



## Board of Regents Ohio Tuition Trust Authority Audit

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**Audit Period: December 2014 through March 2015**

### Results Summary:

Objective	Conclusion
Call Center Inquiry Intake, Evaluation and Monitoring	Well-Controlled with Improvement Needed
Guaranteed Savings Plan Customer Statements and 1099-Qs	Well-Controlled

\* Please refer to Appendix A for classification of audit objective conclusions.



## **Executive Summary**

### **Background**

Ohio Tuition Trust Authority (OTTA) was established by Chapter 3334 of the Ohio Revised Code in 1989 and is part of the legal reporting entity of the State of Ohio within the Board of Regents (BOR). The primary objective is to help make higher education affordable by providing tax advantaged investment opportunities to save in advance for higher education expenses. The Chancellor has governing power of OTTA's operations, and the Ohio Tuition Trust Board is the fiduciary and investment authority over the funds. The Board is made up of 11 members, including one appointed by the Governor that must have experience in the field of banking, investment banking, insurance or law. All of OTTA's operations are funded through fee revenue generated through its programs - no expenditures are made from the General Revenue Fund.

OTTA is responsible for Ohio's 529 college savings program, the CollegeAdvantage Savings plan. A 529 college savings program is a state-operated investment plan named after the federal Internal Revenue Code that specifies the various tax advantages of participating in the program. This program consists of offering two variable college savings plans and the Guaranteed Savings Plan. The variable college savings plans consist of two separate and distinct channels: direct and advisor. These tax advantages include tax-free growth while the value of the account accumulates, and withdrawals that are exempt from both federal and state income taxes if the distributions are used to pay for qualified higher education expenses. The qualified expenses include tuition, room and board, and any other fees or costs that are required for enrollment or attendance at the college or university. Funds invested in the plan may be used at any college in the country.

During the audit, OIA identified opportunities for BOR (OTTA) to strengthen internal controls and improve business operations. OIA conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank BOR (OTTA) staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

### **Scope and Objectives**

OIA staff was engaged to perform an assurance audit related to the controls over operations at the Ohio Tuition Trust Authority (OTTA). This work was completed December 2014 through March 2015. The scope of this audit included the following areas:

- In-house call center operations, and
- Guaranteed Savings Plan Customer Statement and 1099-Q processes.



The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of the controls around the call center inquiry intake, evaluation and monitoring processes.
- Evaluate the design and effectiveness of controls around the Guaranteed Savings Plan customer statement and 1099-Q processes.

OIA also documented OTTA's governance structure and reliance on third parties for services.

## **Detailed Observations and Recommendations**

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk and confidential record observations were discussed with individual agency management and are not part of this report. However, low risk and confidential record observations were considered as part of the audit objective conclusions.

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

\* Refer to Appendix A for classification of audit observations.



Appendix A – Classification of Conclusions and Observations

**Classification of Audit Objective Conclusions**

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
<b>Major Improvement Needed</b>	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

**Classification of Audit Observations**

Rating	Description of Factors	Reporting Level
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
<b>High</b>	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee