

Office of the Auditor General  
Performance Audit Report

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**Michigan National Guard State Tuition  
Assistance Program**  
Department of Military and Veterans Affairs

April 2019

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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.

The auditor general may make investigations pertinent to the conduct of audits.

*Article IV, Section 53 of the Michigan Constitution*

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Office of the Auditor General

## Report Summary

### *Performance Audit*

*Michigan National Guard State Tuition Assistance Program (MiNGSTAP)  
Department of Military and Veterans Affairs (DMVA)*

**Report Number:**  
**511-0400-18**

**Released:**  
**April 2019**

Public Act 259 of 2014 created MiNGSTAP to provide tuition assistance to members of the Michigan National Guard. MiNGSTAP's objective includes bolstering military readiness by increasing recruitment and retention of the Michigan Army and Air National Guard members, improving the Michigan Army and Air National Guard's ability to compete for military recruits and federal dollars, and increasing the pool of eligible Michigan Army and Air National Guard members to become commissioned officers. For fiscal years 2016 and 2017 and from October 1, 2017 through June 30, 2018, MiNGSTAP provided tuition assistance totaling \$3.2 million, \$5.6 million, and \$4.0 million to or on behalf of 679, 1,275, and 1,077 Michigan National Guard members, respectively.

Audit Objective			Conclusion
Objective: To assess the effectiveness of DMVA's administration of MiNGSTAP.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
DMVA did not verify that 61% of the 38 students that we reviewed, who had completed their courses, met the grade point average requirement. Also, for the 43 students that we reviewed, no verification occurred to ensure that the assistance did not exceed their total tuition ( <u>Finding #1</u> ).		X	Agrees
DMVA had not evaluated program effectiveness, leaving management and the Legislature without complete information to make decisions regarding the strategic direction of MiNGSTAP ( <u>Finding #2</u> ).		X	Agrees

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# OAG

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**Doug A. Ringler, CPA, CIA**  
Auditor General

April 10, 2019

Major General Paul D. Rogers, Director  
Department of Military and Veterans Affairs  
3411 North Martin Luther King Jr. Boulevard  
Lansing, Michigan

Dear General Rogers:

This is our performance audit report on the Michigan National Guard State Tuition Assistance Program, Department of Military and Veterans Affairs.

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 MiNGSTAP

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### BACKGROUND

The Michigan National Guard State Tuition Assistance Program (MiNGSTAP) provides tuition assistance for eligible Michigan National Guard\* members through payments made directly to eligible educational institutions.

### AUDIT OBJECTIVE

To assess the effectiveness\* of the Department of Military and Veterans Affairs' (DMVA's) administration of MiNGSTAP.

### CONCLUSION

Moderately effective.

### FACTORS IMPACTING CONCLUSION

- MiNGSTAP achieved 128% and 98% of its legislatively targeted benchmarks of 1,000 and 1,100 participants for fiscal year 2017 and the first nine months of fiscal year 2018, respectively.
- During fiscal year 2016, DMVA implemented an online portal to enable applicants, students, educational institutions, and MiNGSTAP staff to electronically access program applications and student accounts; review, approve, or deny applications; submit payment requests; and collect program compliance data.
- MiNGSTAP made appropriate eligibility determinations related to applicants' Michigan National Guard member status and selected educational institutions.
- All educational institutions that received MiNGSTAP tuition payments that we reviewed were eligible.
- Reportable conditions\* related to the need to improve the compliance verification process (Finding #1) and evaluate program effectiveness (Finding #2).

\* See glossary at end of report for definition.

## **FINDING #1**

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### **Compliance verification process needs improvement.**

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DMVA could improve its compliance verification process to ensure that tuition payments are made on behalf of only eligible students and that total tuition assistance does not exceed the student's total tuition.

Section 32.433(7) of the *Michigan Compiled Laws* requires students to provide evidence of course completion with a minimum grade point average (GPA) of 2.0. Also, MiNGSTAP policy requires that a student's total tuition assistance cannot exceed 100% of the cost of tuition.

Our review of MiNGSTAP files for 43 students who received MiNGSTAP tuition assistance totaling \$158,429 from October 1, 2015 through June 30, 2018 noted:

- a. For 23 (61%) of the 38 students who had completed courses, DMVA had not obtained transcripts or other documentation or conducted other procedures to verify the accuracy of the GPA information provided by the educational institutions.
- b. For all 43 students, DMVA had not obtained documentation or conducted other procedures to verify that the total tuition assistance provided did not exceed 100% of the student's tuition.

DMVA had not designed a control to ensure that transcripts and billing invoices were obtained from the educational institution and reviewed or that alternative verification review procedures were conducted.

## **RECOMMENDATION**

We recommend that DMVA verify students' compliance with MiNGSTAP requirements.

## **AGENCY PRELIMINARY RESPONSE**

DMVA provided us with the following response:

*We agree and will comply.*

**FINDING #2**

**Program effectiveness should be evaluated.**

DMVA had not evaluated the effectiveness of MiNGSTAP. Therefore, DMVA management and others charged with governance did not have complete information to support program decisions regarding MiNGSTAP's strategic direction.

DMVA's appropriations acts for fiscal years 2016, 2017, and 2018 (Article XIV, Part 2, Section 310, Public Act 84 of 2015; Article XIV, Part 2, Section 310, Public Act 268 of 2016; and Article XIV, Part 2, Section 307, Public Act 107 of 2017, respectively) required that DMVA evaluate the effectiveness of MiNGSTAP by monitoring the percentage of new recruits and new reenlistments who become program participants and determining whether Michigan's Army and Air National Guard strength is competitive with Michigan's four neighboring states.

DMVA had not identified the percentage of new recruits and new reenlistments who participated in MiNGSTAP and, therefore, did not have the data to be able to compare Michigan's Army and Air National Guard strength with its four neighboring states.

DMVA provided data that identified program participation and a comparison with neighboring states for July 2013; however, it indicated that it had not updated this data because of resource constraints.

**RECOMMENDATION**

We recommend that DMVA evaluate the effectiveness of MiNGSTAP.

**AGENCY  
PRELIMINARY  
RESPONSE**

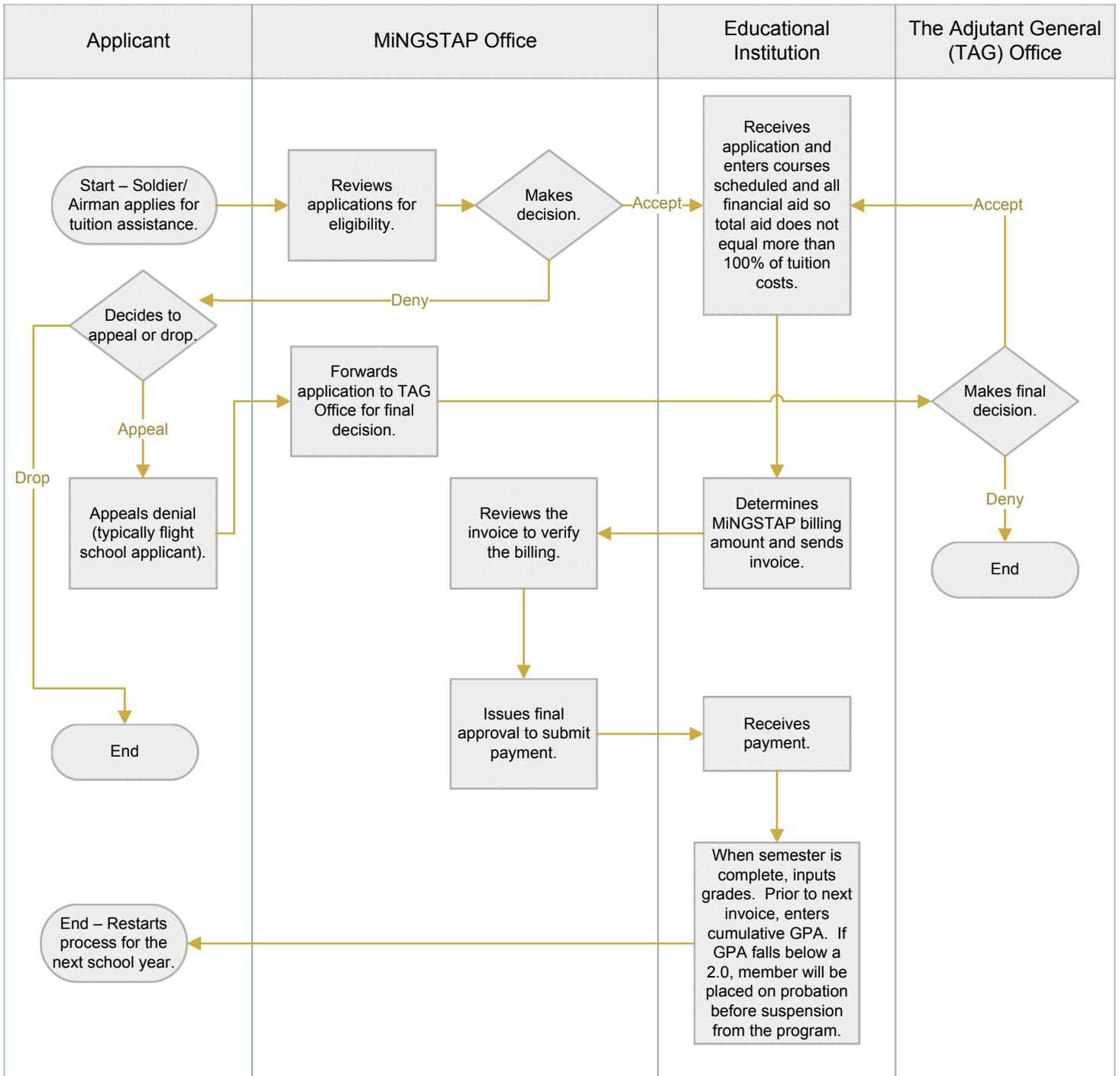
DMVA provided us with the following response:

*We agree and will comply.*

# SUPPLEMENTAL INFORMATION

## MICHIGAN NATIONAL GUARD STATE TUITION ASSISTANCE PROGRAM Department of Military and Veterans Affairs

### Application and Payment Processes As of June 2018



Source: The OAG prepared this flow chart based on information obtained from MiNGSTAP.

## PROGRAM DESCRIPTION

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Public Act 259 of 2014 created MiNGSTAP within DMVA to provide tuition assistance for Michigan National Guard members. In fiscal years 2016 and 2017, MiNGSTAP provided tuition assistance up to \$6,000 per year plus unlimited fees and up to \$6,000, including tuition and fees, for fiscal year 2018.

MiNGSTAP's objective is to:

- Bolster military readiness by increasing recruitment and retention of the Michigan Army and Air National Guard members.
- Fill federally authorized strength levels for the State.
- Improve the Michigan Army and Air National Guard's competitive draw from other military enlistment options in the State.
- Enhance the ability of the Michigan Army and Air National Guard to compete for members and federal dollars with surrounding States.
- Increase the pool of eligible candidates within the Michigan Army and Air National Guard to become commissioned officers.

Program eligibility requirements include:

- The person must be a member of the Michigan National Guard and:
  - Is in active service.
  - Is not absent without leave or under certain charges of the Michigan code of military justice.
  - Is enrolled in any course of study that is intended to culminate in vocational or technical training, a certificate, or the member's first associate degree, bachelor's degree, or master's degree.
  - Completed the course of study with and maintained a cumulative minimum GPA of 2.0.
- The educational institution must be a public or private college, university, vocational school, technical school, or trade school located in Michigan.

MiNGSTAP is funded by State General Fund/general purpose appropriations. For fiscal years 2016 and 2017 and from October 1, 2017 through June 30, 2018, MiNGSTAP provided tuition assistance totaling \$3.2 million, \$5.6 million, and

\$4.0 million to or on behalf of 679, 1,275, and 1,077 Michigan National Guard members, respectively, who attended 137 eligible educational institutions. As of May 2018, DMVA had 1 full-time employee and 2 other employees responsible for MiNGSTAP operations.

## AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

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### AUDIT SCOPE

To examine the documentation and procedures related to DMVA's administration of MiNGSTAP. 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 June 30, 2018.

### METHODOLOGY

We conducted a preliminary survey to gain an understanding of DMVA's processes and controls related to MiNGSTAP and to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MiNGSTAP management and staff regarding their functions and responsibilities.
- Reviewed MiNGSTAP-related DMVA policies and procedures and applicable laws and regulations, including legislative reporting requirements for fiscal years 2016, 2017, and 2018.
- Analyzed program expenditures for fiscal years 2016 and 2017 and from October 1, 2017 through May 31, 2018.
- Obtained an understanding of applicant eligibility requirements and tuition reimbursement thresholds.
- Obtained an understanding of the application and payment processes (see supplemental information), including the MiNGSTAP portal and the memorandum of understanding with the educational institutions.
- Researched neighboring states' National Guard tuition assistance programs.

### OBJECTIVE

To assess the effectiveness of DMVA's administration of MiNGSTAP.

\* See glossary at end of report for definition.

To accomplish this objective, we:

- Reviewed appropriations and expenditure transfers related to MiNGSTAP.
- Analyzed all annual tuition payments by applicant in relation to MiNGSTAP assistance thresholds for fiscal years 2016 and 2017 and from October 1, 2017 through June 30, 2018.
- Tested the eligibility of 43 of the 3,031 applicants approved from October 1, 2015 through June 30, 2018. We randomly selected the applications to eliminate bias and enable us to project the results to the entire population.
- Tested the eligibility of 37 of the 137 educational institutions that received a MiNGSTAP tuition reimbursement during fiscal year 2016 or 2017 or from October 1, 2017 through June 30, 2018. We randomly selected the institutions to eliminate bias and enable us to project the results to the entire 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. DMVA'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.

## **SUPPLEMENTAL INFORMATION**

Our audit report includes a flow chart of MiNGSTAP's application and payment processes, presented as supplemental information. Our audit was not directed toward expressing a conclusion on this information.

\* See glossary at end of report for definition.

## **GLOSSARY OF ABBREVIATIONS AND TERMS**

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<b>DMVA</b>	Department of Military and Veterans Affairs.
<b>effectiveness</b>	Success in achieving mission and goals.
<b>GPA</b>	grade point average.
<b>material condition</b>	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.
<b>Michigan National Guard</b>	Provides trained, combat capable forces in support of the National Security Strategy worldwide and Defense Support of Civil Authorities in response to federal emergencies within the United States and State emergencies within Michigan.
<b>MiNGSTAP</b>	Michigan National Guard State Tuition Assistance Program.
<b>performance audit</b>	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.
<b>reportable condition</b>	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.
<b>TAG</b>	The Adjutant General of Michigan.





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