



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

April 25, 2013

The Honorable Jeanne Shaheen
United States Senate
520 Senate Hart Office Building
Washington, D.C. 20510

Dear Senator Shaheen:

Thank you for your recent letter requesting information on the impact of the sequestration on the U.S. Department of Education (Department) Office of Inspector General (OIG). I appreciate your support of the work of the Inspectors General and your concern over the immediate and future impacts that the sequestration will have on our ability to conduct effective oversight of the Department's programs and operations. As you may know, the Department administers over 200 educational programs and is responsible for current funding levels of approximately \$68 billion plus a loan portfolio of approximately \$948 billion; that funding is distributed to the large number of Federal education programs participants, including 55 State and territorial educational agencies, more than 13,000 school districts, and over 6,000 institutions of higher education

The sequestration resulted in a 5 percent cut to OIG's budget, which had already been flat-lined at approximately \$60 million for the last three fiscal years (FY). Further, another .2 percent reduction was levied on our sequestered budget for FY 2013. We have been trying to make the most of our limited resources in order to meet our mission. Doing so, however, has not been without difficulty, given the increased costs in nearly all aspects of our operations. Our budget will result in fewer OIG employees and a consequent decrease in audits and investigations, as well as reduced travel and training that will impact the breadth of our work.

Staffing

For more than 32 years, the OIG has worked to promote the efficiency, effectiveness, and integrity of the Department's programs and operations. We conduct independent audits, investigations, inspections, and other reviews, and based on our findings, make recommendations to the Department to address systemic weaknesses and initiate administrative actions. We also recommend changes needed in Federal laws, regulations, and in the guidance the Department provides to its grantees, partners, and program participants. Performing this work requires a variety of specialized professionals, including financial and performance auditors, criminal investigators, financial analysts, information technology professionals, inspectors, management and budget analysts, attorneys, and other business and support professionals. In FY 2005, we operated with 305 employees. At the start of FY 2013, we were

operating with approximately 272 full time and term employees on board. As a result of our limited budget and sequestration, we eliminated a number of expenditures that support our work (e.g., non-mandatory training, supplies, subscriptions, reimbursement programs). However, because employee pay, compensation, and benefits comprise 69 percent of our overall budget, by far OIG's largest expense, reductions in our staffing level were unavoidable. Thus we took or will take the following actions:

- In FY 2012, we limited our hiring to replace only essential positions.
- In FY 2013, we imposed an overall hiring freeze.
- As of May 3, 2013, we will have released the remaining 4 term employees and will be operating with approximately 267 full time staff.
- For FY 2014, we anticipate using the Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment authority in an effort to reduce our staff by another 5 to 15 employees in order to provide adequate funds to meet our operational needs at the sequestered level we now find ourselves.

In testimony that I presented before the Government Oversight and Reform Committee of the U.S. House of Representatives in March, I stated that we expected to furlough all OIG staff for approximately 10 days. Since then, however, the Department has told us that it proposes to use its transfer authority to provide some funding to the OIG, which would reduce our expected furlough days by at least half and perhaps more. After undertaking an independence analysis both in terms of the Inspector General Act and Federal Government auditing standards, we determined that nothing prohibited our accepting this additional funding. We will use it to pay for our portion of the statutory financial statement audit, which is performed by an independent auditing firm under our supervision. We notified our Congressional appropriators of the possible funds transfer.

Training

As mentioned above, the work we conduct requires specialized and knowledgeable professionals. A number of these professionals must maintain specific certifications and normally take additional training to expand existing skills, learn new techniques and best practices, and understand emerging forms of fraud in government programs so that they can best combat them. Our auditors are required to comply with a Federal Government auditing standard requirement that they receive 80 hours of professional training every 2 years. Further, our criminal investigators are also required to receive specific quarterly firearms training in order to maintain their law enforcement authority. Our auditors and investigators compose approximately 72 percent of OIG staff. For FY 2013, we reduced our already slim training budget by 61 percent, thereby eliminating all training except mandatory training, training for professional certifications, and law enforcement training. Although this reduction allowed us to continue to meet our bare minimum training requirements, it resulted in reliance on a body of free or low-cost training that, over the long run, will not allow us to fully address our staff's training and development requirements.

Travel

For FY 2013, we have reduced our travel budget by 11 percent. To date, we have eliminated training-related travel, eliminated all travel by managers to regional offices, and delayed starting several audit projects that involved large amounts of travel.

Although the reduction in our travel budget will not impact the quality of our work, it will, particularly when combined with our reduction in staff, impact the reach of our efforts. We are an office that depends in large part on travel to meet our audit and investigation mission requirements. With the cuts to travel, we anticipate that nationwide audit projects may need to be scaled back to cover fewer sites (i.e., State educational agencies, local educational agencies, institutions of higher education). This may be the case with two of our more significant planned audits where we would like to incorporate as many sites as possible—our audit of Race to the Top (RTT) recipient performance, which seeks to determine whether selected recipients are making substantial progress within the RTT educational reform areas, and our audit of the impact of Elementary and Secondary Education Act (ESEA) flexibility waivers, which seeks to determine whether approved State educational agencies are successfully implementing selected aspects of the plans contained in their applications for ESEA flexibility.

We expect that we will also need to limit the number of criminal investigations we open and focus our investigative resources in geographic areas that can be serviced more effectively and without incurring high travel costs.

Impact on Work

As your letter correctly points out, sequestration will have both an immediate and longer-term impact on our oversight and investigatory abilities. The reduction in our funding leads to a reduction in staff and a reduction in tools staff need to perform their jobs, such as travel, which reduces our work output. For example:

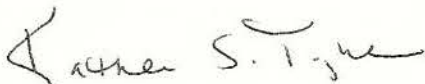
- We must first complete our statutory audit assignments that we are required to conduct each year, followed by only our highest priority work. This limits our ability to identify potential waste, fraud, and abuse.
- We have cancelled contractor support for our Federal Information Security Management Act audit that has caused us to downsize the scope and coverage of the audit and limit the type of technical testing we will conduct on the Department's and the Federal Student Aid office's data systems and infrastructure.
- We have cancelled contractor support for our development of analytical tools and risk models that will reduce our ability to identify patterns of fraud and emerging risk and better target our audit and investigative work.
- Our approach to nationwide audit projects may need to be revised as a result of reduced travel funds, while continuing to assure adequate audit coverage.

- Reductions in staff will reduce the number of audit-related assignments we can conduct in a year and the timeliness of our work.
- Reductions in staff and resources will force our investigators to be much more selective about the types and locations of cases we can commit to investigating and significantly increase our financial loss threshold for commencing an investigation.
- Prosecutions and recoveries may be reduced due to the reduction in investigative staff and the number of cases they can handle.
- It is unlikely that we will have the staff or other resources to conduct unplanned work in a timely manner that is often requested by our stakeholders, including the Department and Members of Congress.

As you can see from the information provided above, we have already downsized our operations as a result of our flat-lined appropriations over the last several years. The reductions mandated by the sequestration, however, have accelerated downsizing to the point where we simply will not be able to provide the audit and investigative coverage we feel is necessary to best ensure that Department programs and operations are achieving intended results. We will, however, continue to make the most of our limited resources and ensure that all the work we do continues to provide value to the Department, taxpayers, and most importantly, to America's students.

Thank you again for your support of the Inspectors General and for highlighting the importance of our role. If you have any questions or need any additional information, please do not hesitate to contact me directly at (202) 245-6900, or have a member of your staff contact our Congressional Liaison, Catherine Grant, at (202) 245-7023.

Sincerely,



Kathleen S. Tighe
Inspector General

cc: The Honorable Gabriella Gomez, Assistant Secretary, Office of Legislation and Congressional Affairs, U.S. Department of Education