UNITED STATES DEPARTMENT OF EDUCATION
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Michael K. Yudin
Acting Assistant Secretary
Office of Special Education and Rehabilitative Services
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202-4300

Dear Mr. Yudin:

This **final audit report**, titled *Payback Provisions of the Rehabilitation Long-Term Training Program*, presents the results of our audit. The objectives of our audit were to determine whether the Rehabilitation Long-Term Training (RLTT) program effectively (1) met program objectives by training recipients who subsequently performed work related to the program, and (2) obtained repayment of the assistance received for recipients that did not fulfill work agreements. This audit was part of a review of payback provisions of selected grant programs throughout the U.S. Department of Education (Department).

BACKGROUND

The Rehabilitation Services Administration (RSA) administers the RLTT program, one of a number of grant programs authorized under the Rehabilitation Act of 1973 (Act), as amended. The purpose of the RLTT program is to support projects that provide training and related activities, including the provision of technical assistance, to increase the numbers of qualified personnel trained in providing rehabilitation and other services provided by the Act for individuals with disabilities. Congress has appropriated approximately $35-40 million for training programs in each of the past few years, with the 5-year grants under the RLTT program generally averaging $100,000 per grantee, per year.

The RLTT program regulations require that 75 percent of funds awarded to universities go directly to students for tuition assistance and stipends. Students who receive financial assistance from projects funded under this program, often referred to as "RSA scholars," are required to pay back such assistance either by maintaining acceptable employment in public or private nonprofit rehabilitation agencies for a period of time after they complete their training, or by making a cash repayment to the Federal government. Upon completing their respective program, scholars

who receive funding under the RLTT program must work 2 years for every 1 year of funding received. Work payback must be completed within the sum of the number of years owed plus 2 additional years, often referred to as the grace period. Scholars are required to repay all or part of any scholarship they receive if they do not complete their service obligation. The RLTT program regulations do, however, provide for specific circumstances under which the Secretary of Education (Secretary) may grant a deferral or exception to performance or repayment under a scholarship agreement.[1]

Grantees are required to fully inform students about their payback obligations and other requirements before disbursing scholarship funds and students must sign a written payback agreement before they receive funds. Grantees are also required to track current and former RSA scholars and maintain accurate and complete information on them from the time they are enrolled in the program until they successfully meet their payback requirements. To that end, grantees must report annually on each scholar's payback status via RSA's web-based Management Information System (MIS).[2] Program officers are responsible for reviewing and approving these payback reports, which may entail following up with grantees if any issues are noted. Information in these reports is used to ensure that grantees and scholars are in compliance with the RLTT program requirements and to report on performance measures established under the Government Performance and Results Act (GPRA). Scholars who are found not to be complying with the RLTT program requirements are referred for repayment to the Department's Debt and Payment Management Group (DPMG).

RSA awarded a total of 11 RLTT grants in fiscal year (FY) 2006, the year of focus for our review. We chose to focus on FY 2006 grants as they were more likely to have a larger number of scholars that had completed the training and were in the payback portion of the program than more current grants, thereby enabling us to obtain sufficient evidence to answer our audit objectives. We noted that the number of scholars served under the five FY 2006 grants included in our sample ranged from 13 to 60, with a total of 173 scholars having received funding under these grants. Financial assistance provided over the course of scholars' participation in these projects ranged from $158 to $42,292, with a total of $1.6 million in financial assistance awarded to the scholars served under these grants.

[1] Title 34 of the Code of Federal Regulations (C.F.R.) § 386.41 provides that the Secretary may grant a deferral or exception to performance or repayment under the following circumstances: permanent disability, death, further academic study, active duty in the military, service in the Peace Corps or as a Domestic Volunteer, temporary disability, and inability to secure employment because of care for a disabled spouse.

[2] Among the data elements that grantees are required to report on are each scholar's name, start date, exit date, reason for exit, grace period end date, complete-by date, employment status, and financial assistance received.

AUDIT RESULTS

We found that RSA appears to have met RLTT program objectives by training recipients who subsequently performed work related to the program. Specifically, our audit results indicate that the majority of exited RLTT scholars who received training under the grants in our sample are working in acceptable employment. However, we are concerned about the data quality with regard to grantee reporting. We also found that, although RSA has recently undertaken efforts designed to strengthen its monitoring process, further improvements are needed in the process for identifying and referring noncompliant scholars for financial repayment.

With regard to objective one, we found that available data show the majority of scholars who received training under the five FY 2006 RLTT program grants in our sample obtained acceptable employment. Specifically, we determined that 119 of the 158 (75 percent) scholars who graduated or otherwise exited their respective program have either completed or are working toward completing their service obligation. However, we identified data quality issues which call into question the validity of these results. Specifically, we noted that payback reports that all five grantees in our sample submitted to the Department did not always include all of the requested data and, based on some reasonableness tests we performed, contained discrepancies. Because source data for information contained in the payback reports is primarily located at various grantees across the country, our ability to perform an assessment of the reliability of the information in the reports was limited, and as such, we could not fully determine the reliability of the data.

We also found that, although valid as one indicator of success, the GPRA performance measure under which RSA reports scholar employment data in the RLTT program's annual Congressional budget justifications does not reflect fully the program's effectiveness in training recipients who work in fields providing rehabilitation and other services to individuals with disabilities. Specifically, RSA's calculation includes graduates only, even though non-graduates are also permitted to work in acceptable employment to fulfill their payback requirement. Additionally, the measure does not include scholars who have completed their service obligation in previous years. Further, because RSA's reporting on GPRA measures relies on the same data upon which we based our analysis of a sample of FY 2006 grants, there are similar concerns regarding the validity of these results. Grantees' failure to complete payback reports or provide accurate and consistent data, coupled with RSA's failure to adequately and appropriately review these reports and other relevant information, limits stakeholders' ability to draw reliable conclusions on program effectiveness.

With regard to objective two, we found that RSA does not appropriately identify and refer for financial repayment scholars who are not fulfilling their service obligation. We identified 31 out of 106 scholars (29 percent) who should have started working in acceptable employment who were not on track to complete their service obligation within the number of years required, based on information contained in grantees' payback reports and additional information subsequently provided by project officers from grant project directors. We noted that RSA staff generally did not identify these scholars as not complying with the program requirements, and as a result, did

not follow up with grantees for the purpose of determining whether they should be referred to DPMG. We also noted that program officers did not always timely refer to DPMG scholars who should have completed their service obligation.

Overall, the weaknesses noted with the identification and referral of scholars for repayment increase the susceptibility of the RLTT program to fraud, waste, and abuse. RSA's failure to appropriately identify scholars who are not on track to fulfill their service obligation increases the risk that the Department will not timely recover funds owed to the Federal government according to the agreements which these scholars signed upon starting their respective programs. We noted that the 31 scholars who should have been identified as not on track to complete their service obligation and therefore should have been placed in repayment status received approximately $280,000 in Federal funds. Also, because RSA does not refer scholars for repayment until their period of obligation has expired, the accrued interest owed to the Federal government will be less than what it should have been had RSA, consistent with the regulations, correctly identified the date the scholar entered into repayment status and timely initiated debt collection activities.

Lastly, during our discussions with program officers, we learned that RSA may, on occasion, grant scholars extensions to the period within which they must complete their service obligation. RSA did not indicate that the extensions in question were related to the deferrals or exceptions that the regulations authorize, but, rather, used in such a way as to not penalize working scholars who appear to be able to fulfill their service obligation within a "reasonable amount of time" from their initial completion date. We subsequently learned from the Office of General Counsel (OGC) that RSA granted such an extension on at least one occasion. We noted that, in implementing the current RLTT program regulations, the Department did not appear to view the period of obligation as flexible, beyond allowing for the granting of deferrals or exceptions under limited circumstances. As a result, it does not appear that the Department has the authority to unilaterally extend scholars' completion dates, nor the ability to work within the current regulations to allow for such determinations.

In its response to the draft audit report, RSA did not state whether it agreed or disagreed with the findings, but concurred with each of the 15 recommendations and noted that it will address them in the months ahead. RSA stated that it has been and will continue to be its goal to ensure that the information collected and reported for the RLTT program is accurate and that any monies due to the Department are collected in a timely manner. RSA further stated that it has made and continues to make significant strides in its collection of data and delivery of technical assistance to grantees.

RSA's comments are summarized at the end of each applicable finding. The full text of RSA's response is included as Attachment 2 to this report. No changes were made to the report as a result of the response.

FINDING NO. 1 – Results Indicate that the Majority of Exited Scholars are Working, but Data Quality is a Concern

We found that the majority of scholars who received training under the five FY 2006 RLTT program grants in our sample obtained acceptable employment, based on information reported to the Department by grantees. Specifically, we determined that 119 of the 158[3] (75 percent) scholars who graduated or otherwise exited[4] their respective program have either completed or are working toward completing their service obligation. [See Table 1 for information on the number and status of all scholars served under the grants in our sample.]

Table 1: Number and Status of All Scholars Served Under a Sample of FY 2006 RLTT Grants

Total Scholars	173	
Current Scholars	15	9%
Exited Scholars*	158	91%
Scholars Who Fulfilled Service Obligation or Are Currently Working in Acceptable Employment**	119	75%
Scholars Who Are Not Working in Acceptable Employment ***	22	14%
Scholars Who Paid Back Financial Assistance Received or Have Been Referred to DPMG	7	4%
Scholars for Whom Employment Status Could Not Be Determined	6	4%
Scholars Who Are in Process of Receiving a Deferral or Exception	4	3%

* Of these 158 scholars, 143 (91 percent) graduated from their respective program and 15 (9 percent) withdrew or were expelled.
** Of these 119 scholars, 51 (43 percent) have already fulfilled their service obligation and 68 (57 percent) are currently working in acceptable employment. Also, this number includes some scholars who are not on track to fulfill their service obligation within the required timeframe—a situation addressed in Table 2.
*** This number includes some scholars who are still in their 2-year grace period and, therefore, not yet required to have begun working in acceptable employment.

However, we identified data quality issues which call into question the accuracy of these results. To perform our analysis, we relied primarily on grantee-reported data found in the RSA MIS payback reports. These payback reports are the basis upon which RSA determines results on its RLTT GPRA performance measures, for both internal and external reporting purposes. Because source data for information contained in these reports is primarily located at various grantees across the country, our ability to perform an assessment of the reliability of the information contained in the reports was limited and, as such, we could not fully determine the reliability of the data. We noted, however, that payback reports submitted by all five grantees in our sample did not always include all requested data and, based on some reasonableness tests we performed, contained discrepancies, including the following:

- the date that a scholar exited a program occurred before the date on which the same scholar allegedly started the program;
- the number of work years owed by a scholar did not appear to coincide with the scholar's start and exit dates from the program;

[3] We identified a total of 173 scholars who received financial assistance under the 5 RLTT grants in our sample; however, 15 of these scholars are still enrolled in their respective program.
[4] Of these 119 scholars, 115 (97 percent) graduated from their respective program and 4 (3 percent) withdrew (for reasons known or unknown).

- the total amount of service reported as having been completed by a scholar in one year decreased in the following year;
- the total amount of service reported as having been completed by a scholar in one year increased by more than one year in the following year;
- the total amount of service reported as having been completed by a scholar increased between years even though the scholar was twice identified as working in unqualified employment; and
- total scholarship support received by a scholar did not coincide with the scholarship amounts reported in previous years.

When we identified discrepancies such as those listed above, we followed up with program officers to determine if there were explanations for the errors or if the information was potentially incorrect. During the course of this followup, we became aware of several instances in which a scholar's start and/or exit dates and other data were, in fact, incorrect. Based on data located in the payback reports alone, we initially found that 98 of 158 (62 percent) scholars who graduated or otherwise exited their respective program had either completed or were working toward completion of their service obligation. However, after following up with program officers, this number increased to 119 of 158 (75 percent) scholars—a variance of 13 percentage points, albeit positive, within the five FY 2006 grants in our sample alone.

We also reviewed other available information on program performance as part of our assessment of the RLTT program's effectiveness in meeting its objectives. Specifically, we noted that RSA reports overall scholar employment data in the RLTT program's annual Congressional budget justifications, which require discussion of each Department program's performance on measures established under GPRA. Among these measures is the percent of RSA-supported graduates fulfilling their payback requirement through acceptable employment in any given year, which in FY 2011, the most recent year for which data is available, was 77 percent.[5] RSA's target for FY 2011 was 87 percent. However, because RSA's reporting on GPRA measures relies on the same data upon which we based our analysis of a sample of FY 2006 grants, there are similar concerns regarding the accuracy of these results.

We further noted that this particular measure does not reflect fully the RLTT program's effectiveness in training recipients who subsequently perform work related to the program. Specifically, RSA's calculation includes graduates only, even though non-graduates (i.e., scholars who withdrew or were expelled from their respective program) are permitted to work in acceptable employment to fulfill their payback requirement according to RSA's nonregulatory guidance. This measure also does not include scholars who have completed their service obligation in previous years.

[5] The FY 2014 RLTT Budget Justification states that 83 percent of RSA-supported graduates were fulfilling their payback requirement through acceptable employment in FY 2011, while data on the RSA website show a success rate of 77 percent on the same measure. RSA management attributed this error to management oversight, with 83 percent instead representing the percent of Masters-level graduates fulfilling their payback requirement through acceptable employment in FY 2011, another more specific measure by which RSA assesses program effectiveness.

Although the measure does reflect the performance of an important subset of scholars (i.e., graduates who are currently working toward fulfilling their service obligation) it is not comprehensive because it does not reflect all scholars who are working or who have worked in the area of rehabilitative services. To provide a more comprehensive view of the program's effectiveness, RSA could include additional measures that report on the percent of all RSA-supported scholars fulfilling their payback requirement through acceptable employment in any given year, and/or the percent of all RSA-supported scholars who have completed their service obligation at any time.

Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Internal Control," states

> Management has a fundamental responsibility to develop and maintain effective internal control. The proper stewardship of Federal resources is an essential responsibility of agency managers and staff. Federal employees must ensure that Federal programs operate and Federal resources are used efficiently and effectively to achieve desired objectives. Programs must operate and resources must be used consistent with agency missions, in compliance with laws and regulations, and with minimal potential for waste, fraud, and mismanagement.

Section 13(b) of the Act, as amended (29 United States Code (U.S.C.) § 710(b)) requires that the Commissioner of RSA collect information to determine whether the purposes of the Act are being met and to assess the performance of programs carried out under the Act. Section 302(b)(5)(B) of the Act, as amended (29 U.S.C. § 772(b)(5)(B)) states that the Commissioner is responsible for the enforcement of scholars' service agreements.

Under 34 C.F.R. § 386.34(g), grantees are required to establish policies and procedures to determine scholars' compliance with the terms of their service agreement. Under 34 C.F.R. § 386.34(h), grantees are required to make reports to the Secretary that are necessary to carry out the Secretary's functions under the program.

The Department's "Handbook for the Discretionary Grant Process" (OS-01, dated January 26, 2009) (Handbook) states that monitoring shall continue for as long as the Department retains a residual financial interest in the project, whether or not it is providing active grant support. Specifically, staff are to monitor each grantee to the extent appropriate so as to achieve expected results under approved performance measures, while assuring compliance with grant requirements.

Reasons for Data Quality Concerns

Our concerns with regard to the quality of data used to report on the effectiveness of the RLTT program are attributable to (1) the overall design of the program, which places responsibility for tracking individual scholars with grantees and relies in large part on self-reported data; and (2) RSA's monitoring policies, procedures, and processes, particularly with regard to determining the reliability of such data. Specifically, we noted that although the RLTT program is not unique in relying on grantee data for the purpose of determining progress toward meeting

GPRA performance measure targets, the program represents a distinct risk to the Federal government in that scholars—many of whom received significant sums of money—must continue to be tracked by grantees once they have exited their respective programs. We also noted that RSA's oversight efforts in this area do not provide assurance that steps are being taken to validate grantee-reported data.

Scholar Tracking

We found that grantees did not appear to begin to systematically collect payback agreements and addresses for scholars, nor provide RSA with certain other required information that is essential to determining whether service obligations are being appropriately fulfilled, until the 2010 payback reports. We also found an independent evaluation of the RLTT program and related third-party issue briefs that noted similar issues with program design and data quality. For example, a 2003 independent evaluation of the RLTT program concluded that, "the data quality problem encountered during data analysis is a reflection of the systemic problem of relying on grantees to track RSA scholars over a period of time." This report recommended that RSA, "Delegate the tracking of the payback status of the exited RSA scholars to a third party that specializes in tracking instead of relying on faculty member grantees who are not trained to perform such duties." An RSA-requested issue brief from 2011 found that there were a number of significant gaps in the data grantees provided in their payback reports, including information on work years owed and work years completed.

We noted that since 2010, RSA has used listserv emails, webinars, and project director meetings to provide guidance to grantees on how to complete payback reports, offer technical assistance, and answer frequently asked questions. Data quality, however, remains an issue.

Payback Monitoring Policies and Procedures

We noted that RSA lacks adequate policies and procedures governing program officers' review of payback reports. During our discussions, we learned that RSA has not established guidance specific to this process nor communicated expectations. Program officers differed in their understanding of what they should be looking for when they conduct their reviews and noted that there is no defined timeline by which they must complete their initial review and initiate followup with the grantee regarding any data quality or other issues. It is also unclear as to whether program officers should review past payback reports for consistency, since we noted that some do and others do not.

When we discussed this matter with RSA management and program officers, we learned that they feel it is ultimately the grantee's responsibility to ensure that data are reliable and correct—an understanding that is reflected in the program regulations. However, even though the regulations do place responsibility for tracking scholars on the grantees, they do not relieve RSA of its monitoring responsibilities. We noted, for example, that several of the payback reports that we reviewed were never formally approved by a program officer—and, in some cases, were never even entered into MIS by the grantee. Specifically, of the 32 reports that we reviewed, only 9 (28 percent) were completed by the grantee and approved by the assigned program

officer. We found that 3 (9 percent) were never entered by the grantee[6] and 20 (63 percent) were completed by the grantee but not approved by the assigned program officer. We further noted that although MIS requires a "signature" from the individual submitting the payback report, it does not include a statement pertaining to or certifying data quality.

Reviewing these payback reports would have allowed RSA to identify data quality and other issues and provided some assurance that the information was accurate and complete for the purpose of measuring program effectiveness. Additionally, requiring that RLTT grantees certify that data submitted to the Department is accurate, reliable, and complete would provide an additional level of internal control over the reliability of performance data.

During the course of our audit, we were provided with a suggested draft protocol dated April 2013 for analyzing payback reports. This protocol was not in effect during the scope of our audit, so we could not assess its effectiveness. Nevertheless, it does provide tips for review that may be of value to program officers. Specifically, the suggested protocol advises staff to ensure that information was input correctly (i.e., scholar name, start date, exit date, reason for exit, grace period end date, complete-by date, employment status, financial assistance received, etc.); thoroughly review all sections of the report prior to approval (and consider reviewing the prior year's report for consistency); and follow up with grantees if there are questions regarding the accuracy or completeness of the data or if the grantee indicated that information on waiver or deferral requests or repayment documentation would be forthcoming. However, RSA has not yet incorporated this protocol into its formal monitoring policies and procedures, nor had the opportunity to test its usefulness. We further noted that the MIS has only recently been updated to include logic checks that should assist program officers in identifying some of the discrepancies listed above. [See Finding No. 2 for additional details.]

We also noted that the Department does not obtain or otherwise verify evidence of scholars' fulfillment of their service obligation. RSA management noted that, when funding allows, program officers will conduct site visits that include reviewing scholar case files to ensure that all required documentation is maintained. According to program officers, required documentation, at a minimum, includes the signed payback agreement, exit certification, and proof of citizenship. Other documentation that may be part of the scholar case file includes financial disbursement information and any communications between the scholar and the grantee. If a scholar has exited the program, program officers will look for evidence that the grantee has obtained employment verifications. If a grantee refers a scholar to RSA for repayment, deferral, or exemption, such documentation, along with the final decision letter from RSA, also should be included in the scholar's case file.

Although the process described above would provide better assurance that scholars are working, we noted that the number of site visits conducted by RSA has been reduced dramatically in recent years—a situation that RSA management and program officers attributed to budget constraints. For example, we learned that site visits were conducted at seven universities in

[6] Data from payback reports carry over from year-to-year. Therefore, if a grantee submitted a payback report in 2008, but failed to submit one in 2009, a program officer would be able to log in to the MIS and view a 2009 report, but not actually be seeing any new data.

FY 2011, at zero universities in FY 2012, and at three universities in FY 2013. We also noted that only one of the five grantees in our sample received a site visit, in October 2008. This visit occurred just 2 years after the grant was awarded and, although useful from a program implementation and data quality perspective, did not allow for any substantial review of documentation concerning work payback. This was due in part to the 2-year grace period prescribed by the RLTT program regulations, whereby even if a scholar had completed the program at the time of the site visit, the scholar would not yet have been required to be in acceptable employment.

With regard to the concerns noted with the related performance measure, RSA itself has recognized weaknesses in this area, noting in the FY 2014 RLTT Budget Justification that the GPRA performance measures alone do not provide a comprehensive view of the RLTT program. However, officials believe that the measures do provide some evidence as to the efficacy of the program and its expenditures.

Grantees' failure to complete payback reports or provide accurate and consistent data, coupled with RSA's failure to adequately and appropriately review these reports and other relevant information, limits stakeholders' ability to draw reliable conclusions on program effectiveness. In addition, RSA is not currently reporting the most comprehensive data on program outcomes and impacts because RLTT scholars who withdrew or were expelled from their respective program or who have completed their payback obligation in previous years—either through service or financial repayment—are not taken into account when determining results on GPRA performance measures. Because these measures are based only on current fiscal year data, any assessment of the program's effectiveness is only relevant for that specific point in time.

Recommendations

We recommend that the Assistant Secretary for the Office of Special Education and Rehabilitative Services (OSERS) require RSA to

1.1 Continue to emphasize to grantees, through training or by other means, the need to provide accurate and complete data for the purpose of determining total financial assistance received and work years owed by each scholar, and the regulatory requirement that grantees continue to track scholars once they have exited the program and provide information annually on work years completed or requests for waivers or deferrals.

1.2 Consider requiring RLTT grantees to provide certifications that data submitted to the Department is accurate, reliable, and complete in order to provide an additional level of internal control over the reliability of performance data.

1.3 Identify grantees who consistently fail to provide accurate and complete scholar data and take appropriate enforcement actions.

1.4 Finalize the protocol for program officers to reference when completing their reviews of payback reports and incorporate it into RLTT's formal monitoring policies and procedures.

1.5 Provide training to program officers on the payback report review process.

1.6 Establish and implement timelines for the initial review of payback reports, followup with grantees, and formal approval in the MIS.

1.7 Ensure that key data quality/logic checks are built into the MIS.

1.8 Consider incorporating other means by which program officers can verify the adequacy of grantees' tracking systems and scholars' employment in the absence of adequate funding for site visits, to include periodic desk audits of grantees regardless of whether they have been selected for on-site monitoring.

1.9 Consider including and reporting on additional performance measures that would reflect a more comprehensive view of program effectiveness.

RSA Comments

RSA concurred with the recommendations and described actions that it will take to improve data quality for the RLTT program. RSA placed particular emphasis on revisions being made to its payback policy and procedures manual, which is currently undergoing internal review and clearance. RSA stated that, in the updated manual, it will emphasize to grantees the need to provide accurate and complete data, formally incorporate the elements of program officer training on reviewing and addressing discrepancies and other errors in grantee payback reports, and incorporate established timelines and procedures. The updated manual will be made available online and a copy will be provided to all grantees. RSA noted that it will also explore strategies that would enable it to conduct quality assurance checks in MIS to ensure that both RSA staff and grantees are adhering to the timelines established. In addition, RSA will work with the MIS technical lead to develop a way for grantees to submit a certification of data quality and to develop additional quality/logic checks for the payback reports in MIS. RSA further stated that it will continue to make these types of enhancements annually or as the need arises.

RSA's described actions also include increased communication, both internally and externally. Within the Department, RSA noted that it recently held discussions with Budget Service about revising GPRA measures and established a small work group to review and refine the measures. It is RSA's hope to have new measures in place in the fall of 2014 for inclusion in the FY 2016 Congressional Budget Justification. Externally, RSA will develop communication from RSA management to grantees that are not reporting accurate and complete data as a means to make clear to grantees that accurate and complete reporting is a legal requirement of the award. Such communications from RSA management will then become part of the official grant file. If a grantee consistently fails to comply with the tracking system, documentation, reports, and records requirements, RSA will, after warning, terminate the award.

FINDING NO. 2 – Improvements are Needed in the Department's Process for Identifying and Referring Scholars for Financial Repayment

We found that RSA does not appropriately identify and refer for financial repayment scholars who are not fulfilling their service obligation. Upon completing their respective programs, scholars who receive funding under the RLTT program must work 2 years for every 1 year of funding received. Work payback must be completed within the sum of the number of years owed plus 2 additional years, the latter of which is often referred to as the grace period.[7] We determined that program officers should have identified 45 scholars within the five FY 2006 RLTT grants in our sample as not being on track to complete their service obligation within the number of years required, based on information contained in grantees' payback reports, and should have subsequently followed up with grantees for the purpose of determining whether these scholars should be referred to DPMG. However, we noted that RSA staff generally did not identify these scholars as not complying with program requirements and, as a result, did not conduct followup activities. We also noted that program officers' unwritten practice of not identifying scholars for repayment until after their complete-by date had passed did not always result in the timely referral to DPMG of scholars who should have completed their service obligation on or before September 30, 2012, the end date for the period covered by the most recent payback report as of the start of our audit.[8]

Identification of Scholars for Repayment

As noted above, based on data contained in the most recent RSA MIS payback report for each grant in our sample, we identified 45 scholars as not on track to complete their service obligation within the number of years required. This would mean that they should be in repayment status per the program regulations. We arrived at this number by determining how many work years each scholar had left to complete their service obligation, and comparing work years owed to the amount of time remaining between September 30, 2012,[9] and each scholar's complete-by date.

We followed up with program officers and subsequently determined, through other supporting documentation they acquired from the grantees, that 14 of these scholars were actually in compliance with program requirements and, therefore, should not be in repayment status. Specifically, we learned that six scholars had actually completed their service obligation, six scholars were on track to complete their service obligation, one scholar was eligible to receive a deferral, and one scholar was eligible to receive a waiver. Therefore, in total, we identified 31 scholars as not being on track to complete their service obligation within the number of years required. [See Table 2 for information on the number and status of exited scholars served under the grants in our sample.]

[7] For example, if a scholar began a program in 2006, received 2 years of funding, and completed the program in 2008, they would have until 2014 to complete their service obligation.
[8] November 2012
[9] Grantees' most recent payback reports were supposed to reflect information through the end of FY 2012.

Table 2: Exited Scholars' Status in Fulfilling Work Requirements		
Exited Scholars	158	
Exited Scholars Who Were Still Within 2-Year Grace Period as of September 30, 2012	52	33%
Exited Scholars Who Should Have Started Working in Acceptable Employment by September 30, 2012*	106	67%
Scholars Who Fulfilled Service Obligation or Are On Track to Fulfill Service Obligation**	72	68%
Scholars Who Are Not On Track to Fulfill Service Obligation***	31	29%
Scholars Who Are in Process of Receiving a Deferral or Exception	2	2%
Scholars Who Paid Back Financial Assistance Received	1	1%

* This number is composed of scholars whose 2-year grace period expired on or before September 30, 2012, as well as scholars who withdrew or were expelled from their respective program and were not permitted a 2-year grace period, but were eligible to fulfill their obligation by working in acceptable employment.
** Of these 72 scholars, 44 (61 percent) have already fulfilled their service obligation and 28 (39 percent) are currently working in acceptable employment and are on track to fulfill their service obligation within the required timeframe.
*** Of these 31 scholars, 11 (35 percent) are currently working in acceptable employment and 20 (65 percent) are not currently working in acceptable employment. Also, 6 of these 31 scholars (19 percent) have been referred to DPMG. We noted that only one of these scholars was referred both before the start of our audit and before her complete-by date. Three other scholars were referred before the start of our audit, but long after their complete-by dates. The remaining two scholars were referred both after the start of our audit and after their complete-by dates. [See below for additional discussion regarding RSA's scholar referral process, including reasons why scholars were not appropriately identified and referred for financial repayment.]

We asked each program officer to verify whether they contacted the grantees regarding these scholars prior to our followup inquiries. Our review of documentation and additional information provided by these program officers suggested that followup was initiated for 8 of the 45 (18 percent) scholars without prompting from the audit team. Overall, it was unclear if followup was initiated prior to our inquiries for a majority of these scholars.

Referral of Scholars for Financial Repayment

During our audit, we learned that it is RSA's unwritten practice to wait to refer scholars for repayment until their complete-by date has passed. However, even under this unwritten practice, we found that only 3 of the 10 (30 percent) scholars in our sample who should have completed their service obligation by September 30, 2012, but who did not do so, were submitted to DPMG for repayment prior to the start of our audit.[10] We found that it took, on average, more than 1.5 years after the complete-by date had passed for program officers to refer these three individuals.

Following the start of our audit, two additional scholars were submitted to DPMG for repayment, resulting in a total of 5 of 10 (50 percent) scholars who should have completed their service obligation by September 30, 2012, and who have been referred to DPMG. We asked program officers about the remaining five individuals to determine why they were not submitted for repayment and whether they should have been. After obtaining additional information from the grantee project directors, program officers stated that all five individuals will be submitted for financial repayment. [See Table 3 for information on the number and status of exited scholars served under the grants in our sample who should have started working.]

[10] These 10 scholars are a subset of the 31 scholars who should have been identified as being in repayment status.

Table 3: Status of Exited Scholars Who Should Have Started Working		
Exited Scholars Who Should Have Started Working in Acceptable Employment by September 30, 2012	106	
Exited Scholars Who Were Still Within Period of Obligation as of September 30, 2012	80	75%
Exited Scholars Whose Period of Obligation Had Expired as of September 30, 2012*	26	25%
Scholars Who Fulfilled Service Obligation	15	58%
Scholars Who Did Not Fulfill Service Obligation**	10	38%
Scholars Who Paid Back Financial Assistance Received	1	4%

* This number includes only those scholars who should have completed working in acceptable employment by September 30, 2012.
** Of these 10 scholars, 5 (50 percent) have been referred to DPMG and issued repayment letters and 5 (50 percent) have not yet been referred to DPMG.

According to 34 C.F.R. § 386.43(e), a scholar enters repayment status on the first day of the first calendar month after the earliest of the following dates, as applicable: (1) the date the scholar informs the Secretary that he or she does not plan to fulfill the employment obligation under the agreement, or (2) any date when the scholar's failure to begin or maintain employment makes it impossible for that individual to complete the employment obligation within the number of years required.

Under 34 C.F.R. § 386.34, scholars enter into an agreement to repay all or part of any scholarship they receive if they do not complete their service obligation, and provided they do not receive a deferral or exception to repayment under 34 C.F.R. §§ 386.41-42. The debt the scholar owes is a debt to the United States subject to collection by the Secretary. According to 34 C.F.R. § 386.43, the debt equals the amount of the scholarship that has not been retired through eligible employment, excluding deferral or repayment exceptions, plus interest on the unpaid balance which accrues from the date that the scholar is determined to have entered repayment status. The scholar's debt may be cancelled once documentation to substantiate the grounds for a repayment exception is provided to and found satisfactory by the Secretary.

The Handbook states that monitoring must address the Department's fiduciary responsibility to ensure grantees' legal and fiscal compliance and to protect against fraud, waste, and abuse.

Reasons for Not Appropriately Identifying and Referring Scholars for Financial Repayment

RSA's failure to appropriately identify and refer for financial repayment scholars who are not fulfilling their service obligation results from (1) the lack of a uniform understanding by program officers of the regulatory definition of repayment status; (2) inadequate guidance on what program officers should look for when reviewing payback reports; and (3) insufficient internal communication with regard to the development and use of the RSA MIS.

Definition of Repayment Status

We noted that program officers did not have a clear and consistent understanding of when a scholar enters repayment status. Although program officers generally agreed that a scholar who has dropped out or was expelled from their respective program is in repayment status, there was

confusion regarding the actual regulatory requirement and other scenarios under which a scholar should be identified as noncompliant and referred for financial repayment. Specifically, we learned that most program officers do not consider a scholar to be in repayment status until the date by which the scholar must complete their service obligation has passed. This means that, contrary to the regulations, scholars whose 2-year grace period has passed and who have not found acceptable employment are not referred for financial repayment. For example, when we asked program officers to comment on whether and when they initiated contact with project directors regarding the scholars who we identified as not on track to complete their service obligation, we found that program officers generally did not identify these scholars as in repayment status in the first place. For one grant, we identified 16 scholars who should be in repayment status. However, the program officer responsible for overseeing this grant stated that only one of the scholars was in repayment status, as a scholar does not enter repayment status until after the complete-by date has passed.

During our discussions, program officers noted that there is a considerable amount of time and paperwork involved for the grantee, RSA staff, and DPMG staff when preparing and processing repayment letters. Therefore, RSA tries to avoid preparing, processing, and then having to cancel repayment letters as a result of receiving updated information that scholars have found acceptable employment albeit after their grace period has expired. Program officers stated that even if scholars are not on track to complete their employment obligation in the number of years required, they may still complete acceptable employment up until the date by which they were supposed to fulfill their service obligation, and will then be held responsible for the remaining outstanding obligation. As a result, they will generally wait until the date has passed by which a scholar should have completed his or her service obligation before submitting them for repayment.

Payback Monitoring Policies and Procedures

As previously discussed in Finding No. 1, we found that RSA lacks adequate policies and procedures governing program officers' review of payback reports. While the suggested protocol should assist program officers in their review of payback reports, we noted that it continues to place the onus on grantees to determine whether a scholar should be referred for financial repayment and does not provide clear guidance on steps that program officers might take to verify grantee determinations or to draw their own conclusions.

MIS Capabilities

We noted that critical information necessary to augment program officers' monitoring of scholar payback was not communicated to the individual responsible for the coding of the MIS. The individual responsible for providing technical and administrative support for the MIS is an RSA program support staff employee rather than a dedicated RLTT employee, and is one of two individuals responsible for providing support for the RSA website, which includes all RSA programs. While we found that the technical lead for RLTT had an understanding of the program, what the data were, and why the data were being collected, he did not know how this information would be used to monitor scholar payback.

According to the technical lead, the RSA MIS has the data elements necessary to identify scholars who need to start payback. He added that it is his job to provide the tools needed to augment staff's efficiency when tracking scholars, as there are a lot of data but very few staff. Although the technical lead stated that he would like to provide additional support to program officers, he noted that this cannot be done without program officers first identifying and communicating what additional enhancements or analyses would assist them in their monitoring of scholar payback. The technical lead also noted that because there has been a lot of turnover in staff over the years, there is no repository of knowledge. We found that RSA did not have a handbook describing how the MIS was built to capture relevant data and to act as a reference for program officers. Program officers noted that while they try to review MIS reports for reasonableness, they might not catch every discrepancy.

As a result of informal requests from program officers, starting in 2011, the system was updated to automatically flag certain issues or concerns. For example, we found that the MIS now alerts program officers when a scholar's grace period has expired without the scholar starting acceptable employment and when a scholar's obligation period has expired without the scholar completing the service obligation. The system also includes logic checks, such as identifying whether a scholar's start date is later than their exit date, and automatic calculations of scholars' grace period end dates and total financial assistance received.[11]

Overall, the weaknesses noted with the identification and referral of scholars for repayment increase the susceptibility of the RLTT program to fraud, waste, and abuse. RSA's failure to appropriately identify scholars who are not on track to fulfill their service obligation increases the risk that the Department will not timely recover funds owed to the Federal government according to the agreements which these scholars signed upon starting their respective programs. We noted that the 31 scholars who should have been identified as not on track to complete their service obligation, and therefore should have been placed in repayment status, received approximately $280,000 in Federal funds.

Also, because RSA does not refer scholars for repayment until their period of obligation has expired, the accrued interest owed to the Federal government will be less than what it should have been had RSA, consistent with the regulations, correctly identified when a scholar entered into repayment status and timely initiated debt collection activities. Specifically, we noted that the referral process begins when RSA notifies both the scholar and DPMG, via a demand-for-payment letter, that the individual is not complying with the RLTT payback requirement and must repay immediately any financial assistance received. DPMG inputs information from this letter into its accounting system, which is programmed to begin charging interest 45 days from the date of the letter. As a result, the date on the demand-for-payment letter effectively serves as the date on which the scholar was determined to have entered repayment status. If RSA were to correctly identify when a scholar enters into repayment status, per the RLTT program regulations, and timely submit scholars for repayment, then the appropriate amount of interest would be charged.

[11] These logic checks have been implemented on an incremental basis since 2011. The list of MIS report discrepancies that we note on page 5 in Finding No. 1 is cumulative, dating back to reports that were first submitted in 2007, prior to the implementation of the logic checks.

Recommendations

We recommend that the Assistant Secretary for OSERS require RSA to

2.1 Review all grants for which payback reports are still being submitted to determine whether any scholars should be classified as being in repayment status; conduct followup with grantees as needed to ensure that information is current, accurate, and complete; and refer to DPMG for financial repayment any noncompliant scholars, along with all required documentation.

2.2 Remind grantees of the consequences of scholars' failure to obtain acceptable employment and advise grantees that they provide such information to their scholars.

2.3 Provide training to program officers on identifying scholars in repayment status in accordance with the current RLTT program regulations and on referring noncompliant scholars for financial repayment.

2.4 Conduct a comprehensive assessment of the MIS to identify weaknesses and potential areas for improvement and communicate these findings to the RLTT technical lead.

2.5 Work with the appropriate individuals to develop an MIS handbook that describes the system's features, defines payback report flags, and is updated when enhancements are made.

2.6 Consider changing the regulation defining when a scholar enters repayment status to be consistent with the Department's unwritten practice or simplify the current process, consistent with the regulations, to allow for situations in which a scholar may complete some part of his or her service obligation within the required time period and, therefore, be liable for financial repayment of only a portion of any RLTT funds received.

[Implementation of recommendations made under Finding No. 1 (specifically, recommendation 1.4 on RLTT monitoring policies and procedures and recommendation 1.7 on MIS data quality/logic checks) will also strengthen controls and oversight in this area.]

RSA Comments

RSA concurred with the recommendations and described actions that it will take to enforce the service obligation requirement as outlined in the payback policy and procedures manual. Specifically, if a scholar does not find qualifying employment after the 2-year grace period, he or she will be asked to repay the funds provided. Grantees will also be held accountable for providing scholars with information on the service obligation requirement and maintaining adequate supporting documentation. RSA further stated that it is exploring strategies to develop quality assurance checks to determine that the appropriate procedures are being followed consistently by all staff with regard to the identification of scholars who should be in repayment status, followup with grantees, and the referral of noncompliant scholars to DPMG. RSA will also work with the appropriate individuals to develop an MIS Handbook that describes system

features, defines payback report flags, incorporates existing PowerPoint slides that were provided as web-based training to RLTT grantees, and will be updated when enhancements are made.

Finally, RSA concurred with the recommendation that it would be preferable to revise the regulations to provide scholars more flexibility in satisfying the service obligation. RSA stated that doing so would have the desirable effect of reducing the number of scholars who are not successful in carrying out the service obligation within the time period allowed, thus reducing the number of scholars who would then be required to repay all or part of the cost of the scholarship. However, RSA did not indicate that it would be taking any specific actions to address this issue.

OTHER MATTER

RSA May Be Inappropriately Granting Extensions of Scholars' Service Obligations

During our discussions with program officers, we learned that RSA may, on occasion, grant scholars extensions to the period within which they must complete their service obligation. RSA did not indicate that these extensions were related to the deferrals or exceptions that the regulations authorize.[12] Specifically, while we did not identify any instances of this occurring within the five FY 2006 RLTT grants in our sample, two program officers with whom we spoke stated that if a scholar is in acceptable employment but is not on track to complete his or her service obligation within the required number of years, RSA will consider extending the scholar's completion date. This is particularly true for scholars who appear to be able to fulfill their service obligation within a "reasonable amount of time" from their initial completion date, as RSA does not want to penalize working scholars. One of the program officers noted that such decisions are made in consultation with RSA management and with OGC. RSA management subsequently confirmed the program officer's account of the process.

We followed up with OGC to determine whether (1) it is within RSA's discretion to grant scholars extensions to the period within which they must complete their service obligation, and (2) the RLTT program attorney has been consulted regarding any such extensions. In its response, OGC did not explicitly state whether or not RSA has the authority to grant extensions to scholars' completion dates, but noted that it is aware of only one instance in which RSA appears to have taken such action—and stated that it believes RSA's decision was reasonable, in light of the circumstances, and served to advance the Federal interest with respect to the RLTT program. OGC did note, however, that it would discuss with program officials whether they wish to consider expanding the flexibility within the current regulations to more specifically provide for similar exceptions in a more systematic manner. On the second question, OGC stated that the RLTT program attorney had no recollection of having been consulted by RSA, but noted that program offices are not expected to consult OGC on all decisions and that, even when

[12] See footnote 1 on page 2.

they do, OGC's views and opinions are advisory. Program officials have the ultimate authority to implement and administer their programs, in accordance with all applicable criteria.

Congress established the current period of obligation for RLTT scholars in the Rehabilitation Act Amendments of 1992 (Public Law 102-569). Prior to this time, scholars were permitted 10 years within which to complete their service obligation. We noted that, in implementing regulations for the amendments, the Department did not appear to view the period of service obligation as flexible, beyond allowing for the granting of deferrals or exceptions under limited circumstances. One commenter on the proposed regulations expressed concern that scholars would have less time to complete their service obligation. The Department responded that, "[t]he time limits are set in the Rehabilitation Act Amendments of 1992," and made no changes to the proposed period of obligation—thereby implying that it did not view the statutorily-defined time period as flexible.

Based on the above, it does not appear that the Department has the authority to unilaterally extend scholars' completion dates, nor the ability to work within the current regulations to allow for such determinations. Any changes to the circumstances under which a deferral or exception may be granted would require revisiting the program regulations. We noted, however, that RSA's October 2008 Frequently Asked Questions on the RLTT program reference a scholar's ability to appeal a finding of noncompliance with the payback requirement. We suggest that RSA work within the existing rules—and also ensure that staff are aware of what is allowable under these rules—until such time as the Department decides to revisit the RLTT program regulations to allow for expanded flexibility with regard to deferrals or exceptions. Doing so would provide some protection both for the Department and for the scholar and potentially prevent abuses on the part of either party.

RSA Comments

RSA stated that it would like to clarify that granting extensions to scholar service obligation deadlines is not standard practice and that any consideration that may be given to extending the service obligation deadline is done in the best interest of the Federal government and only after consultation with RSA management. However, RSA stated that, because it recognizes the desirability of establishing a clear basis for extensions, it will consult with OGC about the best avenue for establishing a procedure for granting extensions. If OGC determines that regulations are required, likely as amendments to 34 C.F.R. 386.41, RSA will regulate; if OGC believes that a policy document provides a sufficient basis, RSA will produce one and have it approved by OGC.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether the RLTT program effectively (1) met program objectives by training recipients who subsequently performed work related to the program, and (2) obtained repayment of the assistance received for recipients that did not fulfill work agreements. This audit was part of a review of payback provisions of selected grant programs throughout the Department.

To accomplish our objectives, we gained an understanding of internal control applicable to the Department's administration and oversight of discretionary grant programs, in general, and to RSA's process for monitoring grantees and scholars who receive funding under the RLTT program. We reviewed applicable laws and regulations, OMB guidance, Department policies and procedures, Federal Register notices, and the Government Accountability Office's (GAO) "Standards for Internal Control in the Federal Government." In addition, to identify potential vulnerabilities, we reviewed prior Office of Inspector General (OIG) and GAO audit reports with relevance to our audit objectives.

We conducted discussions with RSA management and staff, including program officers and the MIS technical lead, to obtain a more complete understanding of the RLTT program. These discussions focused primarily on monitoring activities pertaining to the service obligation component of the RLTT program, as well as information on GPRA performance measures and relevant program studies. We conducted discussions with DPMG officials regarding the referral and financial repayment processes and to determine whether RSA has utilized their services. We also conducted discussions with OGC officials regarding RSA's discretion to grant scholars extensions to the period within which they must complete their service obligation.

The scope of our review was limited to the Department's post-award activities for grants made under the FY 2006 RLTT competition, with a particular focus on monitoring of scholars' fulfillment of the applicable payback requirement. We chose to focus on FY 2006 grants as they were more likely to have a larger number of scholars that had completed the training and were in the payback portion of the program than more current grants, thereby enabling us to obtain sufficient evidence to answer our audit objectives. We randomly selected a sample of 5 of the 11 (45 percent) RLTT grants awarded in FY 2006. Our sample included $2.3 million of the $5.4 million (43 percent) awarded to FY 2006 RLTT grantees.

To achieve our objectives, we relied primarily on grantee-reported data found in MIS payback reports. We reviewed payback reports for FYs 2006-2012 for each of the five FY 2006 RLTT grants in our sample. We also reviewed official grant files, which are maintained in hardcopy form, and emails and other documentation maintained in TRIMS, RSA's electronic grant database. We also reviewed information on scholars that RSA had recently received from grantees, often in response to questions that arose during the course of our audit. We reviewed documentation for each of the grants in our sample to determine: (1) the number of scholars served; (2) financial assistance provided to each scholar; (3) the current program enrollment status of each scholar; and (4) whether payback (either employment or financial) had begun for

those scholars who completed or otherwise exited their respective program. We also reviewed referral and financial repayment documentation provided by DPMG and RSA.

We relied on computer-processed data from G5, the Department's grants management system, and from the MIS. We used G5 for the purpose of identifying the universe of RLTT grants awarded in FY 2006 and related obligation amounts. Because G5 is the Department's system of record for such information and the data were used primarily for informational purposes and did not materially affect our findings and resulting conclusions, we did not perform a data reliability assessment.

We used the MIS for the purpose of identifying the universe of scholars served under the five FY 2006 RLTT grants in our sample and also to determine the current status of each scholar. We compared the total number of scholars served under each grant according to the MIS payback reports with information contained in each grantee's annual and final performance reports. Based on this analysis, we concluded that the computer-processed data were sufficiently reliable for identifying the universe of scholars served. However, because source data for information contained in the payback reports is primarily located at various grantees across the country, our ability to perform an assessment of the reliability of the information in the reports was limited and as such, we could not fully determine the reliability of the data.

We compared MIS payback reports across years to evaluate the consistency of data reported by grantees. We noted that payback reports submitted by all five grantees in our sample did not always include all of the requested data and, based on some reasonableness tests we performed, contained discrepancies. Several reports were missing information such as a scholar's employment status or total funding amount, contained illogical entries for a scholar such as a program exit date that occurred prior to the reported start date, and/or incorrectly reported data elements such as the number of work years owed or completed by a scholar. [See Finding No. 1 for additional information.] However, despite these limitations, we believe the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. Specifically, the limitations noted did not impact our ability to assess RSA's processes related to the identification and referral of noncompliant scholars nor provide enough basis for us to completely discount what available data indicate with regard to program results.

We conducted fieldwork at Department offices in Washington, D.C., from November 2012 through September 2013. We provided our audit results to Department officials during an exit conference conducted on September 30, 2013.

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.

ADMINISTRATIVE MATTERS

Corrective actions proposed (resolution phase) and implemented (closure phase) by your office will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System. Department policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items, and targeted completion dates, necessary to implement final corrective actions on the findings and recommendations contained in this final audit report.

In accordance with the Inspector General Act of 1978, as amended, the OIG is required to report to Congress twice a year on the audits that remain unresolved after 6 months from the date of issuance.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the OIG are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation given us during this review. If you have any questions, please call Michele Weaver-Dugan at (202) 245-6941.

Sincerely,

Patrick J. Howard /s/
Assistant Inspector General for Audit

Attachment 1

Abbreviations, Acronyms, and Short Forms Used in this Report

Act	Rehabilitation Act of 1973, as amended
CAP	Corrective Action Plan
C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
DPMG	Debt and Payment Management Group
FY	Fiscal Year
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
Handbook	Handbook for the Discretionary Grant Process
MIS	Management Information System
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSERS	Office of Special Education and Rehabilitative Services
RLTT	Rehabilitation Long-Term Training
RSA	Rehabilitation Services Administration
U.S.C.	United States Code

RSA Response to Draft Audit Report

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

APR 0 1 2014

Michele Weaver-Dugan, Director
Operations Internal Audit Team
U.S. Department of Education
Office of Inspector General
400 Maryland Avenue, S.W.
Washington, D.C. 20202-1500

Dear Ms. Weaver-Dugan:

I am in receipt of the letter from the Assistant Inspector General for Audit, dated January 30, 2014, which transmitted the draft audit report, titled, *Payback Provisions of the Rehabilitation Long-Term Training Program*, control number ED-0IG-A19M0004. My staff and I appreciate the opportunity to review the report. As is indicated below, the Rehabilitation Services Administration (RSA) will address the 15 recommendations described in this report in the months ahead. It has been and will continue to be our goal to ensure that the information collected and reported for the Rehabilitation Long-Term Training (RLTT) program is accurate and that any monies due to the Department are collected in a timely manner. To that end, we have made and continue to make significant strides in our collection of data and delivery of technical assistance to grantees.

While we do not disagree with any of the recommendations in the report, we identify the significant actions RSA has taken and is currently taking to improve information collection and reports. In order for you to understand our perspective, we will address the nine recommendations under Finding 1 and the six recommendations under Finding 2, in the order in which they were presented.

Finding 1 - Results Indicate that the Majority of Exited Scholars are Working but Data Quality is a Concern

We summarize this finding very briefly here. The OIG draft audit report noted that, "We found that the majority of scholars who received training under the five FY 2006 RLTT program grants in our sample obtained acceptable employment, based on information reported to the Department by grantees." The report also stated, "However, we identified data quality issues which call into question the accuracy of these results."

OIG Recommendation 1.1:

Continue to emphasize to grantees, through training or by other means, the need to provide accurate and complete data for the purpose of determining total financial assistance received and work years owed by each scholar, and the regulatory requirement that grantees continue to track scholars once they have exited the program and provide information annually on work years completed or requests for waivers or deferrals.

RSA Response:

We concur with the recommendation to emphasize to grantees the need to provide accurate and complete data. RSA has provided substantial training and technical assistance to grantees in four ways. First, RSA has developed a payback policy and procedures manual for grantees that outlines the payback regulations and service obligation requirements. This manual was developed in 2008 and a revision is undergoing internal review and clearance. In addition, in 2011 RSA developed a tip sheet for RSA scholars that outlines the following: roles and responsibilities of the scholar, including how the scholar will be held accountable for completing the service obligation or for repaying the debt in the event that qualifying employment is not obtained; processes, procedures, and required documentation to confirm qualified employment; and procedures and documentation necessary to confirm circumstances related to repayment, deferment, and waiver requests.

Second, RSA regularly conducts web-based training and technical assistance for grantees in the RLTT program. For example, interactive webinars are conducted annually to orient grantees to any changes, improvements, or enhancements to the RSA Management Information System (MIS) site, which can be found at rsa.ed.gov. All webinars are recorded and archived, and RSA strongly recommends that any new project staff carefully review the archived training. In addition, each year RSA asks grantees to submit questions and technical assistance needs related to the RSA MIS or the RLTT program. Program officers review these questions, along with common errors identified in the RSA MIS or in the annual performance reports, and then customize a webinar to emphasize issues such as providing accurate and complete data and to address grantee technical assistance needs.

Third, RSA communicates regularly with grantees through its listserv. For example, RSA alerts grantees to common errors found during program officer reviews of payback reports or annual performance reports and provides technical assistance to correct those errors. Listserv messages also provide grantees further guidance and clarification regarding processes, procedures, and documentation required for scholar repayment and deferment and requests for waivers. RSA also utilizes the listserv to enforce due dates and expectations for reporting accurate and complete data.

Finally, RSA actively participates in national conferences in order to interact with RSA grantees and scholars and to provide in-person training and technical assistance to both RLTT grantees and scholars. For example, RSA conducts a session for RLTT grantees that focuses on program improvement, particularly in the areas of effectively managing scholar files and in reporting accurate and complete data. In addition, RSA conducts a session designed for RSA scholars to ask questions and share technical assistance needs and for RSA to obtain feedback about the program.

Please note that RSA transmitted electronic copies and/or web links for each of the training and technical assistance materials listed below to the OIG on November 20, 2012, and again on April 1, 2013. For your reference, we added any training and technical assistance conducted since transmitting this material last April.

MANUALS, TIP SHEETS, and UPDATED FORMS

- RSA – Payback policy and procedures manual: This is the manual we have been providing to grantees that describes payback policies and procedures; an updated manual is undergoing internal review and clearance.
- Scholar Tip Sheet.
- Updated repayment, waiver, and deferral request forms.

1. TRAINING and TECHNICAL ASSISTANCE WEBINARS

- April 3, 2013: Annual Performance Report Training for RSA Long-Term Training Grants.
- November 11, 2013: Q&A on Payback.
- October 29, 2013: Payback Report Submission through the RSA Management Information System.
- April 10, 2012: Answers to Questions about submitting the FY 2012 Annual Performance Report (APR) Webinar.
- March 29, 2012: Annual Performance Report (APR) Submission through the G5 Website Webinar.
- March 22, 2012: 2012 Annual Performance Report (APR) Training for RSA Training Programs.
- November 7, 2012: Q&A on Payback.
- October 16, 2012: Payback Webinar on recent changes that have been made for reporting in the MIS.
- November 9, 2011: Answers to Questions about Payback Policies, Procedures, and Regulations.
- October 13, 2011: Payback Webinar regarding Payback Policies, Procedures, and Regulations.
- October 11, 2011: Payback Webinar regarding the basics of submission through the MIS.
- October 28, 2010: Overview of the Payback Report.

2. LISTSERV MESSAGES

- Summary of Payback Webinars Follow-up to Payback Webinar Series and Payback Reporting for FY2011.
- Listserv email 12.21.10 Long-Term Training Payback Report - REMINDER Long-Term Training Grant FY 2011 Payback Report Due Date.
- Listserv email 8.12.11 Important Announcements for Long-Term Training Grants.

- Listserv email 10.5.11 Important Payback Reporting for FY 2011.
- Listserv email 10.14.11 payback webinar series and payback reporting for FY 2011.
- Listserv email 10.18.11 Rescheduling Payback Webinar #3.
- Listserv email 11.4.11 Third Payback Webinar and helpful materials.
- Listserv email 11.16.11 ALERT Payback MIS Issue.
- Listserv email 11.28.11 REMINDER Long-Term Training Grant FY 2011 Payback Report Due Date.
- Listserv email 3.9.12 Annual Performance Report Webinar Series.
- Listserv email 9.28.12 Long Term Training Payback.
- Listserv email 10.5.12 Payback webinars.
- Listserv email 10.24.12 Reminder of Upcoming Payback webinar.
- Listserv email 11.19.12 Payback Information for Long-Term Training Grantees.
- Listserv email 3.21.12 Older Grant Follow-up.
- Listserv email 3.27.12 Follow-up on FY 2012 APR Webinars.
- Listserv email 3.21.12 Webinar Reminder: FY 2012 Annual Performance Report.
- Listserv email 3.29.12 REMINDER FY 2012 APR Submission to G5 Webinar today!
- Listserv email 3.30.12 Important: Submit questions for Webinar on April 10.
- Listserv email 4.11.12 Follow-Up to Annual Performance Report Webinar.
- Listserv email 4.16.13 IMPORTANT FY 2012 APR INSTRUCTION: 524B Project Status Chart.
- Listserv email 4.25.12 Annual Performance Reports: Tips and Reminders.
- Listserv email 5.11.12 FY 2012 APR Update & Use of Grant Funds.
- Listserv email 7.26.12 GRANT AWARD NOTICE & GUIDANCE.
- Listserv email 9.13.12 Long-Term Training Grants ending 9/30/2012.
- Listserv email 9.20.12 Long-Term Training Follow-Up.
- Listserv email 9.28.12 Long Term Training Payback.
- Listserv email 10.5.12 Payback webinars.
- Listserv email 10.24.12 Reminder of Upcoming Payback webinar.
- Listserv email 11.19.12 Payback Information for Long-Term Training Grantees.
- Listserv email 12.19.12 Important: Payback Update.
- Listserv email 3.5.13 Long-Term Training Annual Performance Reports.
- Listserv email 3.12.13 Webinar for Annual Performance Reports for Long-Term Training Grants.
- Listserv email 4.10.13 Important Information for Long-Term Training Grants.
- Listserv email 4.11.13 Important Payback Issue.
- Listserv email 4.16.13 Reminder of April 30 Deadline for Annual Performance Reports.
- Listserv email 6.14.13 Important Items for Long-Term Training Grantees.
- Listserv email 6.27.13 Final Reports & Enclosure 7 guidance.
- Listserv email 9.27.13 Long Term Training Payback Reports.
- Listserv email 10.21.13 Message to Rehabilitation Long-Term Training Grants.
- Listserv email 1.29.14 Payback for Long-Term Training.

3. CONFERENCES

- Project Directors' Conference: RSA program officers conducted an in-person training and technical assistance session for grantees at both the 2011 and 2012 conferences held in August of each year. The Project Directors' Conference did not occur in 2013. A conference is currently scheduled for fall 2014, and RSA is serving on the planning committee and is scheduled to conduct a training and technical assistance session for RLTT grantees focusing on payback.
- National Council on Rehabilitation Education (NCRE): RSA participates in this annual conference held in the fall of each year, and presents technical assistance sessions for scholars and RLTT grantees.

OIG Recommendation 1.2:

Consider requiring RLTT grantees to provide certifications that data submitted to the Department is accurate, reliable, and complete in order to provide an additional level of internal control over the reliability of performance data.

RSA Response:

We concur with the recommendation to require RLTT grantees to provide certifications that data submitted to the Department are accurate, reliable, and complete. RSA will continue its training and technical assistance efforts, as detailed in RSA's response to Recommendation 1.1, to improve the accuracy and reliability of grantee data. In addition, RSA made significant changes to the 84.129B Rehabilitation Long-Term Training Notice of Final Priority and Notice Inviting Applications, which closed on February 4, 2014, in order to emphasize with new grantees the importance of accurate, reliable, and complete data, as well as program outcomes and impacts. A link to the Notice of Final Priority can be found here: http://www.gpo.gov/fdsys/pkg/FR-2013-11-05/pdf/2013-26500.pdf (scroll down to the Final Priority section). Here are a few examples found in the Final Priority to demonstrate RSA's efforts to continue to improve the RLTT program. Applicants must:

- Recruit highly capable prospective scholars who have the potential to successfully complete the academic program, all required practicum and internship experiences, and the required service obligation;
- Educate potential scholars about the terms and conditions of the service obligation under 34 CFR 386.4, 386.34, and 386.40 through 386.43 so that they will be fully informed before accepting a scholarship;
- Maintain a system that ensures that scholars sign a payback agreement and an exit form when they exit the program, regardless of whether they drop out, are removed, or successfully complete the program;
- Maintain regular contact with scholars upon successful program completion (e.g., matching scholars with mentors in the field), to ensure that they have support during their search for qualifying employment as well as support during the initial months of their employment;

- Maintain regular communication with scholars after program exit to ensure that scholar contact information is up-to-date and that documentation of employment is accurate and meets the regulatory requirements for qualifying employment; and
- Maintain accurate information on, while safeguarding the privacy of, current and former scholars from the time they are enrolled in the program until they successfully meet their service obligation.

A link to the NIA can be found here: http://www.gpo.gov/fdsys/pkg/FR-2014-01-28/pdf/2014-01617.pdf. For the latter, please refer to Section VI Award Administration Information, 4. Performance Measures. This section was strengthened to place a greater emphasis on reporting and accountability. Here are a few examples of what grantees are required to maintain:

- Current contact information for all students receiving scholarships, including home address, email, and a phone number (home or cell);
- A point of contact for each scholar in the event that the grantee is unable to contact the student. This contact must be at least 21 years of age and may be a parent, relative, spouse, partner, sibling, or guardian;
- Cumulative financial support granted to scholars;
- Scholar debt in years;
- Program completion date and reason for exit for each scholar;
- Annual documentation from the scholar's employer(s) until the scholar completes the service obligation. This documentation must include the following elements in order to verify qualified employment: start date of employment to the present date, confirmation of full-time or part-time employment (if the scholar is working part-time the number of hours per week must be included in the documentation), type of employment, and a description of the roles and responsibilities performed on the job. This information is required for each employer if the scholar has worked in more than one setting in order to meet the service obligation.
- If the scholar is employed in a related agency, the agency must also provide documentation to validate that there is a relationship with the State VR agency. This may be a formal or informal contract, cooperative agreement, memorandum of understanding, or related document; and
- Annual documentation from the scholar's institution of higher education to verify dates of deferral, if applicable. The documentation may be prepared by the scholar's advisor or department chair and, if the scholar is seeking deferral on the basis that he or she is pursuing a full-time course of study, must include: confirmation of enrollment date, estimated graduation date, confirmation that the scholar is enrolled in a full-time course of study, and confirmation of the scholar's intent to fulfill the service obligation upon completion of the program.

Despite RSA's efforts to emphasize the importance of submitting data of high quality with both new and current grantees, we do believe that having them submit a certification of data quality would be helpful. We will work with the MIS technical lead to develop a way for grantees to submit a certification of data quality. This certification will be submitted when grantees submit their annual payback report through the MIS in the fall of 2014.

OIG Recommendation 1.3:

Identify grantees who consistently fail to provide accurate and complete scholar data and take appropriate enforcement actions.

RSA Response:

We concur with the recommendation to identify grantees who consistently fail to provide accurate and complete scholar data and to take appropriate enforcement actions. Each RSA program officer currently makes notes in the official grant file regarding the accuracy and timeliness of a grantee's payback reporting. Based on these notes, we will develop communication from RSA management to grantees that are not reporting accurate and complete data as a means to make clear to grantees that accurate and complete reporting is a legal requirement of the award. Such communications from RSA management will then become part of the official grant file. If a grantee consistently fails to comply with the tracking system, documentation, reports and records requirements of 34 CFR 386.34, RSA will, after warning, terminate the award. Additionally, we will consider the timeliness and accuracy of any prior grantee's reporting performance as we develop the slate for new RLTT grants. We have consistently informed applicants that past performance will be considered when we make new grant awards.

OIG Recommendation 1.4:

Finalize the protocol for RSA program officers to reference when completing their reviews of payback reports and incorporate it into RLTT's formal monitoring policies and procedures.

RSA Response:

We concur with the recommendation to finalize the protocol for RSA program officers to reference when completing their reviews of payback reports and to incorporate the protocol into formal monitoring policies and procedures for the RLTT grants. In addition to implementing this recommendation, it is important to note that RSA program officers discuss common payback report matters on a regular basis and more in-depth during regular staff meetings convened prior to and following the opening of the MIS for report submission. Since 2010, it has been standard practice for RSA program officers to take part in annual training around the payback review process. Training is typically held in a series of sessions, the first of which occurs prior to the opening of the MIS for grantees to enter their payback data. The purpose of this session is to orient and familiarize program staff with enhancements to the RSA MIS site, often using mock payback reports for purposes of instruction. Next, RSA program officers have the opportunity to participate in interactive training, where the MIS is open and a step-by-step walkthrough of the payback report is conducted. RSA has found this practice to be invaluable and will continue this effort in the future. Not only has the training been critical to RSA program officers in improving their review of payback reports, but it has proven to be helpful as they provide technical assistance to grantees who have payback report questions or who encounter problems when the MIS is open for report submission. The provision of training to all RSA staff who are responsible for RLTT grants also ensures that program officers are reviewing payback reports as well as identifying potential errors in a consistent manner. The training

provided identifies for RSA staff the key elements of the report that warrant particular attention, i.e., the amount of the scholarship, whether the sponsoring agency has a signed payback agreement on file, whether the scholar's address is currently on file, the dates on which the scholar entered and finished the program, and the date on which qualifying employment must begin and end. RSA program officers are also trained to carefully review the number of years owed and completed as well as the circumstance in which a scholar exits the program, which may require additional follow-up, i.e., processing a deferral, waiver, or repayment request. If the RSA program officer discovers any discrepancies or missing information, the training provides helpful information and successful strategies to address such occurrences. RSA will formally incorporate the elements of the training described above in its payback policy and procedures manual, which will be finalized by the fall of 2014 for use during the analysis of the FY 2014 RLTT payback reports. All grantees will be provided a copy and the manual will be made available online.

OIG Recommendation 1.5:

Provide training to RSA program officers on the payback report review process.

RSA Response:

We concur with the recommendation to provide training to RSA program officers on the payback report review process. Please refer to our response to Recommendation 1.4 for a description of the training that is currently being provided to RSA staff. In addition to the interactive training that is annually provided, senior RSA program officers serve as a resource for newer staff throughout the payback report review process. Finally, typically in April or May, a session is held in which RSA program officers convene to discuss the review process in general, including lessons learned, grantee experiences or feedback, recommendations for changes or enhancements to the MIS system, and ways to improve the overall process in the months ahead.

OIG Recommendation 1.6:

Establish and implement timelines for the initial review of payback reports, follow-up with grantees, and formal approval in the MIS.

RSA Response:

We concur with the recommendation to establish and implement timelines for the initial review of payback reports, follow-up with grantees, and formal approval in the MIS. We would like to note that, since 2010, it has been standard practice for RSA to establish guidelines for program officers to start and complete the review of the payback reports. Such communication is conveyed to RSA program officers during regularly scheduled staff meetings throughout the year, where staff collectively identify and establish dates to perform or complete specific payback tasks. As a general rule, the review of payback reports starts immediately after the submission deadline of November 30 and must be completed by the end of February. As RSA program officers review payback reports, their standard practice is to review the report for complete and accurate data. They have been instructed not to approve payback reports until all data have been corrected and all documentation to

support any request for a waiver, deferment, or repayment has been received. While grantees are responsible for supplying supporting documentation for repayment, deferment, or waiver submissions, RSA program officers have responsibility for following-up to ensure timely receipt of the documentation and subsequently approving reports in the MIS. Grantees are also made aware of RSA's timelines and practices through internal meetings, webinars, and presentations at national conferences for the expressed purpose of ensuring that data submitted in payback reports are accurate and complete. Although deadlines have been established, we are exploring strategies that would enable us to conduct quality assurance checks in the MIS to ensure that both RSA staff and grantees are adhering to the timelines established. All such timelines and procedures will be incorporated in the payback policy and procedures manual described in response to recommendation 1.5.

OIG Recommendation 1.7:

Ensure that key data quality/logic checks are built into the MIS.

RSA Response:

We concur with the recommendation to ensure that key data quality/logic checks are built into the MIS. RSA would like to note that, since 2010, it has been standard practice for RSA program staff to provide the technical team with recommendations to ensure that key data quality/logic checks are built into the system and are fully operational. As mentioned in our response to Recommendation 1.5, typically in April or May of each year, RSA program officers convene to discuss the review process, make improvements, and provide recommendations for changes to the MIS system. These recommendations are provided to the technical team, which provides technical assistance for the MIS. Once the recommendations are reviewed for feasibility, the MIS technical team develops an updated payback report for the upcoming reporting cycle. Any changes to the system are reviewed by program staff during user acceptance testing, which typically occurs in August or September. These enhancements in data quality/logic checks are provided to grantees generally in the first of a series of three webinars designed to provide technical assistance and prior to the opening of the MIS for payback report submission. We are fully committed to continuing to work with the technical lead on the MIS to develop additional quality/logic checks for the payback report and will have additional edit checks in the system by the fall of 2015.

OIG Recommendation 1.8:

Consider incorporating other means by which RSA program officers can verify the adequacy of grantees' tracking systems and scholars' employment in the absence of adequate funding for site visits, to include periodic desk audits of all grantees regardless of whether they have been selected for on-site monitoring.

RSA Response:

We concur with the recommendation to incorporate other means by which RSA program officers can verify the adequacy of grantees' tracking systems and scholars' employment in the absence of

adequate funding for site visits, to include periodic desk audits. RSA notes that we have directed the MIS technical lead in past years to make numerous enhancements in the MIS system to capture greater reliability in data. To ensure the enhancements are made as requested, RSA has a dedicated staff person who follows up and makes verification of the completed work. RSA will continue to make enhancements annually or as the need arises and these enhancements include, but are not limited to, the following:

- Improve overall analytics to allow the site to improve submission and reliability of payback reports.
- Allow secure submission of supporting documentation for payback reports (i.e. proof of qualifying employment, signed payback agreements, repayment documentation, etc.).
- Automatic generation of standard letters and responses based upon data submitted by the grantee.
- Improve analytics that automate alerts for both program staff and grantees based upon data submitted into the MIS.

OIG Recommendation 1.9:

Consider including and reporting on additional performance measures that would reflect a more comprehensive view of program effectiveness.

RSA Response:

We concur with the recommendation to include reporting on additional performance measures that would reflect a more comprehensive view of program effectiveness. We recently have had conversations with Budget Service about revising our GPRA measures. We have established a small work group to review and refine the measures and it is our hope to have the new measures in place in the fall of 2014 for inclusion in the FY 2016 Congressional Justification.

Finding 2 - Improvements are Needed in the Department's Process for Identifying and Referring Scholars for Financial Repayment

We summarize this finding very briefly here. The OIG draft audit report noted, "We found that RSA does not appropriately identify and refer for financial repayment scholars who are not fulfilling their service obligation." The report also stated, "We also noted that program officers' unwritten practice of not identifying scholars for repayment until after their complete-by date had passed did not always result in the timely referral to DPMG of scholars who should have completed their service obligation on or before September 30, 2012, the end date for the period covered by the most recent payback report as of the start of our audit."

OIG Recommendation 2.1:

Review all grants for which payback reports are still being submitted to determine whether any scholars should be classified as being in repayment status; conduct follow-up with grantees as

needed to ensure that information is current, accurate, and complete; and refer to DPMG for financial repayment any noncompliant scholars, along with all required documentation.

RSA Response:

We concur with the recommendation. We would like to note that it has been standard practice, since 2010, for RSA program officers to review all payback reports and determine whether any scholar(s) should be classified as being in repayment status. RSA has conducted appropriate follow-up as well as the proper referral of noncompliant scholars to the Debt and Payment Management Group (DPMG) when the situation warrants. We further note that not only is such referral made following the review of annual payback reports, but throughout the course of the year when a RSA program officer is notified by the sponsoring agency that a scholar needs to be entered into repayment. In such instances, the project director submits all supporting documentation to the RSA program officer in order to initiate repayment. The documentation includes the signed payback agreement, the signed Exit form, and any other documentation demonstrating that the scholar is not in qualifying employment. Once received, the RSA program officer prepares a letter in a final attempt to confirm the scholar situation. The scholar will be given 30 days from the date of the letter to respond. After the debt is confirmed for repayment or 30 days elapse, whichever comes first, the scholar is assigned a control number and then referred to the DPMG for collection. Appropriate notes are made in the payback report to coincide with the action taken and all documentation is maintained in the payback files. Status updates are made between RSA program staff and DPMG until the debt is repaid. Once RSA receives notification from the DPMG that the debt is satisfied, direction is provided by RSA program staff to the sponsoring agency to change the scholar's status in the MIS. Appropriate follow up by RSA program staff also occurs to ensure the MIS is current and accurate. Although these procedures have been in place since 2010, we are exploring strategies to develop quality assurance checks to determine that such procedures are in fact being followed consistently by all staff and hope to implement such strategies by the spring of 2015.

OIG Recommendation 2.2:

Remind grantees of the consequences of scholars' failure to obtain acceptable employment and advise grantees that they provide such information to their scholars.

RSA Response:

We concur with the recommendation to remind grantees of the consequences of scholars' failure to obtain acceptable employment and advise grantees that they provide such information to their scholars. Through communication sent via RSA's listserv, participation at national conferences, and information disseminated via other web-based training, RSA routinely reminds grantees of the consequences of scholars' failure to obtain acceptable employment. Our effort to advise grantees that they must provide such information to the scholars also occurs during Project Directors' meetings. Similarly, in 2011, RSA developed a tip sheet for RSA scholars, which was shared with grantees, that outlines the following: roles and responsibilities of the scholar, including how the scholar will be held accountable for completing the service obligation or for repaying the debt in the event that qualifying employment is not obtained; processes, procedures, and required documentation to

confirm qualified employment; and procedures and documentation necessary to confirm circumstances related to repayment, deferment, and waiver requests. Lastly, guidance and the consequences are described in detail in the payback policy and procedures manual developed for grantees that outlines the payback regulations and service obligation requirements. Specifically, if a scholar does not find qualifying employment after the two-year grace period, he or she will be asked to repay the funds provided. RSA will determine whether a grantee is in violation of the grant agreement whenever a grantee does not have the documentation necessary to prove that the scholar signed an agreement prior to accepting the scholarship, and the scholar fails to obtain qualifying employment.

OIG Recommendation 2.3:

Provide training to RSA program officers on identifying scholars in repayment status in accordance with the current RLTT program regulations and on referring noncompliant scholars for financial repayment.

RSA Response:

We concur with the recommendation to provide training to RSA program officers on identifying scholars in repayment status in accordance with the current RLTT program regulations and on referring noncompliant scholars for financial repayment. Please see our response provided to Recommendations 1.4 and 1.5.

OIG Recommendation 2.4:

Conduct a comprehensive assessment of the MIS to identify weaknesses and potential areas for improvement and communicate these findings to the RLTT technical lead.

RSA Response:

We concur with the recommendation to conduct a comprehensive assessment of the MIS to identify weaknesses and potential areas for improvement and communicate these findings to the technical lead for the MIS. We would add that one RSA program officer serves as a dedicated liaison between the Training Programs Unit staff and the MIS technical lead. This individual regularly assesses the performance of the MIS and shares any identified weaknesses or potential areas for improvement with the MIS technical team. Likewise, other RSA program officers are afforded the opportunity to weigh in and identify weaknesses and potential areas for improvement or recommendations in general following the immediate review of payback reports. As mentioned in our response to Recommendations 1.5 and 1.7, typically in April or May, RSA program officers convene to discuss the review process, make improvements, and provide recommendations for changes to the MIS system. These recommendations are provided to the technical lead, which provides technical assistance for the MIS. Once the recommendations are reviewed for feasibility, the MIS technical team develops an updated payback report for the upcoming reporting cycle. Any changes to the system are subsequently reviewed by program staff during user acceptance testing, which typically

occurs in August or September. RSA program staff are committed to working closely with the MIS technical team to enhance the MIS and reduce any potential risk to users or the federal government.

OIG Recommendation 2.5:

Work with the appropriate individuals to develop an MIS Handbook that describes the system's features, defines payback report flags, and is updated when enhancements are made.

RSA Response:

We concur with the recommendation to work with the appropriate individuals to develop an MIS Handbook that describes the system's features, defines payback report flags, and is updated when enhancements are made. As stated in our response to Recommendation 1.1, RSA conducts annual web-based training for RLTT grantees that describes RSA MIS features, defines payback report flags, and highlights updates, improvements, and enhancements to the system in a user-friendly step-by-step format. RSA will incorporate these existing PowerPoint Slides into an MIS handbook. The handbook will also reflect the edits made in the MIS in response to the OIG audit. This handbook will be completed by the fall of 2015.

OIG Recommendation 2.6:

Consider changing the regulation defining when a scholar enters repayment status to be consistent with the Department's unwritten practice or simplify the current process, consistent with the regulations, to allow for situations in which a scholar may complete some part of his/her service obligation within the required time period and, therefore, be liable for financial repayment of only a portion of any RLTT funds received.

RSA Response:

We concur with the recommendation that it would be preferable to revise the regulations to provide scholars more flexibility in satisfying the service obligation through employment in state VR agencies and related agencies. Increasing the flexibility for scholars would have the desirable effect of reducing the number of scholars who are not successful in carrying out the service obligation within the time period allowed, thus reducing the number of scholars who would then be required to repay all or part of the cost of the scholarship. It also would allow RSA to more effectively meet the Congressional intent to better provide VR services to eligible individuals with disabilities by training VR professionals and providing incentives for them to move into eligible positions in state VR agencies and related agencies.

Other Matter:

In addition to the OIG findings and recommendations, RSA would like to respond to the issue noted on pages 17 and 18 of the audit report that RSA may be inappropriately granting extensions of scholars' service obligation deadlines.

RSA would like to clarify that granting extensions to scholar service obligation deadlines is not standard practice, and any consideration that may be given to extending the service obligation deadline is done so in the best interest of the federal government, which is to maximize the number of VR professionals trained with federal funds to work in state VR agencies and related agencies. RSA program officers do not make these decisions unilaterally. They are made after consultation with RSA management.

RSA believes that there are some situations where an extension based upon equitable considerations would uphold the intent of the RLTT program and, at the same time, provide a better outcome for the scholar.

RSA also recognizes the desirability of establishing a clear basis for extensions and will consult with OGC about the best avenue for establishing a procedure for granting extensions "in the best interest of the government". If OGC determines that regulations are required, likely as amendments to 34 CFR 386.41, RSA will regulate; if OGC believes that a policy document provides a sufficient basis, RSA will produce one and have it approved by OGC.

Again, thank you for the opportunity to respond to the draft audit report. Should you have questions concerning our response or need additional information, please do not hesitate to contact Dr. Thomas Finch, Director of the Training and Service Programs Division, at (202) 245-7343.

Sincerely,

Michael K. Yudin
Acting Assistant Secretary