

Office of the Auditor General
Performance Audit Report

Children of Veterans Tuition Grant Program
Department of Treasury

February 2019

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

Performance Audit

Children of Veterans Tuition Grant Program (CVTG)

Department of Treasury

Report Number:
271-0311-18

Released:
February 2019

Public Act 248 of 2005 established CVTG within the Department of Treasury. CVTG provides up to \$2,800 per academic year of undergraduate tuition assistance for eligible children of disabled or deceased Michigan veterans, with a lifetime maximum of \$11,200. For each of academic years 2016 and 2017, CVTG provided tuition assistance totaling \$1.1 million to 60 and 58 Michigan educational institutions, respectively, on behalf of approximately 450 students.

Audit Objective			Conclusion
Objective: To assess the effectiveness of the Department of Treasury's administration of CVTG.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The Department of Treasury's Student Scholarships and Grants Division (SSG) did not verify the student applicants' or their parents' residency, the students' criminal history, or the transfer students' cumulative grade point average and may have provided tuition assistance for ineligible students (Finding #1).		X	Agrees
SSG did not maintain sufficient documentation of its program reviews to support that educational institutions properly verified the students' compliance with legislative requirements and that the grant amount was proper (Finding #2).		X	Agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Opportunities exist to improve CVTG statutory veteran residency language and tuition assistance (Observation #1).	Not applicable for observations.		

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Doug A. Ringler, CPA, CIA
Auditor General

February 5, 2019

Ms. Rachael Eubanks
State Treasurer
Richard H. Austin Building
Lansing, Michigan

Dear Ms. Eubanks:

This is our performance audit report on the Children of Veterans Tuition Grant Program, Department of Treasury.

Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Director upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

ADMINISTRATION OF CVTG

BACKGROUND

The Children of Veterans Tuition Grant Program (CVTG) provides undergraduate tuition assistance for eligible children through payments made directly to eligible Michigan educational institutions.

Per Public Act 248 of 2005, students may receive up to \$2,800 of scholarship assistance per academic year, limited to the amount of eligible costs minus other tuition-specific assistance for up to four academic years, with a lifetime maximum of \$11,200 (see Observation* #1).

AUDIT OBJECTIVE

To assess the effectiveness* of the Department of Treasury's administration of CVTG.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- The Department of Treasury's Student Scholarships and Grants Division (SSG) only made CVTG payments to eligible educational institutions.
- SSG appropriately denied the 5 CVTG denied applications that we reviewed.
- SSG converted its manual grant documentation system to the Michigan Student Scholarships and Grants (MiSSG) electronic system.
- SSG accurately prepared its fiscal year 2017 legislative report.
- SSG conducted program reviews on a rotational basis. From October 1, 2015 through August 17, 2018, SSG conducted reviews of 27 educational institutions who received payments for academic years 2016 or 2017.
- SSG made appropriate eligibility determinations related to the applicant's age, citizenship, and status as a child of an eligible veteran.
- Reportable conditions* related to the controls over eligibility determinations related to residency, criminal history checks, and grade point average (GPA) (Finding #1) and program review documentation (Finding #2).

* See glossary at end of report for definition.

FINDING #1

Controls over eligibility determinations could be improved.

SOG could improve its controls over CVTG eligibility determinations to ensure that tuition payments are only made on behalf of eligible students.

Our review noted that SOG:

- a. Did not ensure that student applicants met the residency requirements.

Section 390.1344(1)(e) of the *Michigan Compiled Laws* requires that the student reside in Michigan for the 12 months immediately preceding the date of application for the program and not be a resident of any other state.

SOG relied on the educational institutions to validate the residency information indicated on the applicant's Free Application for Federal Student Aid (FAFSA) form to determine whether the applicant met the CVTG residency requirements. However, SOG did not confirm that the educational institutions validated the student's residency information during its program reviews.

We identified several electronic resources that SOG could use to obtain residency information to help confirm compliance with CVTG's residency requirements. Also, we matched 15 students who received CVTG grants against LexisNexis and the Department of State's driver and vehicle records and confirmed that 13 of the 15 students met CVTG's residency requirements. For the remaining 2 students, SOG would need to perform additional procedures to confirm residency, such as requesting additional information from the student.

- b. Did not ensure that the student applicant's veteran parent met the residency requirements.

Sections 390.1342(f) and 390.1344(1)(d) of the *Michigan Compiled Laws* require that the student be the natural or adopted child of a Michigan veteran and defines a Michigan veteran as an individual whose legal residence immediately before entering military service was in Michigan and who does not later reside outside of Michigan for a period of more than 2 years or an individual who establishes legal residency in Michigan after entering military service (see Observation #1).

SOG relied on the mailing address identified on the veteran's disability determination letter issued by the U.S. Department of Veterans Affairs, the residence identified on the veteran's death certificate, or the residency information indicated on the applicant's FAFSA form for verification of the veteran's residency. We determined that the mailing address indicated on the veteran's disability determination letter or on the death certificate would not necessarily confirm compliance with the veteran's residency

requirement as identified in the CVTG legislation and that the residency information on the FAFSA form is not generally verified. Also, for 2 of the 15 students' files that we reviewed, the documentation of the veteran's mailing address was more than 3 years old and, therefore, could not necessarily confirm compliance with the veteran's residency requirement.

SSG could utilize electronic resources such as LexisNexis, the Department of State's driver and vehicle records, and the Department of Treasury's property tax assessment records to help confirm the veteran's residency information.

- c. Did not perform criminal history checks on student applicants.

Section 390.1344(1)(h) of the *Michigan Compiled Laws* requires that the student not have been convicted of a felony involving an assault, physical injury, or death. In addition, *Michigan Administrative Code* R 390.1904(f) requires that the student not be currently incarcerated in a correctional facility.

SSG relies on the applicant's response regarding his/her criminal history as reported on the initial CVTG application and on the FAFSA form; however, neither of these responses are verified.

We electronically compared 686 of the 799 students who received CVTG grants from October 1, 2015 through June 11, 2018 with the Michigan Department of State Police's criminal history records and the Department of Corrections' incarceration records. We did not identify any instances of noncompliance with CVTG criminal history or incarceration requirements. SSG could perform similar procedures.

- d. Did not verify that transfer students met the minimum cumulative GPA requirement.

Section 390.1344(1)(f) of the *Michigan Compiled Laws* requires that the student must maintain a cumulative GPA of at least 2.25 in any undergraduate classes he/she completed at any eligible institution in any previous academic years.

SSG relied on the educational institutions to certify the student's compliance with the GPA requirement; however, educational institutions do not include grades for transfer credits in the student's GPA calculation. Also, although SSG reviewed the student's transcripts during program reviews, SSG did not review transcripts from previously attended educational institutions. We determined that 38 students received CVTG assistance at more than one

educational institution during academic years 2016 or 2017. This does not include students who received CVTG assistance during academic years 2016 or 2017 and who had attended other educational institutions prior to 2016.

RECOMMENDATION

We recommend that SSG strengthen its controls over CVTG eligibility determinations.

**AGENCY
PRELIMINARY
RESPONSE**

SSG provided us with the following response:

- a. *SSG agrees with this section of the finding and has strengthened its internal process for verifying student residency status. SSG has updated its college program review processes to include a student's driver's license and, if necessary, tax information to verify legal residency.*
- b. *SSG agrees with this section of the finding and has strengthened its internal processes for verifying parent residency status. The program coordinator will initially verify the address using the Michigan Department of State's system (Multi-Bridge) and will re-verify parent residency every two years thereafter while student is receiving CVTG.*
- c. *SSG agrees with this section of the finding and has strengthened its internal processes for verifying criminal history. Before approving a student's application, SSG will access the Michigan Department of Corrections' incarceration records for criminal history verification.*
- d. *SSG agrees with this section of the finding and will strengthen its internal processes for verifying transfer student's GPA. SSG will add a check box to the application where the student must indicate previous enrollment. If the student was previously enrolled, a transcript must be provided to SSG before eligibility can be determined.*

FINDING #2

Program review documentation should be maintained.

SSG did not maintain sufficient documentation of its program reviews to support that the grant amount was proper and that educational institutions properly verified the students' compliance with various legislative requirements.

Section 18.1285 of the *Michigan Compiled Laws* requires that SSG maintain records that are necessary for the adequate and proper recording of its activities. Also, Section 18.1485 of the *Michigan Compiled Laws* requires that SSG establish and maintain an administrative control system that includes recordkeeping procedures and effective and efficient control techniques.

SSG conducts program reviews of the educational institutions' documentation to support compliance with CVTG requirements including the student's:

- Enrollment status.
- Cumulative GPA.
- Maximum grant amount.

SSG conducted 31 program reviews from October 1, 2015 through August 17, 2018. Our review of SSG's program review process and 2 completed program reviews noted that SSG maintained the letters that it issued as a result of the program reviews; however, it did not maintain any other supporting documentation.

SSG informed us that it destroys the supporting documentation after the reviews are completed because of confidentiality concerns. However, we noted that SSG securely maintains other confidential student information in hard-copy files.

RECOMMENDATION

We recommend that SSG maintain supporting documentation of its program reviews.

AGENCY PRELIMINARY RESPONSE

SSG provided us with the following response:

SSG agrees with this finding and has strengthened its controls during program reviews. SSG previously confidentially destroyed all documentation sent from colleges once the program review was finalized and the college agreed with the review/findings.

Prior to the OAG completing this audit, SSG began maintaining all supporting documentation from program reviews. That documentation will be kept in locked storage cabinets until the next review cycle (typically every three years).

OBSERVATION #1

Opportunities exist to improve CVTG statutory veteran residency language and tuition assistance.

CVTG provides higher education tuition assistance to children of certain Michigan veterans (Sections 390.1341 - 390.1346 of the *Michigan Compiled Laws*). We noted:

a. Statutory Veteran Residency Language

The definition of a Michigan veteran is ambiguous, resulting in veteran residency verification being extremely difficult and costly.

Section 390.1342(f) of the *Michigan Compiled Laws* defines a Michigan veteran as an individual whose legal residence immediately before entering military service was in this State and who does not later reside outside of this State for a period of more than 2 years or an individual who establishes legal residency in this State after entering military service. We determined:

(1) This language precludes CVTG eligibility for children of veterans whose legal residency was in this State before entering military service if they later reside outside of this State for a period of more than 2 years. However, it does not appear to prohibit CVTG eligibility for children of veterans who establish legal residency in this State after entering military service and who later reside outside of this State for a period of more than 2 years or require that the veterans have lived in Michigan for any length of time before allowing CVTG eligibility. As a result, it could unfairly provide benefits to new Michigan residents while denying benefits to native Michigan residents who resided outside of Michigan at some point for more than 2 years.

(2) To verify that a veteran has not resided outside of the State for a period of more than 2 years would require extensive effort on the part of the applicant and/or SSG and may not be practicable (see Finding #1).

b. Tuition Assistance Amounts and Funding Source

The following is a summary of the historical changes to the tuition assistance amounts and the funding sources for children of veterans' higher education:

1935 - 1946	100% of tuition costs waived by the educational institutions without reimbursement from the State.
1946 - 1968	100% of tuition costs funded through Department of Education General Fund appropriations.
1969 - 1996	100% of tuition costs funded by the Michigan Veterans' Trust Fund (MVTF). For fiscal year 1996, MVTF tuition grant expenditures totaled more than \$875,000.

1996 - 2005	Tuition costs, up to \$2,800 annually, funded by MVTF. For fiscal year 2005, MVTF tuition grant expenditures totaled \$986,532.
2006 - 2018	Tuition costs, up to \$2,800 annually, with a maximum of \$11,200 for 4 years funded by the State's General Fund and income tax return contributions.

Our review disclosed:

- (1) The maximum annual tuition assistance amount has not been adjusted since 1996.

An amendment to Public Act 245 of 1935 limited tuition assistance grants to \$2,800 of tuition and fees per year, beginning October 1, 1996. Public Act 248 of 2005 replaced Public Act 245 of 1935; however, the limitation was not changed and still has not been adjusted as of January 2019. Our review of in-state tuition costs, the rate of inflation, and tuition benefits offered by similar programs in surrounding states as of October 2018 noted:

Examples of In-State Tuition Cost Changes

	<u>Academic Year</u>		<u>Percentage Change</u>
	<u>1997</u>	<u>2018</u>	
Eastern Michigan University	\$3,534	\$12,316	249%
Michigan State University	\$4,103	\$14,460	252%
University of Michigan	\$5,710	\$14,498	154%
Washtenaw County Community College	\$1,650	\$ 3,060	85%

	<u>Rate of Inflation</u>		<u>Percentage Change</u>
	<u>September</u>		
	<u>1996</u>	<u>2018</u>	
Consumer Price Index	157.800	252.439	60%

Similar Programs in Surrounding States as of October 2018

<u>State</u>	<u>Tuition Benefits</u>
Illinois	100% of tuition and certain fees at any state supported school for 4 calendar years.
Indiana	Up to 100% of tuition and fees, depending on the veteran's disability level, for 124 credit hours at state schools.
Michigan	Up to \$2,800 per academic year for 4 academic years.

- Ohio 84% of tuition and general fees at public institutions or \$6,435 at private institutions for 10 semesters.
- Wisconsin 100% of tuition and segregated fees for 8 full-time semesters or 128 credits.

(2) Since fiscal year 2006, State General Fund/general purpose (GF/GP) appropriations have primarily funded higher education tuition assistance to children of certain veterans, as follows:

Fiscal Year	State Income Tax Contribution Appropriation	State GF/GP Appropriation	State Income Tax Contribution Revenue	Tuition Grant Payments ¹
2006	n/a ²	\$ 500,000	n/a ²	\$ 812,595
2007	\$1,000,000	\$ 700,000 ³	\$201,134	\$ 799,224
2008	\$1,000,000	\$ 611,000 ³	\$252,926	\$ 860,722
2009	\$ 300,000	\$ 700,000	\$235,708	\$ 948,324
2010	\$ 300,000	\$ 700,000	\$130,396	\$ 945,115
2011	\$ 300,000	\$ 900,000 ⁴	\$ 76,417	\$ 996,674
2012	\$ 200,000	\$1,000,000 ⁴	\$ 94,403	\$ 945,170
2013	\$ 100,000	\$1,100,000 ⁴	\$ 71,367	\$ 967,853
2014	\$ 100,000	\$1,300,000 ⁴	\$ 64,556	\$1,006,303
2015	\$ 100,000	\$1,300,000 ⁴	\$ 56,931	\$1,062,503
2016	\$ 100,000	\$1,300,000 ⁴	\$ 44,665	\$1,096,652
2017	\$ 100,000	\$1,300,000 ⁴	\$ 37,113	\$1,098,518
2018	\$ 100,000	\$1,300,000 ⁴	\$ 4,058 ⁵	\$1,219,985

¹ Per academic year.

² Check box added to income tax form beginning with tax year 2006. Effective January 1, 2010, Section 206.437(2) of the *Michigan Compiled Laws* authorized the contribution designation to be moved to the contributions schedule.

³ Appropriation transfer.

⁴ Includes the Officer's Survivor Tuition Grant Program.

⁵ Check box removed from income tax contributions schedule beginning with tax year 2017. Section 206.435(3) of the *Michigan Compiled Laws* requires the contribution designation to be removed from the contributions schedule if at least \$50,000 is not received for 2 consecutive years.

MVTF, the designated funding source prior to fiscal year 2006, was established for the benefit of veterans or their spouses or dependents, as follows:

- Public Act 4 of 1943 created a \$50 million Post-War Reserve Fund "for the purpose of liquidating Michigan's obligations, after the termination of the war, to its returning service men, their widows or dependents, or any other post-war obligations of the state of Michigan."
- Public Act 9 of 1946 created MVTF, transferred to it the moneys in the Post-War Reserve Fund, and

stated that available funds shall be disbursed upon requisition of the Board of Trustees "to provide for the needs of Michigan veterans of World War II, their wives and dependents."

- During 1950, the MVTF Board of Trustees issued "A Summary of Its Origin, Scope and Administration" in which it stated "the basic mission of the Michigan Veteran's Trust Fund is to grant financial assistance to meet the emergent needs of qualified veterans and their dependents."
- In 1996, the Constitution of Michigan was amended to establish MVTF; transfer all moneys in the MVTF created by Public Act 9 of 1946; and provide the MVTF Board of Trustees the authority to expend or transfer MVTF assets, interest, or earnings for the benefit of veterans or their spouses or dependents.
- In September 2005, the MVTF Board of Trustees voted to discontinue funding CVTG during fiscal year 2006, opting to use MVTF to fund only the Michigan Veterans Affairs Agency's emergency grant program.

For fiscal year 2018, the financial information that was available as of January 24, 2019 indicated that MVTF earned \$4.2 million, expended \$1.6 million, and had a fund balance of \$61.3 million.

Based on the number of CVTG grantees for academic year 2017 and the average annual tuition costs of \$12,413 for Michigan 4-year public institutions and \$3,864 for Michigan 2-year public institutions for fiscal year 2017, we estimate that it would cost up to \$4.2 million to fully fund tuition for CVTG-eligible students. This estimate assumes that the CVTG grant award amount for students attending private institutions would be limited to that of public institutions and that no other tuition-specific assistance exists.

SUPPLEMENTAL INFORMATION

UNAUDITED

CHILDREN OF VETERANS TUITION GRANT PROGRAM

Department of Treasury
 Tuition Grant Payments by Educational Institution
 For Academic Years 2017 and 2016

Educational Institution	2017		2016		
	Tuition Grant Payments	Number of Students	Tuition Grant Payments	Number of Students	
2-Year Public	Alpena Community College	\$ 8,240	4	\$ 7,118	3
	Bay de Noc Community College	8,486	5	9,040	6
	Delta College	48,480	24	43,354	20
	Glen Oaks Community College	966	1	2,800	2
	Gogebic Community College	7,000	3	4,200	2
	Grand Rapids Community College	15,905	8	21,769	11
	Henry Ford College	2,800	1	2,191	1
	Jackson College	10,267	4	4,550	4
	Kalamazoo Valley Community College	12,310	7	6,145	4
	Kellogg Community College			2,800	1
	Kirtland Community College	24,704	10	11,569	8
	Lake Michigan College	11,113	4	2,800	1
	Lansing Community College	22,315	9	32,832	15
	Macomb Community College	10,094	6	11,456	5
	Mid Michigan Community College	12,950	6	23,011	12
	Monroe County Community College	2,800	1		
	Mott Community College	16,371	8	12,133	5
	Muskegon Community College	16,456	9	25,012	12
	North Central Michigan College	18,200	8	6,484	3
	Northwestern Michigan College	4,900	2	13,073	6
	Oakland Community College	38,944	19	37,114	21
	Schoolcraft College	14,000	5	15,423	7
	Southwestern Michigan College	2,800	1	4,763	2
	St. Clair County Community College	18,620	7	10,374	4
	Washtenaw Community College	13,330	5	28,261	17
	Wayne County Community College	3,457	2	5,582	2
West Shore Community College			9,478	4	
Subtotal	\$ 345,507	159	\$ 353,332	178	
4-Year Public	Central Michigan University	\$ 89,559	35	\$ 86,800	32
	Eastern Michigan University	34,498	13	32,200	13
	Ferris State University	85,488	31	83,266	32
	Grand Valley State University	82,600	30	81,900	30
	Lake Superior State University	8,400	3	14,000	5
	Michigan State University	84,000	32	87,500	34
	Michigan Technological University	25,200	9	28,000	10
	Northern Michigan University	24,182	10	27,968	11
	Oakland University	28,000	11	23,100	9
	Saginaw Valley State University	21,313	10	30,800	13
	University of Michigan - Ann Arbor	15,400	6	28,000	11
	University of Michigan - Dearborn	16,800	6	13,300	5
	University of Michigan - Flint	25,900	10	13,300	5
	Wayne State University	32,200	12	36,400	13
Western Michigan University	58,800	21	56,000	20	
Subtotal	\$ 632,339	239	\$ 642,534	243	

This exhibit continued on next page.

CHILDREN OF VETERANS TUITION GRANT PROGRAM

Department of Treasury
Tuition Grant Payments by Educational Institution

For Academic Years 2017 and 2016*(Continued)*

Educational Institution	2017		2016	
	Tuition Grant Payments	Number of Students	Tuition Grant Payments	Number of Students
Adrian College	\$		\$ 2,800	1
Albion College	2,800	1		
Alma College	19,600	7	14,000	5
Andrews University	2,800	1	2,800	1
Aquinas College			1,400	1
Baker College (all campuses)	38,734	21	26,699	15
Calvin College	2,800	1		
Compass College	2,800	1	2,800	1
Concordia University			2,800	1
Davenport University	7,000	3	5,600	2
Finlandia University	2,800	1	5,600	2
Great Lakes Christian College	2,450	1		
Kalamazoo College	2,800	1	2,800	1
Kettering University	2,800	1	2,800	1
Lawrence Technological University	5,288	2	2,800	1
Madonna University	5,600	2	2,100	1
Marygrove College	2,800	1	2,800	1
Northwood University			10,387	4
Olivet College	8,400	3	2,800	1
Rochester College			1,400	1
Siena Heights University			2,800	1
Spring Arbor University	5,600	2		
University of Detroit Mercy	2,800	1	5,600	4
Walsh College	2,800	1		
Subtotal	\$ 120,672	51	\$100,786	45
Total	\$ 1,098,518	449	\$1,096,652	466

Source: The OAG prepared this exhibit using data from Treasury's Student Scholarships and Grants 2016 and 2017 Annual Reports.

PROGRAM DESCRIPTION

Public Act 248 of 2005 established CVTG to provide undergraduate tuition assistance for eligible children of qualified Michigan veterans. Program eligibility requirements include:

The grant recipient must:

- Be the natural or adopted child of a Michigan veteran.
- Be older than 16 and less than 26 years of age.
- Have been a Michigan resident for the 12 months prior to application.
- Not have been convicted of a felony involving assault, physical injury, or death.
- Not be incarcerated in a correctional facility.
- Maintain a cumulative GPA of at least 2.25 in any undergraduate classes he/she completed at any eligible institution in any previous academic years.

The veteran must:

- Be permanently and totally disabled or deceased, as a result of his/her military service.
- Have been a legal resident of Michigan immediately before entering military service and must not have later resided outside of Michigan for more than two years or must have established legal residency in Michigan after entering military service.

CVTG replaced a similar program, entitled the Michigan Veterans Tuition Grant Program (established by Public Act 245 of 1935 and originally entitled the Education of Children of Veterans Program). CVTG is administered by SSG within the Department of Treasury.

For each of academic years 2016 and 2017, CVTG provided tuition assistance totaling approximately \$1.1 million to 60 and 58 educational institutions, respectively, on behalf of approximately 450 students (see supplemental information). CVTG is primarily funded by GF/GP appropriations plus any restricted revenue received from State individual income tax return contributions (see Observation #1). SSG utilized less than 1 full-time equated position for CVTG-related activities.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to SSG's administration of CVTG. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2015 through August 17, 2018.

METHODOLOGY

We conducted a preliminary survey to obtain an understanding of SSG's processes and internal control related to CVTG and to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed SSG management and staff to obtain an overall understanding of SSG's processes related to CVTG.
- Reviewed applicable laws, policies and procedures, and informational materials.
- Analyzed program expenditures and funding for fiscal years 2016, 2017, and 2018.
- Researched other states' tuition grant programs for children of veterans.
- Performed high-level analyses on the population of CVTG grant recipients and the eligibility of educational institutions receiving payments.

OBJECTIVE

To assess the effectiveness of the Department of Treasury's administration of CVTG.

To accomplish this objective, we:

- Reviewed a random sample of 15 of 1,764 CVTG payments issued from October 1, 2015 through June 11, 2018 to confirm SSG's processes and determine whether the associated students, veterans, and educational institutions met CVTG eligibility requirements.

* See glossary at end of report for definition.

- Reviewed the applications and supporting documentation of a random sample of 5 of the 88 applications that were denied CVTG funding from October 2015 through May 2018.
- Reviewed a random sample of 2 of the 28 program reviews that SSG completed of educational institutions from October 2015 through July 2018. We also reviewed the 3 program reviews that were in progress during July 2018.
- Compared 686 of the 799 students who received CVTG tuition assistance from October 1, 2015 through June 11, 2018 with the Michigan Department of State Police's criminal history records and the Department of Corrections' incarceration records.
- Tested the completeness and accuracy of the tuition grant payments and number of awards for a random sample of 17 of the 80 educational institutions reported on the fiscal year 2017 annual legislative report.

Our random samples were selected to eliminate bias and to enable us to project the results to the population.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 2 findings and 2 corresponding recommendations. SSG's preliminary response indicates that it agrees with both of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Director upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

* See glossary at end of report for definition.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes a listing of tuition grant payments and the number of students by educational institution presented as supplemental information. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

CVTG	Children of Veterans Tuition Grant Program.
effectiveness	Success in achieving mission and goals.
FAFSA	Free Application for Federal Student Aid.
GF/GP	General Fund/general purpose.
GPA	grade point average.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MISSG	Michigan Student Scholarships and Grants.
MVTF	Michigan Veterans' Trust Fund.
observation	A commentary that highlights certain details or events that may be of interest to users of the report. An observation may not include the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit

objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.

SSG

Student Scholarships and Grants Division.



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