



Adjutant General Armory Board Funds Audit

Audit Period: July 2016 through December 2017

Results Summary:

Objective	Conclusion*
Revenue Collection and Recording Process	Well-Controlled with Improvement Needed
Expenditure Process	Well-Controlled with Improvement Needed
Brigade Audits	Well-Controlled with Improvement Needed

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



Executive Summary

Background

The Ohio Adjutant General's Department (ADJ) maintains 48 armories throughout the state; approximately 39 are available for public rental. Revenue in the armory board funds is derived from rentals of the armories and related parking lots and vending machine proceeds. In the past year, ADJ has consolidated the approximate 39 individual armory board funds into 15 funds which are maintained at the battalion level. Armory board revenue can only be utilized for the maintenance and upkeep of the armory and expenditures are audited annually on a state fiscal year basis by the Brigades and the ADJ fiscal office. The armory board funds are not funds appropriated by the agency and are not tracked within OAKS. Each fund custodian is responsible for tracking and reporting all revenue and expenditure related activities of their armories. The fund balances for the 15 armory board funds at June 30, 2017 ranged from approximately \$140 to \$17,500.

During the audit, OIA identified opportunities for ADJ 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 ADJ 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 Armory Board Funds. This work was completed January through March 2018. The scope of the engagement included a review of the Armory Board Funds process for the audit period of July 2016 through December 2017. The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls over the revenue collection and recording of Armory Board Funds.
- Evaluate the design and effectiveness of controls over the expenditure process for Armory Board Funds.
- Evaluate the design and effectiveness of controls over the Brigade audits of the Armory Board Funds.

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 for this engagement. Low risk observations were discussed with individual agency management and are not part of this report. The low risk observations were considered as part of the audit objective conclusions.



During this review, OIA also identified several efficiency opportunities for ADJ to consider over the armory board fund process. These recommendations have been provided to management in a separate communication entitled 'Other Matters for Management's Attention'.

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