Adjutant General

National Guard Scholarship Program Audit

Audit Period: January 2015 through June 2015

Results Summary:

Objective	Conclusion*
Program Administration	**Well-Controlled with Improvement Needed**

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

Report number: 2016-ADJ-01   **Issuance date: September 24, 2015**

Executive Summary

Background

The Ohio Adjutant General's (ADJ) Ohio National Guard Scholarship Program (ONGSP) helps National Guard members attend accredited colleges, universities, and Nursing Diploma Programs for up to four years of full-time undergraduate level education. The ONGSP, funded by general revenue funds, pays for 100 percent of tuition and general fees at state universities or the average cost of state tuition and fees at private institutions. ADJ administers most of the ONGSP, including estimating future program costs, processing scholarship applications, determining member and school eligibility, tracking members' Educational Units usage, and determining payment amounts to be made to the schools. ADJ works with the Ohio Board of Regents (also known as the Department of Higher Education) to make payments to each college or university in the appropriate amount, as determined by ADJ. Ohio National Guard members apply to scholarship program prior to the start of each semester or quarter, using the ONGSP web site which is accessible only to individuals with a valid military Common Access Card. During fiscal year 2015, there were 4,650 scholarships awarded for a total of approximately $17.3 million; during this same period, there were 122 different schools participating in the scholarship program.

During the audit, OIA identified opportunities for ADJ to strengthen internal controls and improve business operations. This audit conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank the Adjutant General's staff and management for their time and cooperation 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 the Ohio National Guard Scholarship Program (ONGSP). This work was completed June through September 2015. The scope of this audit included key processes related to the administration of the scholarship program during the audit period of January through June 2015. The following summarizes the objective of the engagement:

- Evaluate the design and effectiveness of controls over ADJ's administration of the scholarship program.

The scope of this review did not include the payment activities handled by the Ohio Board of Regents.

Detailed Observations and Recommendations

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

During the review, OIA also identified opportunities for ADJ to administer the ONGSP more efficiently. Detailed recommendations have been provided to management in a separate communication entitled 'Other Matters for Management's Attention'.

Observation 1 – Paper Application Control

Ohio Revised Code Section 1347.15 provides that each agency adopt rules regulating access to confidential personal information (CPI) the agency keeps, whether electronically or on paper. A conservative risk management approach to controlling CPI may include limiting the availability of copies of documentation containing CPI within the organization and only collecting information that is necessary to business use. CPI contained in applications should be properly secured and safeguarded throughout processing.

While most applications for the ONGSP are submitted and processed electronically through the ONGSP webpage, approximately five percent of all applications received during the year are submitted manually through fax, mail, and email. Access to emailed applications is limited to ONGSP personnel. Applications submitted by mail and fax are placed in the ONGSP Director's door mailbox by mailroom personnel or other office staff as faxes are received. The ONGSP Director makes an effort to process paper applications as they are received, though in some cases, applications can sit unsecured in the mailbox overnight, over the weekend, or for extended periods of time if the Director is out of the office. Although access to the agency's building is restricted, the building is accessible to approved contractors and visitors, cleaning crew employees, and other employees who may have the ability to capture the sensitive information as it sits waiting to be processed.

Not properly securing sensitive information can result in loss, theft, or unauthorized/inappropriate disclosure of Guard members' personal information.

Recommendation

Develop and implement procedures for properly safeguarding all paper applications to minimize the risk of loss, theft, or unauthorized disclosure of sensitive information. Applications should be properly secured overnight and in situations where they remain unprocessed for extended periods of time. Consider installing a locking mailbox, secured bin, or secured deposit box for employees to place paper applications in as they are received. Continue to ensure all paper

applications are securely shredded once input into the system. Once procedures are finalized, create policies to outline expectations for those handling confidential information and distribute accordingly to those involved in the process.

Management Response
Beightler Armory is a secured, gated and guarded facility. The Armory has armed guards at the security gate and at the front desk. In order to enter the Armory, one must either be an employee with the proper clearance, an approved visitor or escorted in at the gate by an employee. Once a non-staff member enters the Armory, they must proceed to the front security desk where they sign in and turn over their ID, before being escorted to and from their destination. Visitors cannot wander the building as they must be escorted whenever they leave their intended destination. The actual ONGSP office is locked whenever there are no employees in the office. As an additional measure to secure the ONGSP applications, the ONGSP Director will research an appropriate and cost effective way to securely receive ONGSP applications when sent via fax and/or postal mail.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	ONGSP Director	November 2015

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
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	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.
Major Improvement Needed	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
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	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
High	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