agency Direct
522111	In-State Purchase of Transportation Costs – Agency Direct

Recommendations:

- We recommend College management reinforce with the appropriate staff compliance with the designed internal control procedure to ensure the secondary level of review is consistently performed during each step of the Pre-Audit System process.
- We recommend College management reinforce with the appropriate staff compliance with the designed internal control procedure to ensure that all claims include the Agency Approving Officer's signature with the mandatory certification statement on the OMES Form 15A in accordance with the OMES Procedures Manual.
- We recommend College management reinforce with the appropriate staff compliance with the designed internal control procedure to ensure that all claims are properly encumbered prior to receipt of goods and services in accordance with the OMES Procedures Manual.

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Miscellaneous Claims Encumbrance and Pre-Audit System – continued

Recommendations – continued:

4. We recommend College management reinforce with the appropriate staff compliance with the designed internal control procedure to ensure that all claims have information that is properly agreed to the vendor invoice in accordance with the OMES Procedures Manual.
5. We recommend College management reinforce with the appropriate staff compliance with the designed internal control procedure to monitor account coding to ensure that all claims are properly recorded using the correct State Account Code in accordance with the OMES Procedures Manual.

Management Responses:

College Management agrees with all of the recommendations.

Follow-up on Prior Year Recommendations

- **Sheep Center:** Based on our follow-up procedures, it appears the prior year recommendation has been implemented.
 - The College Sheep Center Inventory Schedule has been corrected and updated to properly report accurate and complete inventory counts.
- **Rental Units:** Based on our follow-up procedures, it appears the prior year recommendations have been implemented.
 - The check-off list has been updated to properly reflect verification of the Proof of Utility Transfer.
 - Noticeable improvement has been made regarding the accuracy of the number of keys issued per the master worksheet compared to the number of keys received per the lease agreements.
 - Lease agreements had been properly signed by the tenants.
 - The lease agreement form has been modified to leave blank the date for the “Receipt of Agreement” until the agreement has been signed and dated.

We would like to express our appreciation for all the courtesy and assistance we received from staff during our work at the College and hope that this report will be of benefit to NOC.

Crawford & Associates, P.C.

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