March 11, 2015

The Honorable Jason Chaffetz  
Chairman, Oversight and Government Reform Committee  
U.S. House of Representatives  
2157 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Elijah Cummings  
Ranking Member, Oversight and Government Reform Committee  
U.S. House of Representatives  
2471 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Chaffetz and Ranking Member Cummings:

Thank you for your recent letter requesting information from the U.S. Department of Education (Department) Office of Inspector General (OIG) related to open and unimplemented recommendations made by my office to the Department covering the time period of January 1, 2014, through February 22, 2015. Enclosed with this letter you will find the results of our review. I have also enclosed a copy of the testimony I presented before two subcommittees of the House Education and Workforce Committee in September 2014 on audit resolution and open and unimplemented recommendations. In this testimony you will find data on recommendations made in OIG reports covering the time period of January 1, 2010, through December 31, 2013.

If you have any questions or if you 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

Enclosures

cc: The Honorable Arne Duncan, Secretary, U.S. Department of Education
On February 11, 2015, the U.S. House of Representatives Committee on Oversight and Government Reform (Committee) requested that the U.S. Department of Education (Department) Office of Inspector General (OIG) provide the Committee with the volume and value of the current inventory of recommendations made in OIG audit and related reports that are open and the Department has not yet implemented, a summary of closed investigations, evaluations, and audits that were not disclosed to the public, and information on instances where the Department refused to provide or otherwise restricted access to records and other information. Below you will find the results of our effort.

As you know, the Office of Management and Budget A-50 Circular, Audit Followup, requires agencies to establish systems to assure the prompt and proper resolution and implementation of OIG audit recommendations. The Circular states, “Resolution shall be made within a maximum of six months after issuance of a final report...Corrective action should proceed as rapidly as possible.” The Circular provides definitions as follows:

- Audit Resolution – the point at which the audit organization and agency management or contracting officials agree on actions to be taken on reported findings and recommendations.

- Corrective Action – measures taken to implement resolved audit findings and recommendations.

The Department tracks audit resolution and implementation of corrective actions related to OIG products in its Audit Accountability and Resolution Tracking System (AARTS). The Office of the Chief Financial Officer (OCFO) maintains this system, which includes input from OIG and responsible program officials. AARTS includes recommendation-level detail for all reports where the Department is directly responsible for implementing corrective action (internal audits). AARTS generates a resolution due date of 90 days from the report issuance date for OIG internal audits. The system includes less detailed information on the status of individual recommendations made to non-Federal entities, such as State educational agencies, local educational agencies, and institutions of higher education, contractors, or other grantees (external audits.) For these external audits, resolution and implementation are not tracked on an individual recommendation basis.

Consistent with previous reports submitted to the Committee on this subject, OIG’s response includes only those recommendations made in OIG internal audit and related reports for which the Department is directly responsible for implementing corrective action. From January 1,
2014, to February 22, 2015, OIG issued a total of 16 internal reports and oversaw the issuance of the Department's and the Federal Student Aid office's (FSA) financial statement audits.\(^1\) Collectively, these 18 reports contained 135 recommendations for which the Department was directly responsible for implementing corrective actions. Questions posed by the Committee and OIG responses to those questions follow.

1. **Identify the current number of open or unimplemented IG recommendations.**

Of the 135 recommendations made in OIG internal reports, 6 remain open and unresolved, 112 remain unimplemented, and 17 have been implemented. Recommendations are considered implemented when the OCFO certifies the corrective action as completed, or, if the recommendations involve information technology, when the Office of the Chief Information Office (OCIO) certifies the corrective action as completed.

- The 6 open and unresolved recommendations were included in audit-related products issued within the last 6 months (August 22, 2014, through February 22, 2015). These recommendations are not considered overdue for resolution.
  - 128 of the remaining 129 recommendations that reached the 6-month resolution deadline were resolved timely.

- Of the 112 remaining unimplemented recommendations
  - 76 have been resolved, meaning the responsible office and the OIG have reached agreement on the planned corrective action; and
  - 36 have been resolved and completed, meaning the responsible office has certified completion of the corrective action.

- 17 recommendations have been implemented.

2. **Identify the cumulative estimated cost savings associated with the current number of open and unimplemented recommendations.**

Nearly all of the recommendations made in our internal reports related to improving program oversight, increasing the efficiency of Departmental operations, assuring funds are reaching intended recipients, and revising guidance to recipients of Department funds. Although our recommendations can lead to cost savings over time, estimating cost savings with these types of recommendations would be very challenging, so we generally do not estimate monetary benefits in our internal audit and related reports of the Department's management of its programs and operations. The open and unimplemented recommendations discussed above do not include any estimated costs savings or better use of funds.

\(^1\) During this same period, the OIG also issued 1 external report, which contained 4 recommendations.
3. For those recommendations that would result in a cost savings if implemented, specify the recommendation, the date the recommendation was made, and estimate the cost savings that your office believes would be realized if agency management implemented the recommendation.

As noted in the response to the previous questions, our recommendations during this time period addressed the Department’s management of its programs and operations and do not estimate potential cost savings. While a value of cost savings is not estimated, implementing our recommendations will improve the efficient and effective use of Department funds and improve internal controls over Department operations.

4. Which three open or unimplemented recommendations does your office consider to be the most important or urgent? For each identify:
   a. The status of the recommendation, including whether agency management has agreed or disagreed with the recommendation and the expected date of implementation; and
   b. The cost savings associated with the recommendation (if applicable).

We believe that all of our recommendations are important, so it is very challenging to select three as being the most important or urgent. To fulfill this request, however, we have selected recommendations that affect key areas important to the Department’s ability to effectively achieve its mission: Federal student aid and information technology security.

**Federal Student Aid: Student Debt and Repayment**

*Finding:* Our audit found that the Department did not have a comprehensive plan or strategy to prevent student loan defaults and thus cannot ensure that efforts by various offices involved in default prevention activities are coordinated and consistent. Without a coordinated plan or strategy, Department management may not be in a position to make strategic, informed decisions about the effectiveness of default prevention initiatives and activities. Our report made five recommendations to assist the Department in areas such as developing a comprehensive default prevention plan, identifying and communicating trends and issues in the Federal student loan portfolio, and improving oversight of contractor-performed outreach and default prevention activities.

*Recommendation:* We recommended that the Under Secretary require FSA’s Chief Operating Officer to work with the Acting Assistant Secretary for the Office of Postsecondary Education to develop a comprehensive default prevention plan that describes the Department’s default prevention strategy; defines the roles and responsibilities of the Department offices and personnel responsible for
developing, implementing, and monitoring default prevention initiatives and activities; identifies the Department's default prevention initiatives and activities; and establishes performance measures that can be used to assess the effectiveness of the default prevention initiatives and activities.

**Status of the Recommendation – Unimplemented:*** The Department and the OIG have agreed upon corrective actions to address this recommendation but these actions were not completed as of February 22, 2015.

**Cost Savings Associated with the Recommendation:** Implementation of a comprehensive plan to administer student loan debt and repayment may achieve savings over time through the reduction of loan defaults. An effective plan could increase the timely repayment of funds.

**Federal Student Aid: Direct Assessment Programs**

**Finding:** Our audit found that the Department had not adequately addressed the risks that schools offering direct assessment programs pose to the Federal student aid programs authorized through the Higher Education Act of 1965, as amended (Title IV), and had not established sufficient processes to ensure that only programs meeting Federal regulatory requirements are approved as Title IV eligible. Not adequately addressing risks increases the likelihood that schools might create direct assessment programs that are not Title IV eligible. Not establishing sufficient processes to ensure that only programs meeting Federal regulatory requirements are approved as Title IV eligible increases the risk that the Department will not obtain enough information to sufficiently evaluate the merits of all direct assessment program applications.

**Recommendation:** We recommended that the Under Secretary reassess the risks that direct assessment programs pose to the Title IV programs, communicate the results of that risk assessment to Department employees, and develop additional control activities to mitigate any newly identified risks.

**Status of the Recommendation – Unimplemented:** The Department and the OIG have agreed upon corrective actions to address this recommendation. As of February 22, 2015, the responsible office had certified completion of the corrective action, but the OCFO had not certified the action as completed.

**Cost Savings Associated with the Recommendation:** Completion of the risk assessment and implementation of effective, corresponding controls could result in savings to the Department over time by reducing the likelihood of the Department approving direct assessment programs that do not meet Federal regulatory requirements, thereby putting Title IV funds at risk.
Information Technology Security

Finding: Our FY 2014 Federal Information Security Management Act review found that the Department had still not fully implemented its information security program in accordance with the National Institute of Standards and Technology (NIST) SP 800-37, Revision 1, Guide for Applying the Risk Management Framework to Federal Information Systems (2010). The OCIO had not finished updating or implementing risk management policies and procedures to be in accordance with the NIST guidance, missing its original October 2012 deadline and later deadlines. Consequently, Department personnel are following outdated guidance and may be authorizing systems to operate on the Department’s network that do not comport with the NIST guidance. In addition, our review identified many deficiencies in system security plans, authorization-to-operate documents, and security assessment reports, as well as expired system authorizations.

Recommendations: We recommended that the OCIO develop and implement a detailed action plan to ensure that all system authorization documentation is readily available and complies with Federal and Department standards and guidance and that it take immediate action to resolve the deficiencies. In addition, we recommended that the OCIO develop and implement controls to ensure timely reauthorization of systems and avoiding gaps in authority to operate coverage.

Status of Recommendations – Unimplemented: The Department and the OIG have agreed upon corrective actions to address these recommendations, but these actions were not completed as of February 22, 2015.

Cost Savings Associated with the Recommendations: Improved information technology security controls can reduce the risk of unauthorized access to sensitive information, including personal identifying information and the costs associated with the loss or misuse of such information.

(5) A summary of all closed investigations, evaluations, and audits that were not disclosed to the public since January 1, 2014, include case number, disposition, a brief description of the allegation, and the date the investigation was closed.

From January 1, 2014, to February 22, 2015, the OIG issued 1 external audit report, 16 internal audit and related reports and oversaw the issuance of both the Department’s and FSA’s financial statement audits. All 19 reports were disclosed to the public. We also closed 134 investigations, of which 24 were not publicly disclosed. Twenty-two of those cases involved criminal investigations that were declined for prosecution. Two of the cases involved Department employees, both of which were also declined for
prosecution in favor of administrative remedies. Below you will find the following for each of the 24 investigations: the case number, date the investigation was closed, and a brief summary of the allegation.

<table>
<thead>
<tr>
<th>Case Number</th>
<th>Date Closed</th>
<th>Summary of Allegation</th>
</tr>
</thead>
<tbody>
<tr>
<td>09-030300</td>
<td>01/07/2014</td>
<td>A group of university students allegedly submitted Free Applications for Federal Student Aid (FAFSA) containing false information.</td>
</tr>
<tr>
<td>12-110354</td>
<td>01/07/2014</td>
<td>A Department employee allegedly misused access to the National Student Loan Data System.2</td>
</tr>
<tr>
<td>09-040847</td>
<td>01/14/2014</td>
<td>A university reported a number of FAFSAs allegedly containing false information.</td>
</tr>
<tr>
<td>13-110404</td>
<td>02/10/2014</td>
<td>A student loan debt servicing company allegedly accessed student accounts without authorization and changed records.</td>
</tr>
<tr>
<td>06-000123</td>
<td>02/12/2014</td>
<td>Two senior elementary school officials allegedly misused school funds.</td>
</tr>
<tr>
<td>09-000311</td>
<td>03/07/2014</td>
<td>An independent administrator allegedly provided answers to students on Ability-to-Benefit tests.</td>
</tr>
<tr>
<td>10-000381</td>
<td>05/06/2014</td>
<td>A charter school principal and other school employees allegedly inflated student attendance records in order to obtain State and Federal education funds that the charter school was not otherwise eligible to receive.</td>
</tr>
<tr>
<td>11-020555</td>
<td>05/07/2014</td>
<td>A school district superintendent, financial director, and school principal allegedly worked together to change student grades in order to obtain additional Federal education funds that the school district was not otherwise eligible to receive. They also allegedly engaged in “bid rigging” by providing confidential information to select vendors in advance of contracting processes in order to assist them in securing school contracts.</td>
</tr>
<tr>
<td>13-160011</td>
<td>06/03/2014</td>
<td>A Department employee allegedly misused government property and made false statements on his Office of Government Ethics Financial Disclosure Form 450.3</td>
</tr>
</tbody>
</table>

2 The employee was terminated based on a number of factors, including misuse of a government computer.
3 The employee retired before administrative action could be taken against him.
<table>
<thead>
<tr>
<th>Case Number</th>
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</tr>
</thead>
<tbody>
<tr>
<td>12-010461</td>
<td>06/18/2014</td>
<td>A financial firm allegedly charged unnecessary fees to students for use of their debit cards that were directly linked to the students' financial aid account.</td>
</tr>
<tr>
<td>13-041612</td>
<td>07/03/2014</td>
<td>A person allegedly misused ED's official seal on what appeared to be an official letter from ED requesting that a student provide a copy of her FAFSA, driver's license, and a fee in order to renew a State license.</td>
</tr>
<tr>
<td>10-041115</td>
<td>07/22/2014</td>
<td>45 people allegedly participated in a Federal student aid fraud ring by submitting college admission forms and student aid applications using similar addresses and phone numbers in order to obtain Federal student aid funds.</td>
</tr>
<tr>
<td>11-000438</td>
<td>07/28/2014</td>
<td>A postsecondary school owner allegedly altered student records in order to obtain additional Federal student aid grants to which the school and students were not entitled to receive.</td>
</tr>
<tr>
<td>10-080164</td>
<td>08/07/2014</td>
<td>A school district official allegedly misappropriated Federal grant funds by falsifying invoices for classroom supplies that were never purchased. The official also allegedly circumvented established contracting practices by awarding construction contracts to a school board member's company.</td>
</tr>
<tr>
<td>10-000402</td>
<td>09/19/2014</td>
<td>A person allegedly submitted fraudulent college admission forms and FAFSAs using multiple names, dates of birth, and social security numbers in order to obtain Federal student aid.</td>
</tr>
<tr>
<td>09-050649</td>
<td>09/26/2014</td>
<td>A university admissions representative allegedly enrolled ineligible students in the school and falsified records in order to make the students appear eligible to receive Federal student aid.</td>
</tr>
<tr>
<td>13-030425</td>
<td>09/29/2014</td>
<td>A physician allegedly falsely claimed on his FAFSA that he did not have a bachelor's degree, which improperly enabled him to obtain Federal student aid grant funds.</td>
</tr>
<tr>
<td>10-000413</td>
<td>10/17/2014</td>
<td>Charter school officials allegedly over-inflated the number of students who were enrolled in the school in order to receive additional funding.</td>
</tr>
<tr>
<td>10-000382</td>
<td>11/13/2014</td>
<td>A university president, vice president, and other management officials allegedly took kickbacks in exchange for awarding contracts.</td>
</tr>
<tr>
<td>Case Number</td>
<td>Date Closed</td>
<td>Summary of Allegation</td>
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<tr>
<td>09-030290</td>
<td>12/01/2014</td>
<td>The CEO of a charter school allegedly misused grant funds that were allocated to the school.</td>
</tr>
<tr>
<td>12-000523</td>
<td>12/02/2014</td>
<td>A college president allegedly falsified credit balances and information on student FAFSAs.</td>
</tr>
<tr>
<td>13-901452</td>
<td>12/05/2014</td>
<td>A student allegedly provided false information on her FAFSA indicating she was single when in fact she was married.</td>
</tr>
<tr>
<td>12-030413</td>
<td>02/13/2015</td>
<td>University officials allegedly under-reported the school’s crime statistics to the Department.</td>
</tr>
<tr>
<td>12-000531</td>
<td>02/13/2015</td>
<td>Financial aid staff at a technical school allegedly falsified student records, including student FAFSAs and transcripts in order to obtain additional Federal student aid. They also allegedly altered W-2 statements of school staff.</td>
</tr>
</tbody>
</table>

(6) List and describe any instances where the agency refused to provide, or otherwise delayed or restricted, your access to, records or other information.

The Department has not refused to provide our office with records or other information; however, on two occasions in the last year the Department delayed access to our request for records. First, in conducting our audit of the Department’s implementation and oversight of approved Elementary and Secondary Education Act flexibility requests, we requested minutes from meetings where the results of Departmental monitoring efforts were discussed. The Department wanted to provide us copies of the minutes with the names of the participants (Department staff and grantees) redacted. OIG senior staff met with Department senior management to make it clear that we had the authority to access the unredacted records and our need for the records to thoroughly conduct our audit, and the unredacted records were delivered promptly. In the second instance, in conducting our audit of the Department’s administration of student loan debt and repayment, the Department initially did not provide internal documents related to risk management. When OIG staff elevated the matter to Department senior management and clarified the specific documents requested, all documents were provided.
Testimony of Inspector General Kathleen S. Tighe
U.S. Department of Education Office of Inspector General
Before the
Committee on Education and the Workforce
Subcommittee on Higher Education and Workforce Training and
Subcommittee on Early Childhood, Elementary, and Secondary Education
U.S. House of Representatives
September 10, 2014

Chairwoman Foxx, Chairman Rokita, Ranking Member Hinojosa, Ranking Member Loebsack, and members of the Subcommittees, I am pleased to be here today to discuss audit resolution and timeliness of actions by the U.S. Department of Education (Department) to address recommendations made by the Office of Inspector General (OIG). I want to thank the Subcommittees for holding this hearing and highlighting an issue that is such a vital part of good government.

As you know, the mission of the OIG is to promote effectiveness, efficiency, and integrity in Federal programs and operations. We do this by conducting independent audits, inspections, investigations, and other reviews. When we identify problems or weaknesses, we make recommendations on actions the Department should take to correct those weaknesses or fix those problems. Each year, we make hundreds of recommendations to the Department that when implemented, can result in improvements in program efficiency and effectiveness, help to prevent fraud, and save taxpayer dollars. The primary benefit from our work is realized through the timely and effective implementation of our recommendations. Our recommendations, when implemented, have led to actions by the Department to put in place protections to prevent fraud and abuse, protect student interests, improve oversight and monitoring, and recoup taxpayer
dollars. Unimplemented recommendations hamper the Department's ability to increase program and operational efficiency and prevent waste. Unimplemented recommendations can be the result of ineffective audit resolution and followup processes, which includes the Department's activities in response to formal recommendations in OIG audits, inspections, and other reports. Since 2002, we have issued 6 audit reports that identified weaknesses in the Department's audit resolution and followup processes. Recent efforts by the Department appear to have led to improvements in its processes, but work remains to be done, particularly regarding audits of recipients of Federal education funds.

As requested, today I will share with you background information on the Department's audit resolution and followup processes, the findings of our work in this area, the current status of the Department's audit resolution efforts, and the challenges that remain.

Background on the Department's Audit Resolution and Followup Processes

The Office of Management and Budget (OMB) Circular A-50, "Audit Followup," provides the policies and procedures for use by executive agencies when considering audit reports, such as those the OIG issues. It requires agencies to establish systems to ensure the prompt and proper resolution and implementation of audit recommendations and provides that agency heads are responsible for designating a top management official to oversee audit followup, including resolution and corrective actions. At the Department, the Chief Financial Officer is the

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1 The Department is also responsible for resolving recommendations in other products related to Department programs and operations, including those issued by the Government Accountability Office and by non-Federal auditors (such as independent public accountants and State auditors).
designated Audit Followup Official and is charged with the timely resolution of audit reports and ensuring that appropriate corrective actions have been taken on agreed-upon audit recommendations. Circular A-50 requires agencies to resolve audits within 6 months of issuance. It also requires the OIG to review and generally agree with the Department’s proposed corrective action on recommendations made in an audit report before the audit can be considered resolved.

The audit resolution process begins with the issuance of a final audit report. There are generally two types of audits—internal and external. Internal audits identify deficiencies and recommend improvements in Department operations and programs to ensure that the Department is using Federal education funds and managing Department programs effectively and efficiently and accomplishing program goals. External audits are of external entities that receive funding from the Department, such as State educational agencies (SEAs), local educational agencies (LEAs), institutions of higher education, contractors, and nonprofit organizations. External OIG audit reports generally include recommendations for Department management to require the external entity to take corrective action. These recommendations may be monetary, which recommend that the entity return funds to the Department, or nonmonetary, which recommend that the entity improve operations or internal controls.

The next step in the process is audit resolution. An internal audit is generally considered resolved when the Department prepares a corrective action plan and the OIG agrees that the plan will adequately address each recommendation. An external audit is considered resolved when the Department issues a program determination letter to the external entity that the OIG similarly
agrees will adequately address the audit recommendations. Upon resolution, the Department is responsible for ensuring that the corrective actions are actually implemented. When the corrective actions for a recommendation have been implemented, the recommendation is considered completed. An audit is considered closed when the Department ensures that all corrective actions have been implemented, including funds repaid or settlement made. While there is an OMB timeliness requirement for audit resolution, there is no requirement for when a corrective action must be completed or closed.

As required by the Inspector General Act of 1978, as amended, the OIG provides information in its Semiannual Reports to Congress on audit reports issued, audit reports that are not yet resolved, and audit reports that have been resolved but for which corrective actions have not been implemented for at least a year after issuance of the final audit report.

**Findings From Recent OIG Work**

Since 2002, we have issued 6 audit reports on the Department’s audit resolution and followup processes, most recently in 2012. These reports have noted longstanding challenges in these areas, including:

- Ineffective internal controls over audit resolution and followup, such as the failure to ensure compliance with OMB Circular A-50.
- A lack of staff to conduct resolution activities, training so that staff had sufficient knowledge to effectively conduct resolution activity, organizational priority placed on audit resolution activities, and overall accountability.
- Untimely resolution of audits, particularly external audits, that has (1) impacted the potential recovery of funds due to the statute of limitations\(^2\) applicable to monetary recommendations made in audits of entities (such as SEAs and LEAs) and (2) delayed corrective actions by auditees.

In response to the findings of our 2012 review of external audit resolution activities, the Department proposed a series of actions to be implemented over the short term to address many of the specific recommendations in the report. At that time, the Department established a cross-agency team to review the audit resolution process. Members of this team agreed its first critical business task would be to resolve all overdue OIG external audits. In early 2013, the Department stated it was on track to resolve the audits by May 31, 2013; however, it did not meet that deadline. As of August 2014, 10 OIG external audits issued since 2010 remain unresolved.

According to Department managers and its official publications, the timely resolution of external audits remains a high priority and the cross agency team has been working with program offices to develop process solutions. Regarding internal audits, the Department has established a process to resolve these audits in 3 months instead of the 6 month OMB requirement. For those audits not resolved in 3 months, the Department is considering options for ways for the Office of the Chief Financial Officer to become directly involved in efforts to facilitate resolution.

Currently, only one internal audit recommendation remains unresolved.

\(^2\) The General Education Provisions Act (GEPA) establishes a statute of limitations applicable to the Department's recovery of funds from program recipients, including SEA and LEA recipients. The Department cannot seek recovery of funds that were spent more than 5 years before an auditee receives a program determination letter. To recover funds, the Department also must establish that a grant recipient's violation caused harm to the Federal interest. Examples of Federal interest include serving eligible beneficiaries, providing authorized services, and complying with expenditure requirements. GEPA does not apply to programs authorized under the Higher Education Act of 1965.
Current Status and Challenges

Information from the Department's tracking system, as of August 2014, indicates the following regarding OIG reports issued between January 1, 2010, through December 31, 2013:

Internal Audits

- The OIG issued 66 internal audit reports, which contained a total of 527 recommendations.
  - 454 of the 527 recommendations have been resolved and implemented.
  - 72 recommendations have been resolved, but not yet implemented.
  - As noted above, 1 recommendation remains unresolved.
- 12.2 percent of the resolved recommendations were not resolved within OMB's 6-month deadline.
  - These recommendations were overdue for resolution by an average of 400 days.
- For reports issued in 2010, only 63 percent of OIG audit recommendations were resolved timely, but in each calendar year since 2010, 93 percent, or more, of OIG recommendations have been resolved timely.

The Department has made progress in its efforts to more timely resolve recommendations made in internal audit reports; however, challenges remain, particularly in the area of repeat findings, which are far too common in our information technology (IT) security

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3 The Department tracks audit resolution and the implementation of corrective actions related to OIG products in its Audit Accountability and Resolution Tracking System (AARTS). AARTS includes recommendation-level detail for all internal audits where the Department is directly responsible for implementing corrective action. The system includes less detailed information on the status of individual recommendations made in external audits.
work and in our financial statement audit work. Repeat findings are deficiencies that have been identified in previous work but that remain unaddressed or ineffectively addressed, and thus are again identified as findings in subsequent work. The following are examples of some of recent repeat findings:

- The FY 2013 Federal Information Security Management Act review found that 7 of the 11 security control areas we reviewed—configuration management, identity and access management, incident response and reporting, risk management, security training, remote access management, and contingency planning—contained repeat or modified repeat findings from OIG and contractor reports issued during the prior 3 years.

- The FY 2013 audits of the Department’s and the Federal Student Aid office’s (FSA) financial statements by OIG’s independent financial auditors found significant repeat deficiencies relating to financial reporting processes and controls surrounding FSA’s loan servicing systems. Moreover, in its 2013 financial statement audit, OIG’s contract auditors strongly stated that Department and FSA management need to mitigate persistent IT control deficiencies. This is important as IT permeates all aspects of programs and services coordinated through the Department. Effective monitoring and oversight of its IT systems, IT contractors, and safeguarding its information and information systems are essential to preserving the ability of the Department to perform its mission and meet its responsibilities.
**External Audits**

- 10 of 49 external audit reports issued (20 percent) between 2010 and 2013 remain unresolved.
  - Of the 39 resolved audits, 13 (33 percent) have been fully implemented.
- 95 percent of the audits resolved had not been resolved within OMB’s 6-month deadline.
  - These audits were overdue for resolution by an average of 439 days and included questioned costs of $59 million and unsupported costs of $124 million.
- In each calendar year between 2010 and 2014, 80 to 100 percent of OIG external audit reports issued were not resolved timely.

Although it has made progress, timeliness still remains a challenge to the Department in its ability to resolve OIG external audits. This is an area of particular concern to my office, as the untimely resolution of external audits impacts the potential recovery of funds, creates delays in the development and implementation of corrective actions by auditees that are intended to correct noted weaknesses in program management, and may have a negative impact on the achievement of the Department’s mission and the anticipated results of individual programs. Delays also send the wrong message to program participants about the Department’s tolerance for noncompliance and misuse of program funds. This is why we have regularly reviewed the Department’s audit resolution and followup processes; as stated previously, we have conducted 6 audits on this subject since 2002, and we have a seventh
audit presently underway. We are currently evaluating the effectiveness of the Department’s processes to ensure that external auditees are taking corrective actions to address weaknesses identified in OIG reports. We expect to issue the results of our findings later this year.

**Conclusion**

Audit resolution and followup are very important issues to the OIG, as the results of our work can serve as a tool for Department management in its daily operations, long-term strategic planning, and overall risk management. Our work, however, is effective only if the Department implements corrective actions in a timely manner to address identified deficiencies or weaknesses. We see that the Department is taking steps to improve its audit resolution and followup processes, and there are signs of improvement in the timeliness of audit resolution. However, work still remains. Through our current audit and ongoing activities, we will continue to closely monitor and report on the Department’s progress to address audit recommendations.

Once again, I want to thank you for highlighting the issue of audit resolution and helping make it a priority for the Department. This concludes my written statement. I am happy to answer any of your questions.