

The seal of the U.S. Department of Education is a large, circular emblem in the background. It features a central sunburst design with rays emanating from a central point. The words "DEPARTMENT OF EDUCATION" are written in a circular path along the top, and "UNITED STATES OF AMERICA" is written along the bottom. Two stars are positioned on the left and right sides of the seal, separating the top and bottom text.

U.S. Department of Education

**Semiannual Report to Congress on Audit
Follow-up—No. 63**

April 1, 2020 – September 30, 2020

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Semiannual Report to Congress on Audit Follow-up—No. 63

April 1, 2020 – September 30, 2020

U.S. Department of Education
Office of Finance and Operations

U.S. Department of Education

Betsy DeVos

Secretary

Office of Finance and Operations

Denise Carter

Acting Assistant Secretary, Office of Finance and Operations

Office of Acquisition and Grants Administration

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Deputy Assistant Secretary, Office of Acquisition and Grants Administration

November 2020

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MEMORANDUM

TO : Betsy DeVos
Secretary of Education

FROM : Denise Carter
Acting Assistant Secretary, Office of Finance and Operations

SUBJECT : Semiannual Report to Congress on Audit Follow-up, No. 63

In accordance with the *Inspector General Act of 1978, (IG Act) [As amended through P.L. 116-92, Enacted December 20, 2019]*, I am pleased to submit the Department's 63rd *Semiannual Report to Congress on Audit Follow-up*, which covers the six-month period of April 1, 2020, through September 30, 2020.

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 sections 5(b)(2) and (3) of the IG Act, and statements with respect to audit reports for which management decisions have been made. Further, the report also notes where final action has not been taken under section 5(b)(5) of the same Act.

Over the reporting period, the Department continued to implement recommendations to correct deficiencies reported by the auditors in a timely manner. The Department remains committed to making measurable progress to ensure that effective oversight of the post audit process will assist in our continuous improvement efforts and support the achievement of the Department's mission, goals, and objectives.

Attachment

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CONTENTS

MEMORANDUM: From the Acting Assistant Secretary, Office of Finance and Operations..... iii

ABBREVIATIONS vi

OVERVIEW 1

INTERNAL AUDIT TABLES 2

EXTERNAL AUDIT TABLES..... 8

APPENDIX: Brief Overview of Audit Follow-up at the Department..... 12

 AUDIT FOLLOW-UP RESPONSIBILITIES..... 12

 AUDIT TRACKING SYSTEM 12

 THE DEPARTMENT’S AUDIT RESOLUTION PROCESS 13

 DEFINITIONS..... 14

ABBREVIATIONS

ACRONYM	Full Name
AARTS	Audit Accountability and Resolution Tracking System
AS	Administrative Services
BUF	Better Use of Funds
COR	Contracting Officer Representative
Department	U.S. Department of Education
DCL	Dear Colleague Letter
DCIA	Debt Collection Improvement Act
FDICD	Financial Data Integrity and Control Division
FFEL	Federal Family Education Loan
FERPA	Family Educational Rights and Privacy Act
FISMA	Federal Information Security Management Act
FSA	Federal Student Aid
FY	Fiscal Year
GA	Guaranty Agency
IES	Institute of Education Sciences
IG Act	Inspector General Act of 1978, as amended
ISSO	Information Systems Security Officer
IT	Information Technology
LEA	Local Educational Agency
NextGen	Next Generation
NPRM	Notice of Proposed Rulemaking
OFO	Office of Finance and Operations
OCIO	Office of the Chief Information Officer
OCPO	Office of the Chief Privacy Officer
OCR	Office for Civil Rights
OCTAE	Office of Career, Technical, and Adult Education
OESE	Office of Elementary and Secondary Education
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education
OPEPD	Office of Planning, Evaluation and Policy Development
OSERS	Office of Special Education and Rehabilitative Services
POs	Principal Offices
SAR	Semiannual Report
SEA	State Educational Agency
SOC	Security Operations Centers
SOPs	Standard Operating Procedures
TCI	Technical Career Institutions
TIC	Trusted Internet Connections
TROR	Treasury Report on Receivables
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. 63* 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 Office of Inspector General (OIG) audit resolution and follow-up activity for the six-month period from April 1, 2020, through September 30, 2020.

The Department maintains similar but distinct processes to efficiently and effectively manage the two broad categories of OIG 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 Department of Education funds are used effectively and efficiently, and that program goals are accomplished. Individual Principal Offices (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 entities receiving Department grants, entities participating in student financial assistance programs, 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). The Office of Finance and Operations (OFO) 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.

INTERNAL AUDIT TABLES

Internal-Table 1:

OIG Internal Audit Report Activity

Office	Number of Reports Open 4/1/2020	Number of Reports Issued During SAR 63	Number of Reports Resolved During SAR 63	Number of Reports Unresolved as of 09/30/2020	Number of Reports Completed as of 09/30/2020	Number of Reports Closed During SAR 63	*Number of Reports Open as of 09/30/2020
FSA	4	1	2	1	1	0	5
IES	0	1	0	1	0	0	1
OFO	5	1	0	1	0	1	5
OCIO	3	0	2	0	0	0	3
OCR	0	0	0	0	0	0	0
OCTAE	0	0	0	0	0	0	0
OESE	3	1	1	1	2	0	4
OPEPD	1	0	0	0	0	0	1
OPE	1	1	0	1	0	0	2
OSERS	0	0	0	0	0	0	0
Total	17	5	5	5	3	1	21

Source: U.S. Department of Education, Audit Accountability, and Resolution Tracking System (AARTS).

*The number of Reports Open as of 9/30/2020 (21) is the Number of Reports Open 4/1/2020 (17) plus Number of Reports Issued during SAR 63 (5) minus Number of Reports Closed During SAR 63 (1).

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
1	A02M0012	AUDIT OF CHARTER AND EDUCATION MANAGEMENT ORGANIZATIONS	OESE	09/29/2016	1/10/2017

Status: Resolved. The Charter Schools Program office has prepared a draft of Frequently Asked Questions (FAQs) to address the final recommendation/action item. The draft is in the Department’s clearance process. The planned completion date for this audit is December 31, 2020. The delay in completing this audit was due to the significant effort to develop a detailed and effective response to several of the findings, most notably the development of a comprehensive set of FAQs and corresponding answers.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
2	A17R0001	FY 2017 ED FINANCIAL STATEMENT AUDIT	OFO	11/13/2017	3/23/2018

Status: Resolved. Federal Student Aid (FSA) is reviewing and updating the Treasury Report on Receivables’ (TROR) specifications, guidance, and requirements in the context of the implemented set of Treasury Offset Program exclusions and exceptions. The ability to fully measure Debt Collection Improvement Act (DCIA) compliance would require substantial changes to the legacy servicing systems. FSA is incorporating DCIA requirements into the NextGen FSA servicing platform. The planned completion date for this work is October 14, 2021.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
3	A17R0002	FY 2017 FSA FINANCIAL STATEMENT AUDIT	FSA	11/13/2017	2/16/2018

Status: Resolved. Federal Student Aid (FSA) Finance is reviewing and updating the Treasury Report on Receivables' (TROR) specifications, guidance, and requirements in the context of the implemented set of Treasury Offset Program exclusions and exceptions. The ability to fully measure Debt Collection Improvement Act (DCIA) compliance would require substantial changes to the legacy servicing systems. FSA is currently reviewing and revising the TROR guidance for defaulted loan servicing to be compliant with DCIA. The planned completion date for this work is October 14, 2021.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
4	A19R0003	REVIEW OF FSA CONTRACTOR SECURITY SCREENING PROCESS	FSA	04/17/2018	8/20/2018

Status: Completed. The audit is currently being reviewed for closure by OFO's Financial Data Integrity and Control Division (FDICD).

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
5	A09R0003	DEPARTMENT RECOGNITION AND OVERSIGHT OF ACCREDITORS	OPE	06/27/2018	09/05/2018

Status: Resolved. The OPE/Accreditation Group (AG) completed the Accreditation Handbook, which is posted on the Department's accreditation webpage, <https://www.ed.gov/accreditation?src=rn>. Department offices are reviewing a new handbook, which reflects the newly published regulations. Full implementation of the Handbook requirements will be applied to agencies appearing at the Summer 2022 National Advisory Committee on Institutional/Quality and Integrity (NACIQI) meeting. The planned completion date for this audit is August 31, 2022.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
6	A19P0008	REVIEW OF THE CONTRACTOR SECURITY CLEARANCE PROCESS	OFO	09/20/2018	12/11/2018

Status: Resolved. The OPE/Accreditation Group (AG) completed the Accreditation Handbook, which is posted on the Department’s accreditation webpage, <https://www.ed.gov/accreditation?src=rn>. Department offices are reviewing a new handbook, which reflects the newly published regulations. Full implementation of the Handbook requirements will be applied to agencies appearing at the Summer 2022 National Advisory Committee on Institutional/Quality and Integrity (NACIQI) meeting. The planned completion date for this audit is August 31, 2022.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
7	A19Q0002	DEPARTMENT OVERSIGHT OF INDIAN EDUCATION FORMULA GRANT	OESE	09/28/2018	11/20/2018

Status: Completed. The audit is being reviewed for closure by OFO/FDICD.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
8	A02-M0011	NATIONWIDE AUDIT OF OVERSIGHT OF CLOSED CHARTER SCHOOLS	OESE	09/28/2018	12/07/2018

Status: Completed. The audit is being reviewed for closure by OFO’s FDICD.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
9	A11S0001	FY 2018 FISMA	OCIO	10/31/2018	1/29/2019

Status: Resolved. OCIO has resolved 30 recommendations for this audit. The remaining 15 recommendations are scheduled to be closed by March 2022. OCIO is working diligently to complete the remaining recommendations by: (1) completing a variety of projects to include fully implementing the Department's Identity, Credential, and Access Management (ICAM) capabilities; (2) completing all activities related to the Department's Security Operations Center (SOC) maturation, consolidation, or migration as required by OMB M-19-02; and (3) ensuring the Department's websites meet any new requirements as part of the Trusted Internet Connections (TIC) 3.0 initiative. The planned completion date for this audit is February 28, 2022.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
10	A09R0008	OCPO'S CONTROLS OVER THE PROCESSING OF FERPA COMPLAINTS	OPEPD	11/26/2018	1/28/2019

Status: Resolved. The Student Privacy Policy Office has worked with the Office of the General Counsel to bring clarity to existing regulations through a draft Notice of Proposed Rulemaking (NPRM) under the Family Educational Rights and Privacy Act (FERPA). The NPRM, when finalized and published, will address outstanding policy issues that have impeded the ability to resolve certain FERPA complaints. The planned completion date for this audit is September 30, 2021.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
11	A04T0004	DEPARTMENT COMPLIANCE WITH IMPROPER PAYMENT REPORTING	OFO	5/29/2019	7/18/2019

Status: Resolved. Accounts Receivable and Bank Management Division’s (ARBMD) processing of accounts receivable is transforming to full automation which will improve the Department’s reporting on improper payments. As a result, the Departmental Handbook OCFO-02 is being revised. The planned completion date for this audit is November 30, 2020.

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.

EXTERNAL AUDIT TABLES

External-Table 1:

U.S. Department of Education Audit Recovery Activities Related to Disallowed Costs as of September 30, 2020

Final Actions	Number of Reports	Disallowed Costs
Balance reported at the end of the previous period	3	\$1,773,708
Audit reports with management decisions made during the period (includes interest, penalty, and fine accruals)	1	\$324,146
Total audit reports pending final action during the period	4	\$2,097,854
Audit reports with action taken during the period (includes collections and other reductions)	0	(\$0)
Audit reports with final action taken during the period (includes collections and other reductions)	0	(\$0)
Total audit reports pending final action at the end of the period	4	\$2,097,854

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

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

External-Table 2:

U.S. Department of Education External OIG Audit Activities Related to Better Use of Funds as of September 30, 2020

Recommendations and Final Actions	Number of Reports	Dollar Value¹
Audit reports with management decisions on which final actions had not been taken at the beginning of the period	3	\$0
Audit reports on which management decisions were made during the period	4	\$0
Total: Audit reports pending final action during the period (total of two variables above)	7	\$0
Minus: Audit reports on which final action was taken during the period (value of two variables directly below)	2	\$0
Value of recommendations implemented (completed)	2	\$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 Inspector Generals (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.

¹ “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	TECHNICAL CAREER INSTITUTIONS (TCI) ADMINISTRATION OF PELL GRANT AND FFEL PROGRAMS	FSA	5/19/2008	\$6,458	\$0	3
05D0017	UNIVERSITY OF ILLINOIS AT CHICAGO (UIC) ADMINISTRATION OF THE GEAR-UP GRANT PROJECT	OFO	1/14/2004	\$1,018,212	\$0	2
A03I0006	SALLIE MAE SUBSIDIARY, NELLIE MAE'S SPECIAL ALLOWANCE PAYMENTS (SAP) UNDER 9.5% FLOOR	FSA	8/3/2009	\$22,378,905	\$0	3
A09P0001	STATE EDUCATION AGENCY (SEA) OVERSIGHT OF LOCAL EDUCATION AGENCY (LEA) SINGLE AUDIT FINDING RESOLUTION	OFO	1/25/2016	\$0	\$0	1
A05O0007	SOLEX COLLEGE	FSA	9/30/2015	\$1,795,500	\$0	2
A02P0008	ILLINOIS' OVERSIGHT OF LEA SINGLE AUDIT FINDING RESOLUTION	OFO	11/7/2016	\$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 October 1, 2020. In this category, the Department has a total of six reports, with disallowed costs amounting to \$25.2 million. Please note that some of these amounts have been recovered, and some are in the process of being recovered. The lead primary office is responsible for initiating 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 program office's (PO) 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, *Audit Follow-up*, 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 Acting Assistant Secretary, Office of Finance and Operations (OFO), 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 Acting Assistant Secretary, OFO, 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 program offices (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 officials 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, 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 program offices (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 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 an 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.
Resolved	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.	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. 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.
Completed	An internal audit is completed when the responsible office indicates all corrective actions have been implemented.	This stage is not applicable in external audits housed in AARTS.

Stages	Internal Audits	External Audits
Closed	Audits are closed when every recommendation has been addressed by a corrective action. To close the audit in AARTS, OFO will verify supporting documentation for corrective actions and issue a closure memo.	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, OFO will verify supporting documentation for corrective actions and issue a closure memo.

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)*, 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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U.S. Department of Education
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