



Department of Higher Education National Guard Scholarship Program Audit

Audit Period: July 2016 through June 2017

Results Summary:

Objective	Conclusion
Scholarship Disbursement Process	Well-Controlled with Improvement Needed

Refer to Appendix A for classification of audit objective conclusions



Executive Summary

Background

The Ohio National Guard Scholarship Program (ONGSP) provides tuition assistance to National Guard members who enlist, extend, or re-enlist for a six-year period. The program pays 100 percent of a student's tuition at state supported post-secondary institutions, and an amount equivalent to the average state-assisted award for students enrolled in private post-secondary institutions. The Department of Higher Education (DHE) provides fiscal services for the scholarship while the Ohio Adjutant General (ADJ) is responsible for approving applications and overall administration. ADJ administers most of the ONGSP, including estimating future program costs, processing scholarship applications, determining eligibility, tracking members' educational units, and determining and reconciling payments to schools. DHE performs the disbursement process for the ONGSP and is responsible for making payments to each college or university in the appropriate amount, as determined by the ADJ. The scholarship is funded by the General Revenue Fund (GRF) and \$18.9 million was budgeted for the program for state fiscal year 2017. At the end of each fiscal year, any certified unencumbered balance is transferred to the National Guard Scholarship Reserve Fund. The reserve fund is used to pay scholarship obligations in excess of the GRF appropriations made for that purpose. An average of 6,500 scholarships are awarded each academic year.

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 ONGSP payment process. This work was completed July through September 2017. The scope of this audit included the following areas:

- Key processes related to the ONGSP disbursements.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of the controls around the scholarship disbursement process.



Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. However, there were no high or moderate risk observations. 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.



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