



## Department of Higher Education Adult Basic and Literacy Education Program Audit

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**Audit Period: July 1, 2014 – June 30, 2015**

### Results Summary:

<b>Objective</b>	<b>Conclusion</b>
<b>Grant Awarding Process</b>	<b>Well-Controlled with Improvement Needed</b>
<b>Grant Administration and Monitoring</b>	<b>Improvement Needed</b>
<b>Grant Reporting</b>	<b>Improvement Needed</b>

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



## **Executive Summary**

### **Background**

The Ohio Department of Higher Education (DHE) (formerly, the Ohio Board of Regents) is a Cabinet-level agency for the Governor of the State of Ohio that oversees higher education for the state. Within DHE is the Adult Basic and Literacy Education (ABLE) program, which provides grants for the development and administration of courses with instruction in basic literacy, workplace literacy, family literacy, English for speakers of other languages (ESOL), and preparation for the General Education Development (GED) test.

ABLE is funded from the federal Adult Education and Family Literacy Act, Title II of the Workforce Investment Act (WIA) of 1998, and with state dollars appropriated by the Ohio General Assembly. In FY 2015, funding for the ABLE program totaled \$22,485,062 (\$15,101,819 federal and \$7,383,243 state). In FY 2015, 56 local ABLE programs in Ohio received grants and served nearly 30,000 adults, of which approximately 23% were non-English speaking.

During the audit, OIA identified opportunities for DHE 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 DHE 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 the DHE ABLE program. This work was completed August through December 2015. The scope of this audit included the following areas:

- Awarding
- Administration and Monitoring
- Reporting

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of the controls around the grant awarding process.
- Evaluate the design and effectiveness of the controls around the grant administration and monitoring process.
- Evaluate the design and effectiveness of the controls around the grant reporting process.



## Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations 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.

### **Observation 1 – Review of System Access**

Access controls help to ensure that an entity’s data and information is secure and that information is only edited by authorized parties. It is best practice to grant system access to secondary individuals so that processes are not interrupted in the event of emergencies or unplanned employee absences.

A system access policy serves to maintain an adequate level of security to protect data and information from unauthorized access. Such a policy should outline procedures for granting system access and the appropriate access levels to meet business needs. Procedures should outline the necessary communication of significant changes in users’ duties or employment status so that access may be timely updated or removed. User access reviews are designed to monitor and verify the appropriateness of users’ system access.

Appropriate authorization and periodic review of user access to systems by the appropriate level of management helps prevent users from overriding controls within the process. An organization should have established procedures in place to create and monitor user access to systems.

Several DHE employees, fiscal agent employees, and instructional site employees have access to the Comprehensive Continuous Improvement Plan (CCIP) system. Currently, DHE does not have a consistent, documented process in place for periodically reviewing user access to CCIP. In addition, during our review, it was discovered that two individuals who are no longer ABLE employees still had access to the CCIP system.

Not having a consistent process in place to periodically review user access roles for current and separating employees can result in unnecessary exposure to sensitive data increasing the risk of fraud and/or abuse. Additionally, data integrity is compromised when unauthorized users have access to key systems.

#### **Recommendation**

Develop, implement, and document a process for periodically reviewing user access roles and facilitate communication between DHE Human Resources and the ABLE department for separating ABLE employees. The process should also include steps for communicating and coordinating access to CCIP with the Department of Education (ODE).



In addition, DHE should also develop, implement, and document a process to communicate to fiscal agents regarding CCIP access (updates, changes, additions, etc.) for fiscal agent employees and the instructional sites they oversee. DHE should also periodically reach out to fiscal agents asking them to confirm access for CCIP users.

**Management Response**

*DHE HR Director, Drew White, said that since CCIP is an ODE system, and not DHE, access could not be controlled through DHE HR. Procedures would need to be established through the ABLE office.*

CCIP Access

*CCIP access for the local ABLE staff is controlled through the fiscal agent's OEDS administrator. CCIP access for DHE ABLE staff is controlled by the ABLE director. Currently we have no procedure in place, other than notifying ODE CCIP staff via email, when access needs terminated. The state DHE ABLE office needs a more formal procedure to ensure access is terminated in a timely manner.*

*The ABLE director will write an internal procedure for notifying ODE to deactivate CCIP access when an employee separates. Likely this will be in the form of a Checklist for Separating Employees, listing items, including all systems' access (CCIP, ABLELink, GED Manager), needing terminated when the employee leaves.*

- *Director will create a checklist for employees who separate that will include terminating systems' access. Complete by February 1, 2016.*
- *DHE ABLE office will include a statement in the eGuide about local ABLE staffs' systems' access. Complete by February 1, 2016.*
- *Beginning January 2016, local ABLE staff will be sent systems' access reminders quarterly, through the ablelist/data entry and administrators' distribution lists.*

Risk*	Remediation Owner	Estimated Completion Date
Moderate	ABLE State Director	February 2016

**Observation 2 – Monitoring of the ABLE Program**

According to 2 CFR 200.331 (d), All pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the



subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

Per DHE's ABLE program review instrument guidelines, Program Managers should perform a program review based on a comprehensive risk based approach on the following factors:

- Two consistent years of "Not Acceptable" on the Desk Review,
- Key personnel changes (such as new organizational leaders, ABLE administrator and/or fiscal officer),
- Newly approved program,
- Change in organization of the program such as a merger, development of a consortia or change in governance,
- Excessive carryover (beyond 15%) over a two-year period, and
- Within the three-year cycle for all programs.

During our audit period, DHE did not perform annual reviews over applicable ABLE grantees' A-133 Single Audits. Current practice is to obtain assurance through the grant application that a financial compliance audit is performed. DHE confirms that A-133 audits are reviewed as part of the program reviews. However, DHE is not consistently performing program reviews over fiscal agents every three years, as documented in agency guidelines. Program reviews performed on fiscal agents ranged from three to eight years.

By not reviewing ABLE grantee's A-133 Single Audits annually and not performing program reviews consistently increases the risk of noncompliance, disallowed costs to the program, and poor performance going undetected.

### Recommendation

Continue to move forward with implementing the practice of reviewing subrecipients' ABLE Grant A-133 Single Audits, and consider leveraging the reviews performed by other entities over the A-133 Single Audits. This could assist DHE in identifying current noncompliance issues or problem areas that may impact the ABLE Grant program for a particular grantee.

DHE should ensure that ABLE Program Managers are completing timely program reviews according to the risk based approach documented in DHE's program review instrument



guidelines. In addition, once the annual monitoring schedule is complete, ensure it is communicated to the program staff. Hold regular status meetings with program staff to stay apprised of progress, obstacles, and deadlines of program reviews.

**Management Response**

A-133 Audits

*The ABLE director attended a national meeting for state directors in August this year, hosted by the U.S. Department of Education. Risk assessment and performance-based monitoring were stressed, which included a discussion about the importance of reviewing single audits annually, even if there are no ABLE findings.*

*Most ABLE programs require the A-133 Single Audit if they meet the federal threshold amount but others may not. We will add a checkbox on the next grant application “Fiscal agent is required to have an annual single audit – yes or no” in order to know which programs to expect an audit report for our review.*

*The DHE program managers will review programs’ audit reports annually, specifically reviewing the Findings section to see if any findings relate to or impact the ABLE grant. The Findings section will be saved to the program’s file as part of the overall grant records. Audit reports for educational institutions are posted on the Ohio Auditor of State website in the spring for the preceding fiscal year. For community-based organizations, the program manager will have to request the audit report to be sent.*

Program Reviews

*The DHE ABLE office is moving toward a combination of compliance monitoring and performance-based monitoring. We have found that when the DHE program managers continuously assess risks - through desk-top monitoring of data, budget monitoring in CCIP, etc. and put steps in place to deal with concerns (technical site visit, professional development, data analysis, etc.) performance monitoring is more effective at addressing issues than program reviews based on compliance monitoring every few years.*

*We will keep a goal of a three-year cycle for on-site program reviews but may modify our internal policy to meet the needs of the fiscal agent. Some programs will need a full on-site review every three years with a lot of targeted technical assistance in between while other programs may not need a full review every three years. For example, a high-performing program with no risk factors may not need a full on-site review every three years. Again, this moves to a more performance-based targeted approach to program monitoring.*

*The director created a Program Review schedule/spreadsheet to keep track of review and technical assistance reports. This schedule is a supervisory tool to track that all review*



*documentation is completed by the program manager and director. It does not provide evidence that the director reviewed the reports; therefore, the director will save hard-copies of the draft reports for one year with director feedback/comments included.*

*We will continue to keep local program highlights/concerns on our bi-weekly staff meeting agenda.*

Risk*	Remediation Owner	Estimated Completion Date
Moderate	ABLE State Director	April 2016

### Observation 3 – ABLE Program Reporting

According to 45 CFR 92.20(b)(4)(5), actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Additionally, applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

Grantees are required to submit Final Expenditure Reports (FER), which details expenditures obligated during the grant period and liquidated within 90 days. Failure to submit the FER will result in a hold being placed on current year funding until the FER is submitted. The FER form is submitted electronically via the Comprehensive Continuous Improvement Plan (CCIP) system.

Per ABLE grant guidelines, instructional sites enter information into student forms provided by DHE and either mail or deliver them to the fiscal agents, and then fiscal agents update the ABLE Link system. Fiscal agents are required to compile and enter into ABLE Link the following information obtained from their instructional sites: student attendance, test scores, programs students are enrolled in, and student enrollment counts. Fiscal agents are required to enter their instructional sites' attendance in ABLE Link at least once per month, by the 10th of each month. When new students are enrolled or when tests are taken, instructional sites must provide updated information to their fiscal agent, who in turn updates ABLE Link to ensure information is current.

Currently, DHE does not review the FER nor do they review the grantee's detailed budgetary expenditure report (BUDLED) against actual expenditures. Also, there are no spot checks performed to look for unallowable expenditures. DHE relies on ODE grants management to review expenditures for appropriateness and allowability; however, DHE is not confirming or obtaining evidence of such reviews.

During the review, OIA selected six fiscal agent's FER and two (33%) of the fiscal agents submitted their FER 2-3 days late.

Currently, Program Managers review ABLE Link every three months to see if fiscal agent's



instructional site's required information has been updated and entered into ABLE Link. However, there is not a process in place to periodically verify the student data the fiscal agents are submitting is accurate and complete. DHE relies on the fiscal agents to submit accurate and complete information.

Not reviewing fiscal agents' reported expenditures against actual expenditures may increase the likelihood of noncompliance with state and federal guidelines or fraud, waste, or abuse. Not spot checking or sampling actual expenditures increases the risk that program monies are spent inappropriately or unallowable expenditures are charged to the grant.

Not reviewing ABLE Link on a monthly basis as student data is being submitted, increases the risk that fiscal agents are not entering instructional site data as timely as required, resulting in data not being up-to-date and not displaying the current condition.

## Recommendation

Work with ODE Grants Management to obtain confirmation and documentation for the reviews performed over ABLE FERs and expenditures. If confirmation and documentation cannot be obtained or if ODE indicates they are not reviewing expenditures for appropriateness and allowability, consider:

- Obtaining the FER and detailed support from ODE and/or grantees,
- Selecting a risk-based sample of grantee expenditures,
- Performing a review over the expenditures to ensure that monies are used for the intended purposes, and
- Documenting the review performed, and
- Performing periodic reconciliations to identify inappropriate use of federal funds or instances in which expenditures were not properly categorized.

Establish and document procedures for periodically reviewing ABLE Link data to monitor timeliness of informational updates by fiscal agents. DHE should also consider creating a process for sending reminders to fiscal agents that have not submitted their information by established timelines.

Select a sample of students and obtain their records to ensure they are enrolled at the instructional site in the programs that they are being reported in. Perform a quarterly or year to year analysis of the data submitted to look for unusual trends or patterns to reduce the risk that student data is inaccurate.



Management Response		
<p><i><u>FERs:</u> The ABLE director, ODE Grants Management, and DHE fiscal staffs will develop a plan for how FER expenditures will be reviewed and verified.</i></p> <p><i><u>ABLELink:</u> Effective, January 2016, program managers will spot check ABLELink records after the 10<sup>th</sup> of each month to see when attendance records are being entered. This is not verifying the accuracy of the records but is a check of the timeliness of the data entry. Program managers will contact ABLE administrator if data entry reporting is not being done timely.</i></p> <p><i>Verification of ABLELink records are done as part of the on-site program review. DHE program managers pull ten random student files and perform a cross check of student records with ABLELink records.</i></p> <p><i>Responsibility for verifying accuracy of data lies with the local ABLE administrator. Administrators certify annually on the Data Quality Checklist how the program meets “superior” level of data quality. Specifically questions 61 and 62 address local monitoring of the data, at least quarterly.</i></p>		
Risk*	Remediation Owner	Estimated Completion Date
<b>Moderate</b>	ABLE State Director	February 2016

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