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U.S. Department of Education

**Semiannual Report to Congress on Audit
Follow-up—No. 58**

October 1, 2017 – March 31, 2018

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Semiannual Report to Congress on Audit Follow-up—No. 58

October 1, 2017 – March 31, 2018

U.S. Department of Education
Office of the Chief Financial Officer

U.S. Department of Education

Betsy DeVos

Secretary

Office of the Chief Financial Officer

Dr. Douglas Webster

Chief Financial Officer

Financial Improvement Operations

Ellen Safranek

Director

May 2018

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MEMORANDUM

TO : Betsy DeVos
Secretary of Education

FROM : Douglas Webster, D.B.A.
Chief Financial Officer



SUBJECT : Semiannual Report to Congress on Audit Follow-up, No. 58

In accordance with the *Inspector General Act of 1978*, as amended (IG Act), I am pleased to submit the Department's 58th *Semiannual Report to Congress on Audit Follow-up*, which covers the six-month period ending March 31, 2018.

This report highlights the Department's accomplishments in implementing recommendations included in Departmental audits conducted by the Office of Inspector General. Additionally, it provides statistical tables as specified in Section 5(b)(2), (3), and (4) of the IG Act and statements with respect to audit reports for which management decisions have been made, but final action has not been taken.

Over the reporting period, the Department continued to implement recommendations to correct deficiencies reported by the auditors in a timely manner. In addition, the Department leveraged audit findings and recommendations to support a broader, enterprise-wide effort to address the significant challenges identified in the Office of Inspector General's *FY 2018 Management Challenges* report. The Department remains committed to making measurable progress to address these challenges and to ensure that effective oversight of the post audit process will assist in our continuous improvement efforts and support achievement of the Department's mission, goals, and objectives.

Attachment

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ABBREVIATIONS

AARTS	Audit Accountability and Resolution Tracking System
BUF	Better Use of Funds
CFO	Chief Financial Officer
Department	U.S. Department of Education
DCL	Dear Colleague Letter
FFEL	Federal Family Education Loan
FISMA	Federal Information Security Management Act
FSA	Federal Student Aid
FY	Fiscal Year
GA TROR	Guaranty Agency Treasury Report on Receivables
IES	Institute of Education Sciences
IG Act	Inspector General Act of 1978
IT	Information Technology
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCR	Office for Civil Rights
OCTAE	Office of Career, Technical, and Adult Education
ODS	Office of the Deputy Secretary
OESE	Office of Elementary and Secondary Education
OGC	Office of the General Counsel
OIG	Office of Inspector General
OII	Office of Innovation and Improvement
OM	Office of Management
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education
OSERS	Office of Special Education and Rehabilitative Services
PII	Personally identifiable information
PO	Principal Office
RMS	Risk Management Service
SD	School district
Single Audits	External audits issued by independent auditors pursuant to OMB Uniform Guidance
SMWC	Saint Mary-of-the-Woods College
TCI	Technical career institutions
UIC	University of Illinois at Chicago

OVERVIEW

The U.S. Department of Education (Department) submits this *Semiannual Report to Congress on Audit Follow-up—No. 58* in accordance with requirements of Section 5(b) of the *Inspector General Act of 1978*, as amended (*IG Act*). This report provides information on the Department’s external and internal Office of Inspector General (OIG) audit resolution and follow-up activity for the six-month period from October 1, 2017, through March 31, 2018.

This report also highlights the Department’s progress addressing its most significant management challenges. Over the last decade, the Department’s corrective action and risk mitigation strategies have focused largely on: improving IT security; strengthening financial management and internal controls; implementing better oversight and monitoring of contractors, grantees, and student financial assistance program participants; and improving the overall quality of data. For fiscal year (FY) 2018, the OIG grouped these management challenges into four categories¹:

- Improper Payments,
- Information Technology Security,
- Oversight and Monitoring, and
- Data Quality and Reporting.

The Department is pleased to report continued progress in our work to mitigate these challenges. In the Department’s [FY 2017 Annual Performance Report and FY 2019 Annual Performance Plan](#) published in February, the Department reported recent accomplishments. These include an improved improper payment estimation methodology, improvements to enable applicants to securely obtain accurate financial information to apply for student aid, Cybersecurity Workforce Development and Cybersecurity Strategy and Implementation Plans, a stronger approach to Federal Student Aid (FSA) compliance enforcement improving borrower protections, new cross-program risk and grant monitoring tools, and new tools to work collaboratively with States in identifying and following-up on issues affecting State data submissions.

In its *FY 2018 Management Challenges* report, the OIG highlighted Department progress and areas for continued focus. For example, the OIG no longer reports Information Technology System Development and Implementation as a management challenge. The

¹ The OIG removed a fifth category related to Information Technology System Development and Implementation because their current body of work did not support its continued reporting.

Department is confident that our continued efforts will show similar improvements in other areas in FY 2018. Our planned actions, performance goals, indicators and milestones for further addressing these risk areas can be found in the [FY 2017 Annual Performance Report and FY 2019 Annual Performance Plan](#).

In addition, the Department is implementing a more robust Enterprise Risk Management capability in support of *Strategic Plan Objective 4.2: Identify, assess, monitor, and manage enterprise risks*. Those efforts will better inform and align planned actions to address our management challenges. While the challenges reflect inherent mission risks that cannot be fully mitigated, the Department remains committed to leveraging an enterprise approach to risk management that focuses resources on those strategic risks and opportunities that maximize our ability to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access to education.

In the remaining sections of this report, we describe further the Department's efforts to address these inherent management challenges. This includes efforts to improve the efficiency and effectiveness of audit follow-up for both external and internal OIG audits. Data and contextual information are included only for the six-month reporting period, as required by the *IG Act*.

INTERNAL AUDIT ACCOMPLISHMENTS AND HIGHLIGHTS

The Department leverages internal audit findings and recommendations to improve internal operations and effectiveness. Through timely implementation of corrective actions, the Department has made progress addressing recommendations by the OIG. Building on that progress, a new strategy is being implemented to address these management challenges through an enterprisewide approach. This approach is closely linked with the Department's implementation of enterprise risk management principles. Although individual Principal Offices (POs) remain responsible for addressing audit findings specific to their operations, the Department has a cross-cutting action plan with goals, indicators, and milestones to demonstrate meaningful progress in addressing the Department-wide management challenges.

Below are notable accomplishments and highlights of the progress made during the prior six-month reporting period:

- The Department continued to enhance internal controls to prevent, detect, and recover improper payments. The Department continues to improve the reliability of its improper payment estimates and identify key controls needed to demonstrate payment integrity.

- The Department continues to strengthen the cybersecurity posture of the Department’s networks and systems, including: 1) continuing to resolve and implement the Department of Homeland Security Incident Response Team recommendations for enhancing the security posture of the Department’s IT environments; 2) improving our process for tracking open audit findings; 3) establishing regular meetings with stakeholders to address outstanding *Federal Information Security Management Act* (FISMA) and financial audit findings; 4) executing tasks to ensure the successful implementation of the *Federal Information Technology Acquisition Reform Act*; and 5) continuing key activities to identify and retire outdated and unsupported software.
- The Department announced a stronger approach to Federal Student Aid (FSA) compliance enforcement, creating stronger consumer protections for students, parents, and borrowers against “bad actors.” That announcement can be found at <https://www.ed.gov/news/press-releases/us-department-education-expands-focus-enforcement-and-consumer-protections-students-parents-and-borrowers>.
- In addition, the Department implemented a number of new risk-based oversight and monitoring tools to improve technical assistance and support to institutions and grant recipients. These included a standard discretionary grant site visit monitoring tool, new cross-program risk tools known as the Tool to Access Grantee Risk (TAGR) and Grantworks, and expanded pilot efforts to improve fiscal monitoring.
- The Department continued the deployment of a data loss prevention capability to automate the detection and prevention of potential data breaches from within the Department’s network. This capability complements the Department’s cybersecurity and privacy awareness training that is required for, and provided to all Department personnel on their role and responsibilities for protecting personally identifiable information (PII), and what tools are available to them to encrypt PII prior to sharing it with external partners.
- The Department continues to promote stronger controls by state agency grantees over data, improve its own controls over data submitted by grantees, and ensure transparency in data quality. The Department also took steps to promote grantee awareness of data quality issues and to strengthen its review of grantee data.

EXTERNAL AUDIT ACCOMPLISHMENTS AND HIGHLIGHTS

For the past several years, the Department has significantly improved the timely resolution of external audit findings. During this semiannual period, the Department also made significant progress in pursuing actions to reduce the time it takes to close audits after findings are resolved, and to maintain complete documentation in official audit files to support closure decisions.

Notable accomplishments and highlights for this reporting period include the following:

- *Timely Resolution of External Audit Findings.* The Department is continuing to sustain a high percentage of timely resolution of external audit findings, which has reached 96 percent in the most recent reporting.
- *Internal Review of Audit Closeout Requirements.* While resolution provides timely management decisions on audit findings, audit closure addresses the recovery of funds and verification of the actions taken to avoid a recurrence of findings. In this reporting cycle, the Department took a number of steps to improve the closure process. Specifically, the Office of the Chief Financial Officer (OCFO) continued to implement the internal review of audit closures conducted by Department offices that have audit resolution responsibilities. As part of the review process, which was piloted with two offices during FY 2017 and conducted with another office during the first quarter of FY 2018, OCFO makes recommendations for improving recordkeeping and documentation of closure actions. The review of the audit closure process will continue through the remainder of FY 2018 and into FY 2019 for any office that resolves external audits. In addition, beginning in FY 2018, OCFO provided training to audit resolution staff and audit liaison officers that focused on timely closure, maintenance of documentation for all required actions after resolution, and electronic storage of this information. More attention is also given to closure in the forthcoming revised *Handbook for the External Post Audit Process*.
- *Additional Information on Closure Status.* During this reporting period, the Department continued to leverage the Department's Monthly External Audit Dashboard, which now serves as a critical informational tool to assist all offices in managing the audit metric. The Dashboard contains a function that enables the user to obtain information on all outstanding external audits (both Single Audits and ED-OIG external audits) that are in a "resolved not closed" status, and also allows them to view the full audit, the date that the audit was issued, as well as the resolution date. These data can be retrieved and reviewed continuously on a "real time" basis.
- *Audit Guidance.* During this period, OCFO led the Department's effort in working with the Office of Management and Budget to develop the Department's "Skinny Supplement" for FY 2018, which contains information for auditors on both new and expiring program requirements, and as such, provides an updated and comprehensive audit guide for ED's programs nationwide. The compliance supplement is the leading tool utilized by auditors in the preparation of Single Audits, the most widely available audits of Federal programs.

CHAPTER ONE: Internal Audit Tables

Internal-Table 1: OIG Internal Audit Report Activity							
Office	Number of Reports Open 10/1/2017	Number of Reports Issued During SAR*58	Number of Reports Resolved During SAR 58	Number of Reports Unresolved as of 3/31/2018	Number of Reports Completed as of 3/31/2018	Number of Reports Closed During SAR 58	**Number of Reports Open as of 3/31/2018
FSA	3	2	1	1	2	2	3
IES	1	1	0	1	1	0	2
OCFO	3	3	2	2	0	0	6
OCIO	1	2	2	0	2	1	2
OCR	0	0	0	0	0	0	0
OCTAE	0	0	0	0	0	0	0
ODS	1	0	0	0	0	0	1
OESE	1	0	0	0	1	0	1
OGC	0	0	0	0	0	0	0
OII	0	0	0	0	0	0	0
OM	0	0	0	0	0	0	0
OPE	0	0	0	0	0	0	0
OSERS	1	0	0	0	1	1	0
RMS	1	0	0	0	0	0	1
Total	12	8	5	4	7	4	16

Source: U.S. Department of Education, AARTS.

*SAR refers to Semiannual Report.

**The number of Reports Open includes internal audits that are either Unresolved, Resolved, or Completed.

This table provides information on the audit follow-up activity from issuance to closure.

**Internal-Table 2:
OIG Internal Audit Reports Pending Final Action One Year or More
After Issuance of a Management Decision by Primary Office and Issue Date**

ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
A06O0001	Management Certifications of Data Reliability	ODS	02/11/2016	05/09/2016

Status: Resolved. All recommendations, except one, have been completed. The action item for the remaining open recommendation is to revise the Compliance Supplement to strengthen the focus on data quality issues. Work on this action item has been ongoing. The Department worked closely with OIG, OGC, and OMB on improvements to the Compliance Supplement for FY 2017 and was planning to have revisions incorporated into the FY 2018 supplement cycle; however, OMB advised that there will not be any revisions to the FY 2018 Compliance Supplement. OCFO is continuing to finalize the language for the revisions to the Compliance Supplement, which will be submitted in the next available Compliance Supplement cycle for FY 2019. The planned completion date for this audit is February 15, 2019.

ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
A19P0006	The Departments Oversight of the REAP Programs	OESE	09/12/2016	11/16/2016

Status: Completed. All corrective actions were completed December 27, 2017, and the audit is currently under review by OCFO for closure. The planned closure date for this audit is May 30, 2018.

ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
A02M0012	Audit of Charter and Education Management Organizations	RMS	09/29/2016	1/10/2017

Status: Resolved. All recommendations, except one have been completed. The action item for the remaining open recommendation is the issuance of a Dear Colleague Letter (DCL) from OII. OII drafted the DCL and will work with OGC and OSERS to respond to their edits/comments on the DCL before submitting it into Department clearance. Due to OII's workload of essential activities, additional time is needed to complete the DCL and finalize it through the Department clearance process. The planned completion date for this audit is September 30, 2018.

ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
A11Q0001	FY 2016 FISMA	OCIO	11/10/2016	1/31/2017
Status: Closed. When the reporting period ended on March 31, the audit was in completed status. However, the audit was closed on April 17, 2018.				

ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
A17Q0001	FY 2016 ED Financial Statement Audit	OCFO	11/14/2016	2/14/2017
Status: Resolved. The Cost Estimation and Analysis Division within Budget Service will draft a policies and procedures document which will include formal policies on design, development, testing and authorization of new models. A process procedure draft is expected to be presented to the Credit Reform Work Group in May with a final document available in June 2018. Financial Management Operations will assist the Director of Budget Service with documenting the process, procedures, and controls of credit modeling activities by executing a contract task order and providing a Contracting Officer's Representative to monitor contractor performance of the work. Documentation work continues through FY 18. FSA has developed documentation detailing the current Guaranty Agency Treasury Report on Receivables (GA TROR) reporting and compliance gaps. Once a decision is made regarding the best course of action based on the solutions' costs and their ability to close the gap, FSA will work towards completing the new GA TROR reporting guidance. The planned completion date for this audit is September 14, 2018.				

ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
A17Q0002	FY 2016 FSA Financial Statement Audit	FSA	11/14/2016	1/26/2017
Status: Resolved. A process procedure draft is expected to be presented to the Credit Reform Work Group in May with a final document available in June 2018. FSA initiated a project to stand up a FSA Personnel Security Processing Division. The required position descriptions to strengthen and refine the process for holding system owners and information system security officers accountable continue to move through the approval process for technology control deficiencies related corrective action items. FSA has developed documentation detailing the current GA TROR reporting and compliance gaps. Once a decision is made regarding the best course of action based on the solutions' costs and their ability to close the gap, FSA will work towards completing the new GA TROR reporting guidance. The planned completion date for this audit is April 12, 2019.				

Source: U.S. Department of Education, AARTS.

The preceding table lists each OIG-prepared internal audit report and alternative product on which final action was not taken within one year of issuance of a management decision on the report.

CHAPTER TWO: External Audit Tables

External-Table 1: U.S. Department of Education Audit Recovery Activities Related to Disallowed Costs as of March 31, 2018		
Final Actions	Number of Reports	Disallowed Costs
Balance reported at the end of the previous period	6	\$26,064,076*
Audit reports with management decisions made during the period (includes interest, penalty, and fine accruals)	3	\$1,421,300
Total audit reports pending final action during the period	9	\$27,485,376
Minus: Audit reports with final action taken during the period (includes collections and other reductions)	3	\$2,052,589
Total audit reports pending final action at the end of the period	6	\$25,432,787

Source: U.S. Department of Education, Financial Management System.

*Two audits debt were reduced from previous period.

This table presents statistical information on the Department's audit recovery activities related to disallowed costs (see definition in Appendix, section IV) for external OIG audits.

**External-Table 2:
U.S. Department of Education External OIG Audit Activities
Related to Better Use of Funds as of March 31, 2018**

Recommendations and Final Actions	Number of Reports	Dollar Value ²
Audit reports with management decisions on which final actions had not been taken at the beginning of the period	4	\$0
Audit reports on which management decisions were made during the period	2	\$0
Total: Audit reports pending final action during the period (total of two variables above)	6	\$0
Minus: Audit reports on which final action was taken during the period (value of two variables directly below)	1	\$0
Value of recommendations implemented (completed)	1	\$0
Value of recommendations that management concluded should not or could not be implemented or completed	0	\$0
Audit reports needing final action at the end of the period (total less computed value directly above)	5	\$0

Source: External audit reports prepared by OIG.

This table presents data on the Department’s activities related to recommendations for Better Use of Funds (BUF). In the 1988 amendments to the *IG Act*, Congress directed IGs to standardize their reporting processes in order to develop an overall picture of the Federal government's progress against waste, fraud, and mismanagement. Pursuant to this request, Congress required IGs to start tracking recommendations for BUF and to report the total dollar value of all BUF recommendations on a semiannual basis.

² “Dollar Value” is OIG's assessment, measured in dollars, of the potential efficiency in the use of funds if certain actions and recommendations stemming from audit reports are followed. The dollar amount reported as “Dollar Value” in this table is not meant to be recovered by the Department. Rather, the “Dollar Value” represents efficiencies that may be realized if the actions noted on the following page are taken.

**External-Table 3:
U.S. Department of Education OIG External Audit Reports Pending Final Action One Year
or More after Issuance of a Management Decision by Primary Office and Issue Date**

ACN	Audit Title	Primary Office	Issue Date	Disallowed Costs	BUF	Status*
02H0007	TCI ADMINISTRATION OF PELL GRANT AND FFEL PROGRAMS	FSA	5/19/2008	\$6,458	\$0	2
05D0017	UIC ADMINISTRATION OF THE GEAR-UP GRANT PROJECT	OCFO	1/14/2004	\$1,018,212	\$0	4
A03H0010	PHILA SD FISCAL CONTROLS OVER FEDERAL FUNDS	OESE	1/15/2010	\$7,357,760	\$0	4
A03I0006	SALLIE MAE SUBSIDIARY, NELLIE MAE'S SAP UNDER 9.5% FLOOR	FSA	8/3/2009	\$22,378,905	\$0	3
A04J0005	PRDE AWARD AND ADMIN OF PERSONAL SERVICES CONTRACTS	OESE	1/24/2011	\$15,004,196	\$0	1
A05K0012	SAINT MARY OF THE WOODS COLLEGE SMWC	FSA	3/29/2012	\$42,362,291	\$0	3
A05O0007	SOLEX COLLEGE	FSA	09/30/2015	\$1,795,500	\$0	2
A09P0001	SEA OVERSIGHT OF LEA SINGLE AUDIT FINDING RESOLUTION	OCFO	1/25/2016	\$0	\$0	1

Source: U.S. Department of Education, AARTS.

This table lists external OIG audit reports on which final action was not taken within one year after issuance of a management decision as of March 31, 2018. In this category, the Department has a total of eight reports, with disallowed costs amounting to \$89.9 million. Please note that some of these amounts have been recovered and some are in the process of being recovered. It is the responsibility of the lead Principal Office (PO) to initiate the closure process by following the Department's *Process for Closing ED-OIG External Audits* when audits are ready to be closed. The closure of each audit requires receipt of the PO's official request for closure and supporting documentation.

*Reasons why external OIG audits were resolved but not closed within one year after management decisions were made:

1. Pending further evidence to support implementation of corrective actions
2. Disallowed costs in recovery
3. Disallowed costs under appeal
4. Closure in progress

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APPENDIX: Brief Overview of Audit Follow-up at the Department

AUDIT FOLLOW-UP RESPONSIBILITIES

Office of Management and Budget (OMB) Circular A-50 provides that agency heads are responsible for designating a top management official to oversee audit follow-up, including resolution, corrective action implementation, and closure of individual audit recommendations. The Chief Financial Officer (CFO) is the Department's designated audit follow-up official, whose duties and responsibilities are:

- Ensuring that a system of cooperative audit resolution and follow-up is documented and in place,
- Ensuring that timely responses are made to all audit recommendations,
- Ensuring follow-up on corrective actions, and
- Resolving disputes regarding audit-related matters.

While general authority for program monitoring and oversight of audit follow-up under OMB Circular A-50 is delegated to the CFO, responsibility for responding to the audits, developing corrective actions to resolve findings and closing the audits is dispersed throughout the Department. At least six different POs play a role in external audit follow-up, and individual POs are directly responsible for resolving and closing recommendations contained in internal audits. Senior officers across the Department are charged with the timely resolution of audit reports and ensuring that appropriate corrective actions have been taken on agreed-upon audit recommendations within their PO. As required by OMB Circular A-50, *Audit Follow-up*, all audit recommendations are to be resolved within six months of issuance of an audit report.

AUDIT TRACKING SYSTEM

The Audit Accountability and Resolution Tracking System (AARTS) is the Department's system of record for audit tracking for all POs. AARTS is used to track, monitor, and report the status of all formally issued single audits, as well as Office of Inspector General (OIG) internal and external audits and alternative products. Alternative products are reports or memoranda issued by OIG that are not audit reports but raise issues that may need to be addressed by management. AARTS has been designed as a centralized data source, allowing Department staff to reduce duplication of effort and obtain and share data in a more efficient and effective manner. This system helps to facilitate the coordination of various activities across Department POs, including progress monitoring.

THE DEPARTMENT’S AUDIT RESOLUTION PROCESS

The Department resolves two types of audits.

- Internal audits** are audits that typically focus on the efficiency or effectiveness of the Department’s internal business processes, including grant administration and oversight. Internal audits are conducted by OIG headquarters and regional staff. Internal audits identify deficiencies in and recommend improvements to Department operations and management efforts to ensure that Federal education funds are used effectively and efficiently and that program goals are accomplished. Individual POs that are the focus of any particular internal audit are usually directly responsible for resolving recommendations contained in such audits.
- External audits** are reviews of contract-related activities, grant-related activities, or other activities of organizations external to, but doing business with, the Department. External audits are normally issued by the OIG or independent auditors (Single Audits). OCFO is generally responsible for resolving external audit findings stemming from reviews of all discretionary or competitively awarded grant programs, along with certain kinds of findings stemming from formula awards (e.g., cash management and subrecipient monitoring). Individual POs are generally responsible for resolving external audit findings stemming from formula awards.

The audit resolution process begins with the issuance of a final internal or external audit report and proceeds through the following stages (as tracked in AARTS).

Stages	Internal Audits	External Audits
Open	The audit is open when the Department receives a final audit report and there are audit findings to be resolved.	The audit is open when the Department receives a final audit report and there are audit findings to be resolved.
Unresolved	An internal audit is unresolved when agreement has not been reached between OIG and the PO on the recommended corrective actions identified in an internal audit.	An external audit is unresolved when a management decision, in the form of a Program Determination Letter, has not yet been issued.

Stages	Internal Audits	External Audits
Resolved	<p>Resolution occurs when agency management and the OIG agree on action to be taken on reported findings and recommendations; or, in the event of disagreement, when the audit follow-up official determines the matter to be resolved.</p>	<p>Resolution occurs when a management decision is issued. This is when the audit organization and agency management agree on action to be taken on reported findings and recommendations; or, in the event of disagreement, when the audit follow-up official determines the matter to be resolved.</p> <p>A management decision contains two parts: 1) an evaluation of the validity of the findings and recommendations cited in the audit report; and 2) a decision about the course of action needed to correct any deficiencies.</p>
Completed	<p>An internal audit is completed when the responsible office indicates all corrective actions have been implemented.</p>	<p>This stage is not applicable in external audits housed in AARTS.</p>
Closed	<p>Audits are closed when every recommendation has been addressed by a corrective action. To close the audit in AARTS, OCFO will verify supporting documentation for corrective actions and issue a closure memo.</p>	<p>Audits are closed when every finding has been addressed by a corrective action and all funds have been collected as required. To close the audit in AARTS, OCFO will verify supporting documentation for corrective actions and issue a closure memo.</p>

DEFINITIONS

- Disallowed costs** are charges to an award that the Federal awarding agency determines to be unallowable, in accordance with the applicable Federal cost principles or other terms and conditions contained in the award. For the disallowable costs, repayments are due to the Federal government.
- Better Use of Funds (BUF)** is a term used to track and report any audit recommendation that is intended to promote greater efficiency, accountability, or internal control through funds or other resources being “put to a better use.” BUF includes both monetary and nonmonetary efficiencies. The *Inspector General Act of 1978, as amended (IG Act)*, as amended, defines BUF as “a determination that

includes a potential efficiency in the use of funds if certain actions to implement and complete recommendations were followed that may include any of the following: 1) reductions in outlays; 2) deobligation of funds from programs or operations; 3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance or bonds; 4) not incurring costs by implementing recommended improvements related to the operations of the Department, a contractor, or grantee; or 5) any other savings that are specifically identified.”

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Semiannual Report to Congress on Audit Follow-up—No. 58
U.S. Department of Education
Office of the Chief Financial Officer
550 12th Street, S.W.
Washington, DC 20202-4450

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<http://www.ed.gov/about/offices/list/ocfo/pubs.html>.

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