



Office of Inspector General  
Fiscal Year 2010 Work Plan

*Promoting Accountability and  
Transparency*

## Introduction from the Acting Inspector General

I am pleased to provide the U.S. Department of Education (Department) Office of Inspector General (OIG) Work Plan for fiscal year (FY) 2010. This Work Plan presents the major initiatives and priorities the OIG intends to undertake to assist the Department in fulfilling its mission to the American public.

Our FY 2010 Work Plan provides an overview of the assignment areas and resources we plan to devote to evaluating the efficiency, effectiveness, and integrity of Department programs and operations. The Plan incorporates suggestions from Department leaders and staff, the Office of Management and Budget (OMB), and Members of Congress.

The Department will continue to face a number of challenges in FY 2010, perhaps most significant among those are the implementation and management of the programs and funding authorized under the *American Recovery and Reinvestment Act of 2009* (Recovery Act), and the *Ensuring Continued Access to Student Loans Act of 2008* (ECASLA). The Recovery Act will provide the Department with more than \$98 billion in funding through FY 2012. Although most of the funding will be provided to existing programs, and distributed through existing means, the reporting requirements to ensure accountability and transparency of these funds are unprecedented and require significant efforts by the Department to establish effective internal control and to ensure recipients and subrecipients are aware of their responsibilities in managing and using the funds as intended.

The ECASLA established a number of new programs that the Department must implement and over which it must establish effective internal controls. With the shrinking credit markets, new challenges continue to emerge in overseeing the student financial assistance programs. Addressing these challenges will impact almost every operational aspect of the agency: information technology; systems operations; financial reporting; staffing; customer service; and monitoring and oversight. In addition, the challenge in managing existing programs will likely grow as the lenders and guaranty agencies involved in these programs turn to the Department for guidance and increased financial assistance. Moreover, pending legislation would eliminate new loans under the Federal Family Education Loan (FFEL) program and further expand the Direct Loan program, presenting another set of challenges for the Department.

We will do our part to ensure that the Department effectively carries out its new and existing responsibilities, to address critical financial needs for education funds, and to ensure that America's students can realize their dreams of a higher education. To that end, we plan to dedicate a significant amount of our resources in FY 2010 to the programs that received Recovery Act funds and to the ECASLA and related student financial assistance programs. In addition, we will continue to help identify emerging risks and vulnerabilities throughout the agency and will dedicate resources to ensure that critical Federal education funds are being used for the purposes intended.

Although this Work Plan provides a framework for activities we intend to carry out in FY 2010, we retain the flexibility to divert resources to other priorities as they arise. Often, the OIG is assigned tasks from external sources, such as new legislative mandates,

congressional hearings and inquiries, Department requests, and governmentwide reviews. In addition, we now also receive requests and referrals from the Recovery Accountability and Transparency Board. These assignments and requests are often nondiscretionary and unplanned. Whether we are examining an issue on our agenda or a new, unplanned assignment, we will meet our overarching goal to promote accountability and transparency.

Thank you for your interest in our operations and your support for our efforts. If you have any questions or need any additional information, please visit our website at [www.ed.gov/offices/oig](http://www.ed.gov/offices/oig) or contact us directly at (202) 245-6900.

Mary Mitchelson

## **FY 2010 Work Plan**

The mission of the U.S. Department of Education Office of Inspector General is to promote the efficiency, effectiveness, and integrity of the Department's programs and operations. We accomplish this mission by providing independent and objective assistance to the Department that will ensure continuous improvement in program delivery, effectiveness, and integrity.

To help achieve our mission, we created a 5-year Strategic Plan for FY 2007-2012 that establishes three overarching goals: to improve the Department's programs and operations; to protect the integrity of the Department's programs and operations; and to ensure quality and excellence in our organization. While our Strategic Plan presents our long-term vision and framework for action, we produce annual Work Plans that demonstrate how the first two goals of our Strategic Plan will be implemented. Each Work Plan presents the audit, inspection, and investigative initiatives and priorities the OIG intends to conduct in a particular fiscal year.

This document presents our Work Plan for FY 2010, during which we intend to focus our resources in four high-priority areas:

1. American Recovery and Reinvestment Act programs,
2. Student financial assistance programs, with emphasis on the ECASLA programs;
3. Information security and management; and
4. Statutory and other required work.

### **FY 2010 Work Plan Priority Areas**

For the last several years, our Work Plan efforts have focused on those areas that we believe pose the most significant challenges for the Department. These challenges include:

- Oversight and monitoring – whether programs are operating as Congress directed and whether the funds are reaching the proper recipients;
- Data reliability – whether the information reported to the Department and by the Department is accurate and reliable;
- Contract awards, contract performance, and monitoring – whether the Department is receiving quality goods and services and demanding accountability from its vendors; and
- Human resources services – whether the Department's hiring, processing, and training efforts are sufficient and successful.

The work we plan to conduct in FY 2010 will continue to emphasize these challenge areas; however, because of recently enacted laws that significantly increase funding and accountability for Federal education programs and participants, we plan to concentrate these efforts in the four high-priority areas.

## **1. American Recovery and Reinvestment Act Programs**

Our work in this area will focus on whether adequate controls are in place and working at the Federal, State, and local levels to ensure that Recovery Act dollars achieve the goals Congress intended. During FY 2009, we began work to determine whether agencies charged with responsibility 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. We also began work to evaluate the Department's implementation of Recovery Act and related programs. In FY 2010, our work will continue in these areas and expand to these additional areas:

- Internal control systems at additional State and local educational agencies;
- Recipient and subrecipient use of funds and the accuracy, reliability, and completeness of information reported;
- Department's processes to track Recovery Act funds and report on Recovery Act related activities;
- Department's use of Recovery Act funds for oversight and monitoring;
- Discretionary grant award and monitoring process for selected programs;
- Audits, inspections, and investigations of select grant awards and grantees; and
- Federal Pell Grant and Federal Work Study expenditures at schools.

## **2. Student Financial Assistance Programs, with Emphasis on ECASLA**

Our work in this area will focus on internal controls within the Federal Student Aid (FSA) office, and its oversight of the participants in the Federal student financial assistance programs, with emphasis on the ECASLA programs.

As a result of recent events in the credit markets, the Department will continue to face significant challenges in FY 2010 in overseeing the FFEL program. In addition, the Administration's intent is to phase out all new FFEL loans as of July 1, 2010. Through ECASLA, the Department was given new responsibilities, including the authority to purchase loans from lenders, conduct an expanded Lender-of-Last-Resort program, and expand the capacity of the Direct Loan program. Errors, failure to plan effectively, or other problems with the design or implementation of these programs could put a substantial amount of Federal funds – potentially billions of dollars – at risk. Failure to manage these programs effectively may also hinder students' ability to acquire Federal loans, which is the goal of these programs. With more than 6,000 postsecondary institutions and more than 3,000 lenders, 35 guaranty agencies, \$113 billion in awards, and an outstanding loan portfolio of more than \$600 billion, the Department must ensure that all entities involved in the programs are adhering to statutory and regulatory requirements. As the office responsible for administering the student financial assistance programs, FSA must provide adequate oversight and demand accountability from its staff, program participants, and contractors to help protect these dollars from waste, fraud, and abuse.

In FY 2009, we began evaluating FSA's implementation of the ECASLA programs and plans for expansion of the Direct Loan program. Our evaluation will continue in FY 2010, and additional work in this area will include:

- Functions and performance of custodians and servicers in the ECASLA Loan Participation Purchase Program;
- Lenders' compliance with Representative Affidavit requirements for electronically signed promissory notes under the ECASLA programs;
- Oversight of high-risk postsecondary institutions; and
- Audits, inspections, and investigations of selected entities participating in the student financial assistance programs.

### **3. Information Security and Management**

Our work in this area will focus on the Department's ability to provide effective information security and protect its critical data and the systems that house that data from inappropriate use and intrusion.

The E-Government Act (Public Law 107-347) Title III, Federal Information System Management Act (FISMA) requires the Inspectors General to independently evaluate and test the effectiveness of information security control techniques and to assess the Department's compliance. To meet the FISMA submission requirements, the OIG is required to evaluate a representative subset of systems used or operated by the Department, by a contractor of the Department, or other organizations on behalf of the Department. The OIG has played a critical role in recommending improvements and lessening the Department's financial and information technology challenges through continued audits of Information Technology (IT) governance, system development, and system security. The work plan for FY 2010 includes two large and complex system security controls audits. The results from those audits and some additional audit work will be combined in the annual FISMA report submitted to OMB. The system audits that we plan to conduct in FY 2010 are:

- System Security Controls Over Education Department Utility for Communications, Applications, and Technology Environment (EDUCATE); and
- System Security Controls over Education's Central Automated Processing System (EDCAPS).

### **4. Statutory and Other Required Work**

The OIG is required to perform specific reviews each year, as well as test the quality of non-Federal audits, and provide guidance to the audit community.

Below is a list of the required reviews we will conduct in FY 2010.

- Financial statement audits – Department and FSA;
- Implementation of Department conflict of interest procedures;
- Special purpose financial statements;
- Department intragovernmental activities and balances;
- Accounting for drug control funds;
- Expanded reporting and assistance requirements mandated by the *Higher Education Opportunity Act of 2008*;
- Quality reviews of single audits;
- Preparation and issuance of audit guidance for non-Federal auditors; and
- Technical assistance and cognizant agency activities for audit functions.