



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

February 19, 2010

The Honorable Mark Pryor
United States Senate
255 Dirksen Senate Office Building
Washington, D.C. 20510
Attn: Kirk Robertson and Jason Bockenstedt

Dear Senator Pryor:

We received your letter requesting information on the U.S. Department of Education Office of Inspector General's handling of referrals and oversight efforts involving *American Recovery and Reinvestment Act* (Recovery Act) funds. Enclosed you will find the requested information.

We have provided data on our investigative efforts and general information on our ongoing Recovery Act audits as of February 4, 2010. As you know, to maintain the integrity of our work, it is our longstanding policy to keep confidential the details of our ongoing efforts. Once this work is completed, we will be more than happy to discuss specific aspects of our findings, should you so require.

If you have any questions or need additional information, please contact me directly or our Congressional Liaison, Catherine Grant at (202) 245-7023.

Very truly yours,

Mary Mitchelson
Acting Inspector General

Enclosure

cc: The Honorable Gabriella Gomez, Assistant Secretary, Office of Legislation and
Congressional Affairs

Questions from Senator Pryor
U.S. Department of Education Office of Inspector General
February 19, 2010

(1) What actions has your office taken in regard to each of the Recovery Board referrals and what is the status of each? If any have been closed, please provide details. What process does your office use to determine whether a case will be closed or referred onward for administration action or prosecution?

Table A provides information on the 11 referrals the U.S. Department of Education (Department) Office of Inspector General (OIG) has received from the Recovery Accountability and Transparency Board (Recovery Board) as of February 4, 2010. The table includes information on whether the allegation/complaint has been closed and the Federal education program involved, as requested.

With regard to our process for handling referrals, we conduct an initial review upon receipt and determine if it involves a Federal education program. If it does not, we refer the allegation/complaint to the appropriate Federal agency. When the matter involves a Federal education program, we determine whether the allegation indicates potential fraud, waste, abuse, or some systemic programmatic vulnerability warranting further OIG review. If the allegation does not involve any of these, then the matter is referred to the appropriate Department office or other entity for review and appropriate action. OIG requests a response within 45 days of the Department's (or other entity's) receipt of the allegation. The response must show what the Department or entity reviewed and what action was taken/will be taken based on that review. We review the response, and if we believe it to be sufficient, we officially close the complaint. If the allegation indicates fraud, waste, abuse or systemic programmatic vulnerability involving Federal education programs, OIG staff will further evaluate the complaint and then determine whether to open an investigation, audit, or inspection depending on the nature of the complaint and the resources required. Some cases do not meet prosecutorial thresholds and consideration is then made as to whether there are appropriate administrative remedies to pursue, in which instances we would refer the matter to the appropriate officials and then close it.

(2) How many allegations of waste, fraud or abuse in the spending of Recovery Act funds has your office received or developed independently of the Recovery Board, how many have been advanced to an agency for administrative action or to a U.S. Attorney for prosecution, and how many have been closed and for what reason?

You will find this information included in Table B. We have received more than 180 allegations, 79 of which involve the Federal Pell Grant program. As the Recovery Act increased the amount of the awards and funding for this program, the allegations we receive involving Pell Grants awarded after disbursement of Recovery Act funds are designated as Recovery Act-related. The number of allegations we have received thus far involving Pell Grants is consistent with previous years; it has not increased or decreased since passage of the Recovery Act in February 2009.

(3) Please identify the programs associated with each of the leads or cases listed in question 1 and 2 above.

This information is provided in Tables A and B.

(4) Please provide the audit and inspection reports that you have issued regarding Recovery Act funds and identify any audits or inspections planned or underway (or link to Web site). Please also identify any recommendations that you have made to improve safeguards over Recovery Act funds that have not been accepted or implemented.

OIG has a number of audits and reviews currently underway:

- **Internal Controls Assessment:** This is “phase I” of our Recovery Act audit process. We have and continue to conduct audits at the State and local levels (i.e., Governors’ offices, State educational agencies, local educational agencies, and other grantees) to determine if agencies responsible for overseeing Recovery Act funds have designed systems of internal control that are sufficient to provide reasonable assurance of compliance with applicable laws, regulations, and guidance. Completed audit products are available on our Web site, and we expect to issue additional reports throughout 2010.
- **Department’s Implementation of State Fiscal Stabilization Fund Program:** This audit sought to: (1) validate that State allocations were calculated in accordance with statutory requirements; (2) determine whether applications for initial funding and State plans included all required information and were appropriately reviewed; and (3) evaluate the Department’s program staffing and monitoring plans. We are currently in the reporting phase, and look to issue a final report this spring.
- **Recipient and Subrecipient Use of Funds and Data Quality:** This is “phase II” of our Recovery Act audit process. We are planning to conduct a series of audits at the State and local levels to determine whether Recovery Act funds were used in accordance with applicable laws and regulations, and whether data reported were accurate, reliable, and complete. Fieldwork is currently underway or planned in 12 States. We expect to issue final reports beginning in the summer.
- **Additional Planned Work:** We expect to begin work in the coming months on Recovery Act-related issues involving the Race to the Top program, Innovation Fund, and the Department's processes for monitoring Recovery Act grantees.

In addition to the above efforts, the Recovery Board requested that the IG community implement a phased data quality review approach. OIG is participating in this effort which will look at the extent to which agencies identified inaccurate data and non-reporters, the reliability of recipient reported data, and agencies’ processes to ensure data accuracy and completeness. This effort will result in several joint IG reports, the first of which was issued in late 2009. Completed reports are and will be available on the Recovery.gov Web site.

OIG's completed Recovery Act work is available on our special Recovery Act Web pages available on our Web site at: <http://www2.ed.gov/about/offices/list/oig/recoveryact.html>. We present our reports in the following categories: internal reports that are focused on Departmental operations; external reports that are focused on individual state and local grantees and subgrantees; OIG materials related to our planning efforts and how we look to tackle Recovery Act assignments; and OIG materials related to our training and outreach efforts. To date, we have issued 5 internal reports, 8 external reports, and 9 training and outreach products.

The audit reports we have issued to date are not currently overdue for resolution, e.g., for the Department to provide corrective actions to address recommendations in internal reports, or to issue its management decision to external entities regarding recommendations made in external reports. (OMB Circular A-50 allows agencies six months to resolve audits.) As such, no recommendations made have been rejected and none are overdue for implementation. During our audit work, and in response to our draft reports, the Department and/or the external auditees have to date generally agreed with our findings and recommendations.

(5) Please provide an estimate of the amount or percentage of your oversight work that will be dedicated to Recovery Act spending in FY 2010 and FY 2011.

We estimate that approximately a third of our overall oversight work will be dedicated to Recovery Act efforts in FY 2010, and between one-third and one-half in FY 2011. While we can estimate that almost 60 percent of our audit and inspection work in these years will be dedicated to Recovery Act efforts, it is much more difficult to estimate the amount of time we will be dedicating to investigative efforts, as we cannot predict the amount of fraud we will uncover or the number of allegations we will receive that will require investigative work. For the estimates you requested, we based our percentages on the number of Recovery Act matters opened since passage of the Act in 2009, as presented in the attached tables.

TABLE A
Investigative Referrals Received by ED-OIG from the Recovery Board
(11 referrals received as of February 4, 2010)

OIG Internal Tracking Number	Status	Federal Education Program Involved	Referred for Prosecution	Referred to Department for Administrative Action	Reason Closed
ED/15947-09	Open	State Fiscal Stabilization Fund	No	Yes, Office of Elementary and Secondary Education	
ED/16279-09	Open	State Fiscal Stabilization Fund	No	Yes, Federal Student Aid	
ED/15948-09	Open	Individuals With Disabilities Education Act (IDEA)	No	Yes, Office of Special Education and Rehabilitative Services	
ED/16079-09	Open	Pell Grant Program ¹	No	No	
ED/16325-09	Open	IDEA	No	No	
ED/15433-09	Closed	State Fiscal Stabilization Fund	No	No	OIG review disclosed allegations were unfounded.
ED/15361-09	Closed	State Fiscal Stabilization Fund	No	No	OIG review disclosed allegations were unfounded.
ED/16082-09	Closed	State Fiscal Stabilization Fund	No	No	OIG review disclosed allegation did not apply to ED funding.
ED/16324-09	Closed	State Fiscal Stabilization Fund	No	Yes, U.S. Department of Health and Human Services (HHS)	OIG review disclosed allegation involved HHS funds.
ED/16081-09	Closed	Federal Work Study Program	No	No	OIG review disclosed allegation did not apply to ED funding.
ED/16319-09	Closed	Non-Program Specific	No	Yes, Maryland Higher Education Commission	OIG review disclosed allegation involved a State issue.

¹As the Recovery Act increased funding for the Federal Pell Grant program, the allegations we receive involving Pell Grants awarded after disbursement of Recovery Act funds are designated as Recovery Act-related.

TABLE B
ED-OIG Recovery Act Investigations
From Sources Other Than the Recovery Board
(As of February 4, 2010)

Recovery Act-Funded Program	Number of Allegations Received	Number of Allegations Open	Number of Allegations Closed	Referred for Prosecution	Referred to Department or Other Agency for Administrative Action	Reason Closed
Pell Grant Program ¹	79	32	47	17	10	22 allegations - OIG review disclosed no or minimal loss, no violation, or allegations were unfounded; 10 allegations - referred to Department or other agency; 5 allegations - declined by prosecutor; 3 allegations - incorporated into other allegations; 3 allegations - funds recovered or student repaid; 2 allegations - school took action; and 2 allegations - handled administratively.
State Fiscal Stabilization Fund	42	13	29	No	30	18 allegations - referred to Department or other agency; 4 allegations - OIG provided answers to questions; 4 allegations - OIG review disclosed allegations were unfounded; and 3 allegations - complainants did not respond

¹As the Recovery Act increased funding for the Federal Pell Grant program, allegations involving Pell Grants that were awarded after Recovery Act funds were dispersed are designated as Recovery Act-related.

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From Sources Other Than the Recovery Board
(As of February 4, 2010)

Recovery Act-Funded Program	Number of Allegations Received	Number of Allegations Open	Number of Allegations Closed	Referred for Prosecution	Referred to Department or Other Agency for Administrative Action	Reason Closed
						to requests for information needed to evaluate allegations.
ESEA Title I – Grants to Local Educational Agencies	17	8	9	No	10	4 allegations – referred to Department or other agency; 3 allegations - OIG review disclosed allegations were unfounded; 1 allegation to be covered in ongoing OIG audit; and 1 allegation - complainant did not respond to request for information needed to evaluate allegation.
Individuals with Disabilities Education Act	14	6	8	No	11	6 allegations- referred to Department or other agency; 1 allegation - OIG review disclosed allegations were unfounded; and 1 question answered by OIG.
Non-Program Specific	14	7	7	1	6	6 allegations – referred to Department or other agency; and 1 allegation - complainant did not respond to request for information

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Recovery Act-Funded Program	Number of Allegations Received	Number of Allegations Open	Number of Allegations Closed	Referred for Prosecution	Referred to Department or Other Agency for Administrative Action	Reason Closed
						needed to evaluate allegation.
Statewide Longitudinal Data Systems	5	2	3	No	4	2 allegations – referred to Department or other agency; 1 allegation - OIG review disclosed allegations were unfounded.
Teacher Incentive Fund	2	1	1	No	No	OIG review disclosed allegation was unfounded.
Teacher Quality Enhancement Program	2	1	1	No	1	OIG review disclosed allegation was unfounded.
Impact Aid	1		1	No	1	Allegation referred to Department or other agency.
School Improvement Grant	1		1	No	No	OIG review disclosed allegation was unfounded.
Education for Homeless Children and Youth	1	1		No	1	
Charter Schools	1	1		No	1	
GEAR Up	1		1	No	No	OIG review disclosed no Recovery Act funds involved.
Centers For Independent Living	1		1	No	No	OIG review disclosed no Recovery Act funds involved.
Higher Education Institutional Aid	1		1	No	1	Allegation referred to Department or other agency.