



---

## Department of Higher Education GEAR-UP Program Audit

---

**Audit Period: July 2016 through June 2017**

### Results Summary:

<b>Objective</b>	<b>Conclusion*</b>
<b>GEAR UP Scholarship Payments</b>	<b>Improvement Needed</b>
<b>Payments to Support GEAR UP Activities and Services</b>	<b>Improvement Needed</b>
<b>Participation Achievement and Academic Preparation</b>	<b>Well-Controlled</b>

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



## Executive Summary

### Background

Ohio's GEAR UP state project is focused on embedding a college-going culture in targeted schools and communities to increase the number of low-income students prepared to enter and succeed in postsecondary education. The GEAR UP Ohio project targets high-need communities with markedly low degree attainment rates. Ohio's four GEAR UP communities have conditions that contribute to a lack of a post-secondary degree attainment, including economic disadvantage, academic achievement gaps, low high school graduation rates, low post-secondary enrollment, and high post-secondary achievement in math and reading. The Ohio GEAR UP project is designed to systematically address these contributors to low post-secondary attainment to meet the state's goal of 65 percent of Ohioans, ages 25-64, having a degree, certificate, or other post-secondary workforce credential of value in the workplace by 2025. Starting in 2014, Ohio is receiving \$3.5 million annually from the U.S. Department of Education for seven years to reduce barriers to college access and completion.

Each College Access Organization receives funding through a service agreement with the Department of Higher Education (DHE). DHE disburses funding through monthly reimbursements to the partner College Access Organizations for services implemented and rendered. During state fiscal year 2017, GEAR UP reimbursed approximately \$1.57 million to the four community sites across Ohio.

Additionally, GEAR UP provides scholarships, which range from \$200 to \$750 per semester. Eligible students must have successfully participated in GEAR UP Ohio programming and meet other criteria to be eligible for scholarships. During state fiscal year 2017, DHE disbursed approximately \$894,000 for scholarships. DHE evaluates GEAR UP goals and objectives on a continuous basis, including annual performance, biennial, and final performance reports.

During the audit, OIA identified opportunities for DHE to strengthen internal controls and improve business operations. OIA conforms with 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 agency's GEAR UP program. This work was completed September through December 2017. The scope of this audit included key processes related to the GEAR UP program.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls for GEAR UP scholarship payments.
- Evaluate the design and effectiveness of controls for payments to support GEAR UP activities and services.
- Evaluate the design and effectiveness of controls to ensure participation achievement and academic preparation objectives of the GEAR UP program.

Audit Period: State Fiscal Year 2017

## **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 – Insufficient Match Contributions

Title 34 of the Code of Federal Regulations (CFR), part 694.7 and Section 404C(b) of the Higher Education Act requires that at least 50 percent of the total cost of a GEAR UP project to be paid with State, local, private funds, or in-kind contributions. Per 34 CFR 694.7(b), grantees must make substantial progress towards meeting the matching percentage stated in its approved application for each year of the project period. GEAR UP Ohio is required to collect a dollar-for-dollar match, meaning for each federal dollar drawn down/received, GEAR UP Ohio must collect an equal dollar amount of match or in-kind contributions in the form of State or private funds.

An effective grant program includes monitoring procedures to ensure compliance with federal guidelines. To help ensure compliance, the GEAR UP Director receives a monthly match spreadsheet from the four GEAR UP sites indicating the amounts collected for match in the previous month. The GEAR UP Director compiles all site match data into a Statement of Match Form spreadsheet for tracking purposes. However, the match contributions are not sufficient to meet the required ratio. OIA noted the following:

Budget Year (A)	Award Amount (B)	Federal Draws (C)	Cash Disbursed (D)	Matching Contributions (E)	Difference (D-E)	Match % (E÷D)
1	\$3,500,000	\$2,853,235	\$1,103,235	\$201,524	(\$901,711)	18%
2	\$3,500,000	\$3,197,013	\$1,860,589	\$1,648,536	(\$212,053)	89%
3	\$3,500,000	\$2,858,458	\$2,033,464	\$1,945,805	(\$87,659)	96%
<b>Total</b>	<b>\$10,500,000</b>	<b>\$8,908,706</b>	<b>\$4,997,288</b>	<b>\$3,795,865</b>	<b>(\$1,201,423)</b>	<b>76%</b>

Failure to meet the federal match requirements may result in the reduction of the federal award, a refund of federal funds to the United States Department of Education, or possible termination of the award.

### Recommendation

Implement procedures to monitor match amounts to ensure compliance with federal requirements. Develop a fiscal plan for GEAR UP Ohio to meet or exceed federal match requirements.

If sites are not providing the required match, evaluate federal reimbursements to sites to draw-down federal funds only when sufficient matching resources are available. Consider implementing spending restrictions on sites with unsatisfactory match contributions and continue to engage site partners to provide matching resources and to ensure all matching funds are accurately and completely tracked and recorded.

### Management Response



After the State of Ohio was awarded the GEAR UP grant, we were notified by USODE that the match strategy included in the approved application was not acceptable. Therefore, the following was implemented: DHE received permission from the USDOE to use SSI in addition to OCOG to meet the match obligation; DHE developed projections for sources of cash and in-kind match support (state support, i.e. OCOG, SSI); and the four GEAR UP site consortia were expected to provide the remainder of match.

Originally, the four GEAR UP site consortia were requested to contribute approximately 8% of the total grant award in matching contributions (approximately 2% per consortia). With the need to increase GEAR UP match funding, the following planned sequence for match to GEAR UP funding has been implemented:

- FY17, the match amount was adjusted to provide \$1 of in-kind match support for every \$3 a site received in GEAR UP funding.
- FY18, the ratio for each consortia adjusted to 2:1.
- FY19 and continuing through the end of the grant, we are asking each consortia to match 1:1.

All four GEAR UP site consortia were informed of the need to meet the match funding expected contributions. Additionally, meeting (face to face and conference calls) are planned to continue monitoring the implementation of the match support. Failure to meet the expected match year-to-year at each site consortia include:

- A negative rating on the Annual Risk-Assessment
- A reduction in the annual grant award.

The Annual Performance Report is due to the USDOE on April 15 each year. As part of the report, GEAR UP Ohio must document the matching contributions of the prior budgeted years. We anticipate that by April 15, 2018, our goal of meeting our total match requirement will be closer to the projections. However, we do not anticipate meeting 100% of the match until the end of the grant cycle (September 24, 2021). In the interim, the GEAR UP Ohio/ODHE team will meet with the ODHE fiscal on an annual basis, after the Annual Performance Report has been submitted, to discuss the results of the annual performance report, review and revise the matching action plan, and discuss next steps with the GEAR UP staff.

GEAR UP site directors, site fiscal staff, and ODHE staff recently (November 17, 2017) met to discuss strategies to increase the match collected at each site. GEAR UP staff members are aware of the match concerns of the grant and have been asked to increase their portion of the collected match to assist with the total amount collected. Another face to face meeting with the site directors and ODHE staff is planned in June.

Risk*	Remediation Owner	Estimated Completion Date
-------	-------------------	---------------------------



<b>Moderate</b>	GEAR UP Director	April 2018
-----------------	------------------	------------

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