



U.S. Department of Education
Office of Inspector General

FY 2015 Annual Plan

December 2014

Office of Inspector General

Kathleen S. Tighe

Inspector General

December 2014

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Message From the Inspector General

I am pleased to provide the U.S. Department of Education (Department) Office of Inspector General (OIG) Annual Plan for fiscal year (FY) 2015. This Annual Plan presents the major initiatives and priorities this office intends to undertake to assist the Department in fulfilling its responsibilities to America's taxpayers and students.

The FY 2015 Annual Plan includes our FY 2015 Work Plan, which details the assignment areas and resources we plan to devote to evaluating the efficiency, effectiveness, and integrity of Department programs and operations. Our Work Plan incorporates suggestions from Department leaders and members of Congress.

The Department continues to face significant challenges in FY 2015 that impact its ability to effectively achieve its mission of promoting student achievement and preparing for global competitiveness by fostering educational excellence and ensuring equal access. In response, the focus of new work within the FY 2015 Annual Plan includes projects to assess high priority areas such as oversight and monitoring of grantees, contractors, elementary and secondary programs, and Federal student financial assistance programs; information technology security; data quality and reporting; effectiveness of Department internal operations; and emerging areas among the Department's programs.

This Annual Plan aligns the OIG's work and resources to achieve our mission, meet the goals of our Strategic Plan, and focus attention across challenge areas to the Department. To these ends, our planned and ongoing work involves Department programs and operations at all levels—Federal, State, and local.

First, in the area of Federal student financial assistance programs, effective oversight and monitoring of program participants are necessary to ensure funds are disbursed for only eligible students and to effectively manage the performance of the Federal student loan portfolio. Within this area, the OIG plans audit work that includes the Department's oversight of misrepresentation regulations, implementation of unusual enrollment history flags, and incentive compensation at postsecondary institutions.

Second, in the area of elementary, secondary, and special education, effective monitoring and oversight of grantees are essential for ensuring they establish requirements and achieve program goals and objectives. In response, the OIG plans to dedicate audit resources to issues involving state and local education agencies' use of schoolwide funds to achieve improvement in student education, Race to the Top Early Learning

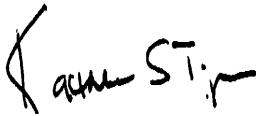
Challenge grants, and state education agency's controls over calculating and reporting graduation rates.

Third, in the area of business operations, the Department faces a changing environment in which it must efficiently provide services to growing numbers of program participants, while managing additional administrative requirements with declining staffing levels. Within this area, the OIG plans work relating to the adequacy of the Department's contract monitoring procedures, the effectiveness of the Department's contractor personnel security clearance processes, and the effectiveness of Federal Student Aid's enterprise risk management program.

Finally, we will continue to identify emerging risks and vulnerabilities throughout the agency's operations and Federal education programs, recommending corrective actions to ensure that Federal education funds are used for the purposes intended.

Although this Annual Plan provides a framework for activities we intend to carry out in FY 2015, the OIG is often required to perform unanticipated work based on legislative mandates, congressional or Departmental inquiries, or Governmentwide reviews. We must be flexible enough to address these other priorities as they arise.

We look forward to continuing to work with the Department and the Congress in meeting our goals and fulfilling our mission.

A handwritten signature in black ink, appearing to read "Kathleen S. Tighe". The signature is stylized and cursive.

Kathleen S. Tighe
Inspector General

Table of Contents

U.S. Department of Education Office of Inspector General FY 2015 Annual Plan	1
Mission Statement	1
Introduction	1
Strategic Plan	1
FY 2015 Management Challenges	2
FY 2015 Work Plan	3
Goal 1: Improve the Department’s ability to effectively and efficiently implement its programs to promote educational excellence and opportunity for all students	<u>3</u>
Goal 2: Strengthen the Department’s efforts to improve the delivery of student financial assistance	6
Goal 3: Protect the integrity of the Department’s programs and operations by detecting and preventing vulnerabilities to fraud, waste, and abuse	8
Goal 4: Contribute to improvements in Department business operations	10
Other Activities	13
Table 1. FY 2015 Work Plan and FY 2015 Management Challenges	15
Table 2. FY 2015 Performance Measures	19
Table 3. FY 2014 Performance Results	21
Appendix A. Abbreviations and Acronyms Used in This Report	23

U.S. Department of Education Office of Inspector General FY 2015 Annual Plan

Mission Statement

Our mission is to promote the efficiency, effectiveness, and integrity of the Department's programs and operations. To achieve this mission, we conduct audits and investigations and provide other assistance to help ensure integrity in the Department's operations and programs and identify opportunities for improvement.

Introduction

The U.S. Department of Education (Department), Office of Inspector General (OIG) Strategic Plan for fiscal year (FY) 2014 through FY 2018 sets forth our mission, vision, and goals for 5 years. Our mission is rooted in our statutory responsibilities under the Inspector General Act of 1978, as amended (IG Act). The IG Act established OIGs as independent and objective organizations within the Federal departments and agencies. The IG Act authorizes each OIG to:

- Conduct and supervise audits and investigations relating to its agency's programs and operations.
- Provide leadership, coordination, and recommend policies for activities designed to promote economy, effectiveness, and efficiency in the agency's programs and operations; and to prevent and detect fraud and abuse in the agency's programs and operations.
- Keep its agency head and Congress fully and currently informed of problems and deficiencies in the agency's programs and operations and on the status of corrective actions.

Strategic Plan

OIG's Strategic Plan for FY 2014–FY 2018¹ provides the roadmap by which we plan to accomplish our mission. To meet our mission, we have established the following goals:

- Goal 1:** Improve the Department's ability to effectively and efficiently implement its programs.
- Goal 2:** Strengthen the Department's efforts to improve the delivery of student financial assistance.
- Goal 3:** Protect the integrity of the Department's programs and operations.
- Goal 4:** Contribute to improvements in Department business operations.
- Goal 5:** Strive for a diverse and skilled workforce that is provided with the means and assistance necessary to achieve OIG's mission.

¹ The OIG Strategic Plan is available on our Web site at www2.ed.gov/about/offices/list/oig/reports.html.

FY 2015 Work Plan

The FY 2015 Work Plan for audit, investigation, and other activities is presented under each of the first four goals in the sections that follow. Table 1 correlates the FY 2015 Work Plan projects to the FY 2015 Management Challenges. In addition to the OIG goals and FY 2015 Management Challenges, we also assessed the work proposed in terms of the availability of the necessary resources to accomplish it.

Goal 1: Improve the Department’s ability to effectively and efficiently implement its programs to promote educational excellence and opportunity for all students.

Our audit work in the area of promoting educational excellence and opportunity for all students includes specific work pursuant to numerous Department programs impacting its mission to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. Our investigations focus on serious allegations of fraud and corruption involving these programs. Although our work related to the student financial assistance (SFA) programs would also contribute to this goal, planned work in SFA programs is provided under Goal 2. New priority work and continuing work for Goal 1 in FY 2015 includes the following.

New Priority Work

- **Review of State Education Agencies’ (SEA) and Local Education Agencies’ (LEA) Use of Schoolwide Funds to Achieve Improvement in Student Education**—Determine the extent to which selected LEAs effectively used opportunities to consolidate Federal, State, and local funds to improve services for low-achieving students through a schoolwide plan. We will also assess the extent to which SEAs encouraged this flexibility and appropriately removed accounting barriers in accordance with applicable guidance to facilitate the use of schoolwide funds to improve services.
- **Race to the Top Early Learning Challenge Grants**—Determine whether selected States accurately reported the progress of Race to the Top Early Learning Challenge performance to the Department, have the capacity to deliver what they included in their approved grant applications and sustain that capacity after the grant funds are expended, and have spent Race to the Top Early Learning Challenge grant funds on allowable purposes in accordance with applicable Federal requirements.
- **State Education Agencies’ Verification of Single Audit Finding Resolution**—Determine whether the Department has provided adequate oversight of SEAs to ensure LEA single audit findings are resolved in a

students from a charter school that closes is performed in accordance with Federal regulations and law, and (5) student information and records from closed charter schools are protected and maintained in accordance with Federal regulations and law.

- **Payback Provisions of Selected Grant Programs**—Continue our work to determine whether select Department payback programs effectively meet program objectives by training recipients who subsequently perform work related to the program and obtain repayment of the assistance received for recipients that do not fulfill work agreements.

We issued a report on payback provisions of the Rehabilitation Long-Term Training Program in April 2014 (A19M0004). Our ongoing work relates to the Personnel Development Program to Improve Services and Results for Children with Disabilities and is the second of two audits under this project.

- **Race to the Top Recipient Performance**—Continue our work to determine whether selected recipients accurately and completely reported grant performance data to the Department, ensured that it and each participating LEA will be able to deliver and sustain the results described in its grant application after all Federal funds have been expended, and spent grant funds only on allowable activities in accordance with program requirements and the approved application.

We issued a report on the Ohio Department of Education’s administration of its Race to the Top grant in September 2014 (A05N0009). Our ongoing work is related to the North Carolina Department of Education and the Tennessee Department of Education, which are the second and third of three audits under this project.

- **Impact of Elementary and Secondary Education Act Flexibility (ESEA) Waivers**—Continue to assess the Department’s monitoring efforts of SEAs’ compliance with approved ESEA flexibility requests and determine how the Department assessed the sufficiency and accuracy of information received from SEAs to validate implementation of the approved ESEA flexibility requests.
- **Compliance, Measurements, and Outcomes of the Vocational Rehabilitation State Grant Program**—Continue our work to determine whether the Department has adequate internal controls in place to provide reasonable assurance that the Rehabilitation Services Administration 911 data reported by State vocational rehabilitation agencies are accurate and complete; selected State vocational rehabilitation agencies have adequate internal controls to provide reasonable assurance that the reported Rehabilitation Services Administration 911 data are accurate and complete; and the Rehabilitation Services Administration 911 performance indicator data reported by the selected State vocational rehabilitation agencies are accurate, complete, and adequately supported.

Continuing Work

- **Review of Lifetime Pell Eligibility Limits**—Continue our work to determine whether the Department is properly administering the Pell lifetime limitation law, whether the information in the Common Origination and Disbursement System and the National Student Loan Data System can be relied on to ensure that students are not exceeding their “Lifetime Eligibility Used,” and whether FSA has controls in place to ensure that students who have met or exceeded the Pell Lifetime Eligibility Limit do not receive additional Pell grants.
- **Accrediting Agencies’ Evaluation of Direct Assessment Programs**—Continue our work to determine the adequacy of selected accrediting agencies’ evaluation of direct assessment programs and the methodology institutions use to determine the number of credit or clock hours to which the programs are equivalent. We will also determine whether selected accrediting agencies have adequate procedures to ensure postsecondary institutions’ compliance with the Federal definition of a credit hour.
- **FSA’s Oversight of Schools Participating in the Direct Loan Program**—Continue our work to determine how FSA ensures that schools participating in the Direct Loan program are properly administering the program and timely delivering program funds to eligible students.
- **Debt Management and Collection System (DMCS2) Implementation**—Continue our work to determine whether FSA’s plan for correcting DMCS2 system deficiencies provided for accountability. We will assess whether the plan included milestones to ensure timely completion of fixes for system deficiencies and options to hold its contractor accountable should it not have a fully functional system by the end of the contract.
- **Functionality of DMCS2**—Continue our work to determine whether FSA accurately assessed the operating status of the DMCS2 functions that it indicated to be fully or partially functioning, including workaround procedures, as of FSA’s plan for the DMCS2 implementation.
- **Department of Education’s Enforcement of the Incentive Compensation Ban**—Continue our work to determine whether FSA (1) sufficiently revised its penalty policies and practices so that the policies and procedures facilitated and did not hinder enforcement actions, (2) adapted and followed its methods to track monitoring activities related to incentive compensation and to detect incentive compensation ban violations, and (3) properly resolved incentive compensation ban findings.
- **SOLEX College’s Compliance with Selected Provisions of Title IV of the Higher Education Act of 1965**—Continue our work to determine whether SOLEX College disbursed Title IV aid to only eligible students in eligible programs.

- **Proprietary School Calculation of the 90/10 Rule**—Determine whether institutions are in compliance with the 90/10 Rule.

Continuing Work

- **SEA and Department Oversight of Agreements Between Charter Schools and Charter Management Organizations or Educational Management Organizations**—Continue to assess the current and emerging risk that charter school relationships with Charter Management Organizations pose to the Office of Elementary and Secondary Education, Office of Special Education and Rehabilitative Services, and Office of Innovation and Improvement program objectives and evaluate the effectiveness of those offices' internal controls to mitigate the risk.
- **Oversight and Monitoring of Online Charter Schools**—Continue our work to determine whether the Idaho State Department of Education and selected online charter schools had adequate governance and oversight to ensure that students received intended Title I services; students received intended Individuals with Disabilities Act services; and highly qualified teachers were hired in accordance with Title I, Part A and Individuals with Disabilities Act, Part B.
- **State/District Monitoring of School Turnaround Contractors**—Continue our work to determine the adequacy of State and district monitoring of school turnaround contractors.
- **Data Analytic Processes**—Continue to further develop intuitive and interactive data analytic and risk model systems to identify adverse trends and possible fraud, waste, and abuse in Department programs or operations. For example, we have established data analytic processes to detect electronic fraud activities such as student aid fraud rings and identity theft within the Federal student aid arena. Further, we have developed a tool that assesses overall risk for local school districts based on weighted scores.
- **Hotline Operations**—OIG's Hotline continues to provide a means for anyone suspecting fraud, waste, or abuse involving Department funds or programs to provide their concern to OIG. Complaints or concerns received through the Hotline are evaluated and may be referred for OIG investigation, audit, or other review, or may be referred to other offices or agencies as appropriate. The Hotline can be contacted through the OIG's Web site, telephone, or regular U.S. mail delivery.
- **Fraud Awareness Presentations**—Continue to conduct awareness presentations to entities or individuals that award, disburse, or receive Federal education dollars including Department employees, contractors, grant recipients, and school officials. The presentations highlight common fraud schemes and indicators, serving to educate individuals on specific vulnerabilities within the programs, contracts, and grants they oversee. The awareness presentations also enhance the OIG's ability to generate referrals, as well as the Department's overall ability to prevent and detect fraud.

agency head with recommendations, if any, for modifying the agency's methodology, promoting continued program access and participation, or maintaining adequate internal controls.

- **FY 2015 Federal Information Security Management Act Report**— Determine whether the Department's overall information technology security program and practices comply with the E-Government Act, Federal Information Security Management Act, and Office of Management and Budget guidance.
- **FY 2015 Department-wide Financial Statement Audit**—Provide oversight and monitoring of independent public accounting firm contracted to report as to whether the Department-wide basic financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles. Report material weaknesses and significant deficiencies in the Department's internal controls over financial reporting. Report on whether the Department has complied with applicable provisions of Federal laws, regulations, contracts, and grant agreements that could have a direct and material effect on the basic financial statements.
- **FY 2015 FSA Financial Statement Audit**—Provide oversight and monitoring of independent public accounting firm contracted to provide an opinion as to whether the FSA financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles. Report material weaknesses and significant deficiencies in FSA's internal control over financial reporting. Report on whether FSA has complied with applicable provisions of Federal laws, regulations, contracts, and grant agreements that could have a direct and material effect on the basic financial statements.
- **FY 2015 Closing Package Financial Statement Audit**—Provide oversight and monitoring of independent public accounting firm contracted to report on whether the closing package financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles.
- **Department's Purchase Card Program**—To perform a required risk assessment of the Department's purchase card program and if deemed necessary, perform an audit of Department's purchase card transactions in accordance with the requirements noted in the Government Charge Card Abuse Prevention Act of 2012.
- **Review of the Department's Accounting for Drug Control Funds and Related Performance**—In accordance with statutory requirements, express a conclusion about the reliability of the Department's management assertions related to the National Drug Control Program activities.
- **Oversight of Non-Federal Auditors**—Under the IG Act, the OIG is responsible for oversight of non-Federal auditors. To this end, the OIG develops and issues guidance and provides technical assistance to non-Federal auditors. The OIG also conducts quality reviews of single and

Other Activities

The IG Act also provides that the OIG is responsible for reviewing existing and proposed legislation and regulations related to the programs and operations of the Department. The OIG accomplishes this in several ways, as follows.

- Review and comment on draft legislation, regulations, comments to the Department on its proposed policies, procedures, and guidance, observe negotiated rulemaking sessions, and participate in an advisory capacity on Departmental policy groups.
- Review and comment on pending legislation or regulations of other agencies that impact the Department, its recipients, and/or entities participating in Department programs.
- Provide recommendations to Congress for consideration during the reauthorization process for Department programs.
- Review and provide comments to the Office of Management and Budget on proposed regulations, including participation on workgroups to draft and revise regulations.

The OIG also performs a number of other activities related to its obligation to keep Congress informed about any problems or deficiencies with the Department's administration of its programs and operations, including participation in cross-agency groups, as follows.

- Respond to congressional requests for information or analysis.
- Participate as a member of the Council of the Inspectors General on Integrity and Efficiency, including the committees for Audit, Investigation, and information technology. Also participate in interagency workgroups sponsored by the council, including the Federal Audit Executive Council, the Assistant Inspectors General for Investigations Committee, and the Council of Counsels to the Inspectors General.
- Participate as a member of the Recovery Accountability and Transparency Board and its committees.

Table 1. FY 2015 Work Plan and FY 2015 Management Challenges

This table includes both planned and ongoing projects presented in the FY 2015 Work Plan projects under the FY 2015 Management Challenges. Ongoing work is indicated with an asterisk.

Management Challenge	Related FY 2015 Work Plan Project
Improper Payments	<ul style="list-style-type: none"> • Annual Compliance Review of the Department’s Compliance with Improper Payment Reporting Requirements • Department’s Purchase Card Program • Review of Lifetime Pell Eligibility Limits*
Information Technology Security	<ul style="list-style-type: none"> • FY 2015 Federal Information Security Management Act Report • Protection of Student Data in State Longitudinal Data Systems
Oversight and Monitoring	<ul style="list-style-type: none"> • Review of SEA and LEA Use of Schoolwide Funds to Achieve Improvement in Student Education • Review of the Race to the Top Assessment Funding Awarded to Partnership for Assessment Readiness for College and Careers and the Smarter Balanced Assessment Consortium • Race to the Top Early Learning Challenge Grants • SEA Verification of Single Audit Finding Resolution • The Department’s Oversight of the Rural Education Achievement Program • Department’s Oversight of Misrepresentation Regulations • Implementation of Unusual Enrollment History Flags • The Effectiveness of FSA’s Enterprise Risk Management Program • FSA’s Program Review Quality Assurance Process • Incentive Compensation at Postsecondary Institutions • Evaluation of FSA’s Policies and Procedures for Oversight and Monitoring in the Contracting Process • Proprietary School Calculation of the 90/10 Rule • Review of Selected Department Principal Offices’ Contract Monitoring • Review of the Department’s Contractor Personnel Security Clearance Process • The Department’s and Selected States’ Oversight of Career and Technical Education Programs

Management Challenge	Related FY 2015 Work Plan Project
Data Quality and Reporting (continued)	<ul style="list-style-type: none"> • FY 2015 Closing Package Financial Statement Audit • Management Certifications of Data Reliability* • Compliance, Measurements, and Outcomes of the Vocational Rehabilitation State Grant Program*
Information Technology System Development and Implementation	<ul style="list-style-type: none"> • FSA's Oversight of the Development and Enhancement of Information Technology Products • Debt Management and Collection System Implementation* • Functionality of the Debt Management and Collection System*

Table 2. FY 2015 Performance Measures

Performance Measure	FY 2015 Target
1. Audits and investigations initiated each year focused on areas of high risk or significant importance.	AS/ITACCI (Audit) 85% IS/ITACCI (Inv) 80%
2. Recommendations accepted by the Department during the fiscal year.	90%
3. Audit initial results determined by the agreed-upon date.	80%
4. Audit field work completed and draft report submitted for review by the agreed-upon date.	75%
5. Draft and final audit reports issued by the agreed-upon date.	70%
6. Draft audit report issued within one year from entrance conference.	60%
7. Agreed-upon milestones for information technology audits met.	75%
8. Case closing Reports of Investigation submitted within 150 days of last reportable investigative action.	70%
9. Complaints of fraud, waste, and abuse evaluated and closed to a final disposition within 120 days.	75%
10. Closed investigations that resulted in a criminal, civil or administrative action, or monetary result.	IS 74% ITACCI 65%
11. Hotline controlled correspondence processed within the established deadlines.	95%
12. Requests for forensic or analytical assistance completed within established timeframes.	75%
13. Develop proactive analytical projects within projected timeframes as measured from start to completion dates.	85%
14. Computer-assisted assessment technology products delivered to the requestor within agreed-upon dates.	90%
15. OIG Data Analytics Systems are operational during normal work hours.	95%

Table 3. FY 2014 Performance Results

Performance Measure	FY 2014 Target	FY 2014 Actual
1. Audits, inspections, and investigations initiated each year focused on areas of high risk or significant importance.	AS/ITACCI (Audit) 85% IS/ITACCI (Inv) 80%	100% 87%
2. Recommendations accepted by the Department during the fiscal year.	90%	96%
3. Audit initial results determined by the agreed-upon date.	80%	100%
4. Audit field work completed and draft report submitted for review by the agreed-upon date.	75%	100%
5. Draft and final audit reports issued by the agreed-upon date.	70%	97%
6. Draft audit report issued within one year from entrance conference.	60%	86%
7. Agreed-upon milestones for inspections and information technology audits met.	75%	100%
8. Case closing Reports of Investigations submitted within 150 days of last reportable investigative action.	70%	77%
9. Complaints of fraud, waste, and abuse evaluated and closed with a final disposition within 90 days.	70%	78%
10. Closed investigations resulting in a criminal, civil, or administrative action, or monetary result.	IS 74% ITACCI 65%	79% 78%
11. Hotline controlled correspondence processed within the established deadlines.	95%	100%
12. Requests for forensic or analytical assistance completed within 75 days.	70%	83%

Appendix A. Abbreviations and Acronyms Used in This Report

AS	Audit Services
Department	U.S. Department of Education
DMCS2	Debt Management and Collection System 2
ESEA	Elementary and Secondary Education Act
FSA	Federal Student Aid
FY	Fiscal Year
IG Act	Inspector General Act of 1978, as Amended
IS	Investigation Services
ITACCI	Information Technology Audits and Computer Crime Investigations
LEA	Local Educational Agency
OIG	Office of Inspector General
SEA	State Educational Agency
SFA	Student Financial Assistance



Anyone knowing of fraud, waste, or abuse involving U.S. Department of Education funds or programs should contact the Office of Inspector General Hotline:

<http://www2.ed.gov/about/offices/list/oig/hotline.html>

We encourage you to use the automated complaint form on our Web site; however, you may call or write the Office of Inspector General.

Inspector General Hotline
U.S. Department of Education
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Your report may be made anonymously.

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