



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

May 4, 2012

The Honorable Darrell Issa
Chairman, Committee on Oversight and Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Dear Chairman Issa:

Thank you for your April 5, 2012, letter asking for certain information related to open and unimplemented recommendations made by the Office of Inspector General to the U.S. Department of Education. Enclosed with this letter you will find the results of our review.

If you have any questions, or require any additional information, please contact me directly at (202) 245-6900, or Catherine Grant, our Public Affairs Liaison, at (202) 245-7023.

Sincerely,

A handwritten signature in black ink that reads "Kathleen S. Tighe".

Kathleen S. Tighe
Inspector General

Enclosure

cc: The Honorable Elijah Cummings, Ranking Member, U.S. House of Representatives,
Committee on Oversight and Government Reform
The Honorable Gabriella Gomez, Assistant Secretary, Office of Legislation and
Congressional Affairs, U.S. Department of Education

Office of Inspector General Recommendations Not Yet Implemented by the U.S. Department of Education

April 7, 2011, through April 5, 2012

On April 5, 2012, 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 information related to recommendations made in OIG audit and related reports that the Department has not yet implemented. Below you will find the results of our effort. This information was extracted from the Department's Audit Accountability and Resolution Tracking System. This system is maintained by the Department's Office of the Chief Financial Officer, with input from OIG and responsible program officials. OIG periodically evaluates the effectiveness of the Department's audit followup system and corrective actions taken to address audit recommendations. We are currently conducting an evaluation of the effectiveness and timeliness of the Department's resolution process for external audits and anticipate issuing a final report in the summer.

Per our discussion with your staff on April 12, 2012, and consistent with our previous reports, OIG's response includes only those recommendations for which the Department is directly responsible for implementing corrective action. During the period requested, OIG issued a total of 19 internal audit reports, which contained 171 recommendations for which the Department was directly responsible for implementing corrective actions. During the same period, OIG also issued 15 external audit reports, which contained 130 recommendations.

1. *Identify the current number of open and unimplemented recommendations.*

A total of 34 recommendations made in OIG audit and related reports remain open and unimplemented. The Office of Management and Budget (OMB) Circular A-50, *Audit Followup*, dated September 19, 1982, paragraph 8a, states, "Agencies shall assign a high priority to the resolution of audit recommendations and to corrective actions." Subparagraph 8a(2) requires that resolution shall be made within a maximum of 6 months after issuance of the final report, thus the more recent recommendations are not considered overdue for resolution. Resolution is defined as the point at which the audit organization and agency management officials agree on action to be taken on reported findings and recommendations. As of April 5, 2012, 29 of the 34 open and unimplemented recommendations were not yet overdue for resolution.

2. *For those recommendations that have an estimated cost savings associated with them, identify the recommendation, the date first recommended, and the total estimated cost savings your office believes is obtainable if the recommendation is implemented by agency management.*

OIG generally does not estimate monetary benefits in its internal audits of the Department's management of its programs and operations, other than to identify better

uses of funds. The work conducted during the time period requested did not include any recommendations regarding better use of funds.

3. *Identify what your office considers the three most important open and unimplemented recommendations.*

We believe that all of our recommendations are important, so it is very challenging to select three as being the most important. To fulfill this request, however, we have selected the following recommendations based on their impact on overall Department programs and operations. For each, we provide: (1) the status of the recommendation; (2) the cost savings associated with the recommendation; and (3) whether there are plans to implement the recommendation in the future. Although one of our recommendations involves a program funded through the *American Recovery and Reinvestment Act of 2009*, we include it herein as the recommendation is applicable to all Department competitive grant programs and awards.

Financial Statement Audits – Fiscal Years 2011 and 2010 - U.S. Department of Education

Date Report Issued: November 15, 2011

Finding: In our annual audit of the Department's financial statement, our independent financial auditors found significant deficiencies that warrant continued focus on credit reform estimation and financial reporting processes.¹

Recommendation: Continue to improve the analytical tools used for the loan estimation process, working to develop formats and content that synthesize and capture loan level data available in the Department's systems. Assess prepayment, death, disability, and bankruptcy rates by cohort in light of recent changes in the economic environment to determine the extent to which there may be differences in performance across cohorts; and for a subset of borrowers, obtain credit rating data and track the borrower's ability to pay over time. Use the results for further analysis.

Status of Recommendation: Resolved

Cost Savings: N/A

Plans to Implement Recommendation in the Future: Yes

Financial Statement Audits - Fiscal Years 2011 and 2010 - U.S. Department of Education

Date Report Issued: November 15, 2011

Finding: In our annual audit of the Department's financial statement, our independent financial auditors found significant deficiencies that warrant continued focus on controls surrounding information technology security and systems.²

Recommendation: Address across the Department the root causes of security and control weaknesses disclosed in audits and internal self-assessments by providing

¹ A similar finding was identified in Financial Statement Audits – Fiscal Years 2010 and 2009 – U.S. Department of Education.

² A similar finding was identified in Financial Statement Audits – Fiscal Years 2010 and 2009 – U.S. Department of Education.

additional training for information technology professionals, allocating appropriate resources to IT process areas, maintaining updated procedures to ensure proper configuration of servers, monitoring contractor performance of system support services, and ensuring contracts with service suppliers adequately address security and government standards and approaches to achieving and monitoring compliance.

Status of Recommendation: Resolved

Cost Savings: N/A

Plans to Implement Recommendation in the Future: Yes

The Department's Implementation of the State Fiscal Stabilization Fund Program

Date Report Issued: September 24, 2010

Finding: The Department should strengthen its efforts to ensure that key application data are reasonably supported prior to grant award. We determined that while the Department's process verified that all required data and related information were provided, it did not assess whether the data were reasonably supported.

Recommendation: The Department should require supporting documentation for key data fields in grant applications and provide an explanation of what constitutes adequate documentation, in order to ensure accountability and assist program staff with application reviews.

Status of Recommendation: Unresolved

Cost Savings: N/A

Plans to Implement Recommendation in the Future: Yes

4. *Identify the number of recommendations your office deems accepted and implemented by the agency during the time period March 24, 2010, to the present.*

For the time period requested, a total of 145 recommendations were accepted and implemented by the Department.