

Department of Education
OFFICE OF INSPECTOR GENERAL
Fiscal Year 2018 Budget Request

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OFFICE OF INSPECTOR GENERAL

For expenses necessary for the Office of Inspector General, as authorized by section 212 of the Department of Education Organization Act, \$61,143,000.

NOTE

A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P. L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

OFFICE OF INSPECTOR GENERAL

Amounts Available for Obligation
(dollars in thousands)

Appropriation and Adjustments	2016	2017 Annualized CR	2018
Discretionary appropriation:			
Appropriation	\$59,256	\$59,143	\$61,143
Total, appropriation	59,256	59,143	61,143
Unobligated balance expiring	-1,538	0	0
Total, direct obligations	57,718	59,143	61,143

OFFICE OF INSPECTOR GENERAL

Obligations by Object Classification

(dollars in thousands)

Object Class	2016	2017 Annualized CR	2018	Change from 2017 to 2018
11.10 Full-time permanent	\$25,513	\$28,443	\$28,803	\$360
11.31 Full-time temporary	255	121	123	2
11.32 Part-time	151	121	123	2
11.51 Overtime	1,889	0	0	0
11.52 Awards	<u>316</u>	<u>358</u>	<u>394</u>	<u>36</u>
Subtotal, Personnel Comp.	28,124	29,043	29,443	400
12.00 Benefits	10,652	11,249	11,386	137
13.00 Benefits for former personnel	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal, Per. Com. & Ben.	38,776	40,292	40,829	537
21.00 Travel	1,485	1,216	1,121	-95
22.00 Transportation of things	104	0	0	0
23.10 Rental payments to GSA	6,001	6,685	7,090	405
23.31 Communications	149	184	184	0
23.32 Postage/fees	<u>4</u>	<u>12</u>	<u>12</u>	<u>0</u>
Subtotal, 23	6,154	6,881	7,286	405
24.00 Printing and reproduction	2	1	1	0
25.10 Advisory and assistance services	778	752	752	0
25.21 Other services	1,951	2,069	3,136	1,067
25.22 Training/tuition contracts	258	426	436	10
25.30 Goods/services from Federal sources	1,399	1,409	1,451	42
25.40 Operations/maint of facilities	0	0	0	0
25.70 Operations/maint of equip.	7	3	3	0
25.72 IT services/contracts	<u>5,674</u>	<u>5,422</u>	<u>5,454</u>	<u>32</u>
Subtotal, 25	10,067	10,081	11,232	1,151
26.00 Supplies	118	108	109	1
31.10 IT equipment/software	762	518	519	1
31.30 Other equipment	135	24	24	0
Subtotal, 31	897	542	543	1
32.00 Building alterations	<u>115</u>	<u>22</u>	<u>22</u>	<u>0</u>
Total, Obligations	57,718	59,143	61,143	2,000

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Summary of Changes

(dollars in thousands)

2017 Annualized CR	\$59,143
2018	<u>61,143</u>
Net change.....	+2,000

	<u>2017 Annualized CR</u>	<u>Change from base</u>
Increases:		
<u>Built-in:</u>		
Increase in salaries and benefits due to the proposed 1.9 percent pay raise and increased FERS contribution rates.	\$40,292	+\$537
Increase in GSA rental payments due to anticipated rate increases and tax escalations.	6,685	+405
<u>Program:</u>		
Increase in central information technology, primarily for EDCAPS, the Department's core financial system, primarily associated with transition to a new contract, and security authorization.	4,776	+32
Net increase in central support non-pay charges.	1,470	+121
Increase in OIG's cost for the audit of the Department's financial statements.	1,050	+1,000
Net changes in other areas.	3,654	<u>0</u>
Subtotal, increases		+2,095
Decreases:		
<u>Program:</u>		
Travel	1,216	<u>-95</u>
Net change		+2,000

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Authorizing Legislation
(dollars in thousands)

Activity	2017 Authorized	2017 Annualized CR	2018 Authorized	2018 Request
Inspector General (<i>DEOA, Section 212</i>).....	<u>Indefinite</u>	<u>\$59,143</u>	<u>Indefinite</u>	<u>\$61,143</u>
Total definite authorization	0		0	
Total appropriation		59,143		61,143

OFFICE OF INSPECTOR GENERAL

Appropriations History
(dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2009	54,539	54,539 ¹	54,539 ¹	54,539
Recovery Act Supplemental (P.L. 111-5)	0	0	4,000	14,000
2010	60,053	60,053	60,053 ²	60,053
2011	65,238	60,053 ³	65,238 ²	59,933 ⁴
2012	67,187	59,933 ⁵	59,933 ⁵	59,820
2013	62,401	59,820 ⁶	59,820 ⁶	56,691
Transfer (P.L. 113-6)	0	0	0	1,100
2014	62,347	N/A ⁷	59,700 ²	57,791
2015	59,181	N/A ⁷	58,791 ⁸	57,791
2016	59,256	59,256 ⁹	57,791 ⁹	59,256
2017	61,941	59,256 ¹⁰	59,256 ¹⁰	59,256
2018	61,143			

¹ The levels for the House and Senate allowances reflect action on the regular annual 2009 appropriations bill, which proceeded in the 110th Congress only through the House Subcommittee and the Senate Committee.

² The level for the Senate allowance reflects Committee action only.

³ The level for the House allowance reflects the House-passed full-year continuing resolution.

⁴ The level for appropriation reflects the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).

⁵ The level for the House allowance reflects an introduced bill and the level for the Senate allowance reflects Senate Committee action only.

⁶ The level for the House and Senate allowances reflect action on the regular 2013 appropriations bill, which proceeded in the 112th Congress only through the House Subcommittee and the Senate Committee.

⁷ The House allowance is shown as N/A because there was no Subcommittee action.

⁸ The level for the Senate allowance reflects Senate Subcommittee action only.

⁹ The levels for House and Senate allowances reflect action on the regular annual 2016 appropriations bill, which proceeded in the 114th Congress only through the House Committee and Senate Committee.

¹⁰ The levels for the House and Senate allowances reflect Committee action on the regular 2017 appropriations bill; the Appropriation reflects the Consolidated Appropriations Act, 2017.

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Office of Inspector General

(Department of Education Organization Act, Section 211)

(dollars in thousands)

FY 2018 Authorization: Indefinite

Budget Authority:

	<u>2017</u> <u>Annualized CR</u>	<u>2017</u> <u>Appropriation</u>	<u>2018</u>	Change from 2017 <u>Annualized CR</u>
Personnel compensation and benefits	\$40,292	---	\$40,829	+\$537
Non-Personnel costs	<u>18,851</u>	<u>---</u>	<u>20,314</u>	<u>+1,463</u>
Total	59,143	59,256	61,143	+2,000
FTE	237	237	237	0

PROGRAM DESCRIPTION

The Office of Inspector General's (OIG) mission is to promote efficiency, effectiveness, and integrity in the Department of Education's programs and operations through independent and objective audits, investigations, inspections and other activities. The role of OIG is to monitor the Department's performance and report to the Congress and to the Secretary on opportunities for improvement and any problems or deficiencies.

OIG has authority to inquire about all program and administrative activities of the Department and related activities of all parties working under contracts, grants, or other arrangements with the Department. OIG staff and contracted auditors both in headquarters and the regional offices make these inquiries.

To carry out its responsibilities, OIG audits and inspects Department programs and operations to determine compliance with applicable laws and regulations, economy and efficiency of operations, and effectiveness in achieving program goals. The Office also investigates allegations of fraud by recipients of program funds and of employee misconduct involving the Department's programs and operations.

In addition, OIG operates a hotline website in five languages (<https://oighotline.ed.gov>) and monitors a hotline phone number (1-800-MISUSED) where anyone may report fraud, waste, or abuse involving Department of Education funds or programs or to make suggestions for saving Federal funds and for ways Federal education services could be more effective. Each month the hotline has approximately 400 telephone contacts and approximately 300 complaints. Since the middle of FY16, the OIG hotline has had to evaluate over 100 additional complaints per month that were received as suspicious activity reports through Federal Student Aid's Feedback system.

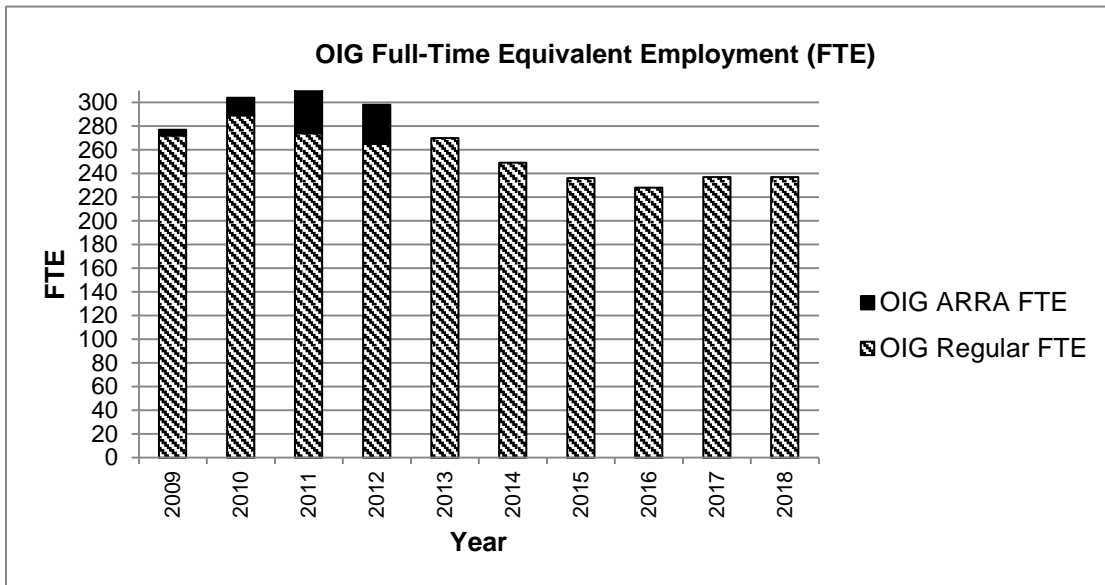
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Funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2013.....	56,691
2014.....	57,791
2015.....	57,791
2016.....	59,256
2017.....	59,256

FY 2018 BUDGET REQUEST

For fiscal year (FY) 2018, the Administration requests \$61.1 million and 237 full time equivalents (FTE) for the Office of Inspector General, an increase of \$2.0 million over the 2017 annualized Continuing Resolution level of \$59.1 million. The Department of Education Appropriations Act, 2017 provided \$59.3 million for this program. The \$2 million increase is necessary to maintain the 2017 FTE level of 237, to cover the expected increased cost of the OIG financial statement audit contract, and to pay for the increased cost of centralized support. A 10-year history of the OIG’s staffing is shown in the following chart:



Sixty-seven percent of the requested amount, or \$40.8 million, is for personnel compensation and benefits to support the requested staffing level of 237 FTE. The remaining \$20.3 million is for non-personnel costs, of which \$13.5 million, or 22 percent of the total OIG request, is for administrative and overhead services, such as rent, telecommunications, payroll processing, information technology (IT), and various service contracts. The remainder of the non-personnel request, \$6.8 million, or 11 percent, is for non-personnel costs that directly support the OIG’s mission, such as travel, training, and the financial statement audit contract. The \$6.8 million

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also includes a payment of \$122,116 to help fund the Council of the Inspectors General on Integrity and Efficiency (CIGIE), in accordance with 5 U.S.C. app 3 § 11(c)(3)(A).

The scope of OIG planned work in FY 2018 will cover multiple, diverse, and evolving programs. The OIG's limited resources will be significantly stretched in order to conduct work that focuses on high-risk programs and operations, while also meeting statutory obligations. For example, audits of Federal student assistance programs, which involve over \$1 trillion of taxpayer dollars, are a high priority. The OIG will focus on issues such as the administration of loan forgiveness programs, management of the student loan portfolio, schools accountability, system implementation, and controls over higher education data.

The OIG anticipates conducting reviews of FSA's oversight of the Public Service Loan and Teacher Loan Forgiveness Programs, Income-Driven Repayment plans, and contractors operating FSA computer systems. The OIG also plans to look at issues concerning FSA's oversight of program participants, schools, and servicers.

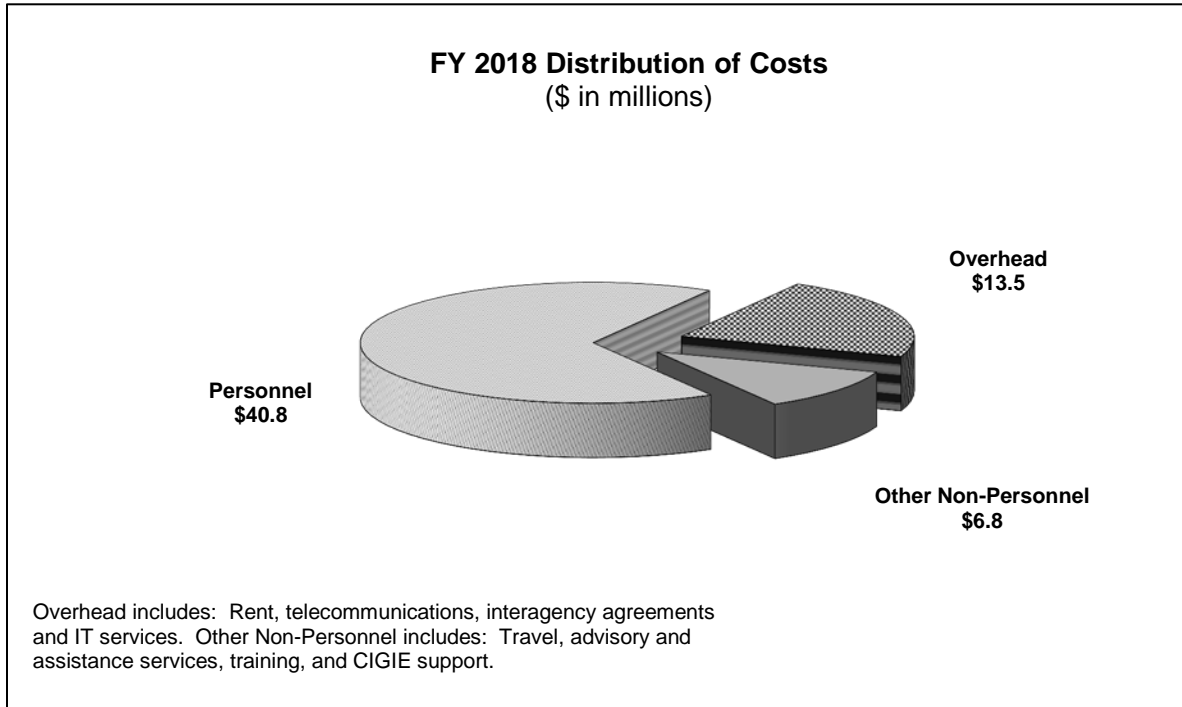
For State and local education programs, the OIG will focus resources on areas related to the implementation of the Every Student Succeeds Act (ESSA), programs subject to reauthorization such as the individuals with Disabilities Education Act (IDEA), school choice, technical assistance grants and contracts, and high-risk grantees. The OIG further plans to evaluate the Department of Education's business operations in areas such as Human Resources, the implementation of the Federal Information Technology Acquisition Reform Act (FITARA), and the establishment of an Enterprise Risk Management framework as required by OMB Circular A-123.

The OIG also must devote significant resources to mandated work, including annual audits of the Department, FSA, and Special Purpose financial statements, and annual audits and other reviews under the Federal Information Security Modernization Act of 2014 (FISMA), the Improper Payments Elimination and Recovery Act, and the Digital Accountability and Transparency Act (DATA Act). The OIG will continue to assess and report the Department's efforts to identify, address, and mitigate improper payments and provide oversight of work performed by non-Federal auditors, including single audits and proprietary school compliance and financial statement audits of the recipients of Department funds. Further, the OIG will continue to work with the Department and the Office of Management and Budget (OMB) as they update the Single Audit Compliance Supplement to address risk and statutory changes. The OIG will also continue to work with OMB and the audit community to evaluate and improve the quality of single audits including providing training to non-Federal auditors.

On the investigative side, the OIG must devote considerable resources to combat an increase in the number of fraud and corruption cases involving charter schools and local school districts. A large number of these complex and resource-intensive investigations involve subjects who are geographically dispersed, which results in greater travel costs for OIG investigators. OIG also will continue to work a significant number of cases involving fraud in post-secondary distance education programs, despite the fact that the OIG issued a report recommending that the Department implement program improvements to reduce this fraud. The distance education fraud investigations represent, on average, 31 percent of the cases opened by OIG since FY 2012.

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The OIG faces significant challenges to performing the work necessary to assess the Department's compliance with multiple statutory requirements and to prevent and detect waste, fraud, and abuse. The OIG will continue to focus resources on high-risk areas and work that will result in improved oversight by the Department of its programs and operations. Over the past 5 years, the OIG identified for recovery, in terms of questioned and unsupported costs, fines and restitutions ordered, recoveries, civil settlements/judgments, forfeitures/seizures, and estimated savings, over two dollars for each dollar it spent.



In accordance with the Inspector General Act, 5 U.S.C. app 3 § 6, the Inspector General has certified that the amount of \$607,000 requested for required training of our staff, including amounts designated for the statutorily required training provided by the Federal Law Enforcement Training Center (FLETC), the Inspector General Criminal Investigator Academy (IGCIA), and in the Department's centralized services, would satisfy all the OIG's FY 2018 training requirements.

In FY 2018, the OIG will continue to operate from various locations throughout the country. Approximately 67 percent of the OIG's staff will be assigned to 16 regional and field office locations in New York, Boston, San Juan (Puerto Rico), Philadelphia, Atlanta, Chicago, Ann Arbor, Nashville, Dallas, Denver, Kansas City, Sacramento, Long Beach, Pittsburgh, Phoenix, and Pembroke Pines. The remaining 33 percent will be located in the Washington, D.C., headquarters office.

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FY 2018 Priorities and Goals

The OIG's strategic goals are the following:

- 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 the Department's business operations.
- Goal 5: Strive for a diverse and skilled workforce that is provided with the means necessary to achieve OIG's mission.

The OIG will meet these goals through audits, investigations, human capital planning, and other activities. These activities will identify problems, deficiencies, or opportunities for improvement and will communicate the results to the people who need the information and who will monitor the results of the work to ensure issues are addressed.

Personnel Compensation and Benefits (PC&B) Costs

The FY 2018 budget request of \$40.8 million for personnel compensation and benefits is an increase of \$537,000 from the 2017 annualized CR level. The increase covers a proposed 1.9 percent Governmentwide pay raise for 2018, as well as increased benefits costs.

The request also covers law enforcement availability pay (required by 5 U.S.C. § 5545) paid to investigators who are required to be available during hours that are not part of the regular work week. For the budget request, law enforcement availability pay is included in the regular personnel compensation amount.

Since 2013, the OIG FTE level dropped from 270 to 237, making it increasingly difficult to provide adequate audit and investigative coverage. For historical context, prior to FY 2014, the OIG had less than 270 FTE only four times and never had less than 262 FTE. Since 2014, the OIG has not exceeded 249 FTE. The FY 2018 request holds OIG at the reduced level of 237 FTE to support audit and investigation activities, as well as IT audits and computer crime investigations (cyber security) for all Department programs. This limited staff level is responsible for providing oversight of the Department, which administers over 100 programs that involve 55 state and territorial educational agencies, nearly 18,200 school districts, 132,000 schools, over 6,000 institutions of higher education, and numerous other grantees and subgrantees. In addition, the Department has an annual discretionary budget of approximately \$69 billion and manages an outstanding loan portfolio of \$1.3 trillion.

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Audit Priorities

In FY 2018, the OIG will focus its audit efforts on Federal student assistance programs and State and local programs, as well as high priority departmental operations. Specifically, audit coverage will include the following high risk areas:

Student Financial Assistance Programs

- **William D. Ford Federal Direct Loan Program**

As the Direct Loan portfolio continues to increase every year, so does the risk and costs to provide the credit and manage and service the loan portfolio. Audits may assess the Department's oversight of Income-Driven Repayment plans, student loan forgiveness programs, and the servicing and collection of delinquent and defaulted loans.

- **Higher Education Data**

Federal Student Aid operates the College Scorecard that is intended to make it easier for students to search for a college that is a good fit for them. The Scorecard includes five key pieces of data about a college: costs, graduation rates, loan default rates, average amount borrowed, and employment. Audits may assess controls intended to ensure the accuracy of data to be relied upon by students and parents.

- **Contractors**

FSA relies on contractors to operate its computer systems and perform many of the functions necessary to process, award, service, and account for student aid. The OIG has consistently identified problems with FSA's contract oversight. In 2018, the OIG work on FSA's contractor oversight will concentrate on FSA's ability to effectively oversee IT development and security and compliance with contractual requirements.

- **School Compliance Issues:**

- **Postsecondary Institutions**—The OIG plans to continue to conduct audits of proprietary schools. The need for profit growth by these schools is often counter to the purposes of the Federal student financial assistance programs which could harm students and lead to the misuse of Federal funds. The OIG also plans to review not-for-profit and public schools
- **Issues Concerning Title IV and the Delivery of Education**—In addition to traditional semester, trimester, and quarter programs, institutions use modules and non-standard terms. There are two modes of education delivery—on ground and distance education. The progress of the student in an educational program can be measured in credit hours earned or through competency-based programs (including direct assessment). The diversity of education delivery complicates the Title IV programs. The areas that the OIG plans to audit include student eligibility, institutional eligibility, disbursement of Title IV financial aid, and adequacy of accreditation reviews.

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- **Oversight and Monitoring of Student Financial Assistance Program Participants—** The OIG's audits of FSA's oversight of program participants, schools, lenders, and servicers have consistently identified weaknesses. The OIG plans to conduct follow-up audits on past work or audits of emerging areas.

State and Local Programs

- **ESSA—**ESSA reauthorized the Elementary and Secondary Education Act. ESSA was a departure from its predecessor, as it provides States with significant flexibility in a wide range of areas while lessening the Department's role in testing, standard, and school turnaround. Effective dates are October 1, 2016, for competitive grants, and July 1, 2017 for changes to formula grant programs. States are still developing their accountability plans, which should be submitted for Department by September 2017. The Department must establish a process for peer review of the state plans and develop oversight processes to assure the plans are being followed.
- **IDEA—**IDEA ensures services to children with disabilities and governs how states and public agencies provide early intervention, special education and related services. IDEA is scheduled for reauthorization and the OIG will need to review the implementation of statutory changes.
- **Compliance Requirements and Monitoring at State Educational Agencies (SEAs) and Local Educational Agencies (LEAs)—**Each State and local program comes with its own set of compliance requirements that takes time and resources to administer. SEAs and LEAs must conduct sub-recipient monitoring for each program; however, States may lack sufficient resources for monitoring or designing an effective monitoring program. Prior audits have identified numerous instances of noncompliance and deficiencies; therefore, the OIG plans to review selected SEAs and LEAs for compliance and general administrative capability.

Departmental Operations

- **Discretionary Grants—**The Department awards a significant number of discretionary grants through its program offices. Effective monitoring and oversight are essential for ensuring that grantees meet grant requirements and achieve program goals and objectives. The OIG plans to continue to review processes and controls in place over competitions and grant funds and determine whether the Department's monitoring of grants is sufficient to ensure that grantees are performing the work as stated in their grant agreements.
- **FITARA—**The Department contracts for many Information Technology (IT) systems that are critical to its operations. These services include systems development, operation, and maintenance; loan servicing and debt collection; technical assistance for grantees; administrative and logistical support; and education research and program evaluations. Responsibility for procurement and oversight and monitoring of IT systems and contractor performance at the Department has been shared by the Office of the Chief Information Officer (OCIO), and the Department's Contracts and Acquisition Management, a component of the Office of the Chief Financial Officer. The FSA program office has delegated authority

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for its own procurement function as a Performance Based Organization (PBO). OMB Management and Oversight of Federal Information Technology memorandum (M-15-14) to agency heads of executive departments requires each agency to conduct a self-assessment that identifies current conformity or gaps with the Common Baseline outlined in the memorandum. The Common Baseline establishes the roles, responsibilities, and authorities of the Chief Information Officer and applicable senior agency officials in managing IT as a strategic resource. The OIG plans to review the Department's implementation of FITARA.

- **Business Operations**—The OIG plans to devote resources to reviews that impact the Department's business operations. This includes planned work to assess selected aspects of the Department's Human Resources functions, implementation of potential reorganizations, and required assessments of the Department's purchase card and travel card programs.

Investigation Priorities

At the requested staffing level, the OIG will conduct investigations of institutions (lenders, guaranty agencies, servicers, collection agencies, and schools) that participate in the Title IV student financial assistance programs. In addition, the OIG will continue to investigate allegations of corruption and fraud in State agencies and local school districts, including charter schools, and other ESSA-funded programs. OIG will also continue to investigate only the most significant fraud rings targeting Title IV through distance education.

Investigations of State and local programs are on the rise due in part to an increased ability to identify fraud and reporting by State and local officials resulting from OIG outreach efforts. For example, the OIG continues to investigate providers of Supplemental Educational Services (SES) despite significant changes in the program. Fraud by SES providers involves falsified student rosters and fictitious billing for student tutoring services, which often go undetected due to weak internal controls and in some cases, corrupt public officials. Based on current investigative activity and reporting, the OIG anticipates an increase in the number of investigations involving another non-school-hours program, 21st Century Community Learning Centers. Although this program may not continue to be funded by the Congress, funds have already been disbursed.

Another area of concern requiring further investigation is related to total and permanent discharges of federal student loans. Due to information uncovered during a recent, successful case involving disability discharges, coupled with a rapid increase in discharges and apparent weaknesses in the program, we anticipated that there is significant fraud in this program. However, due to reduced staffing, OIG will be limited in how aggressively it can proactively address this area.

Investigation Services established a nationwide initiative of stakeholder outreach and fraud awareness training, which is in the final year of a 3-year cycle. The OIG's mission is to promote the efficiency, effectiveness, and integrity of the Department's programs and operations. To achieve this mission, Investigation Services conducts investigations and provides other assistance, including outreach and fraud awareness training, to help ensure integrity in the Department's operations and programs and identify opportunities for improvement.

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Investigation Services staff provides outreach to increase awareness of the role of the OIG and educate both Department employees and external customers on how to recognize fraud, waste, and abuse, and the mechanisms available for reporting concerns. The experience and expertise of the Special Agents who provide these outreach activities is critical to the successful achievement of the OIG's mission. However, the OIG's outreach efforts are being reduced in this area to ensure sufficient funds are available for essential investigative travel, and it is developing an updated external outreach plan to maximize our efforts with limited resources.

The OIG strives to investigate matters with the highest priority (established by the OIG investigative priority matrix) that would have the most significant impact on the Department's programs and operations. OIG investigations are often based on complex regulatory schemes, involve persons and entities that are geographically dispersed, and can take several years to fully develop and resolve but can result in significant recoveries for the Federal government.

In FY 2018, the OIG anticipates focusing on the following areas:

- **Postsecondary Institutions**—The OIG will continue to devote significant resources to conducting criminal and civil investigations of postsecondary schools (i.e., for-profit, public, and private nonprofit institutions), as well as other entities that participate in these programs. Federal student aid programs represent the largest concentration of education program dollars at risk. While these investigations are complex and manpower intensive and may take years to bring to final resolution, they can result in significant return on investment, as was demonstrated in a \$95.5 million civil settlement in November 2015. In FY 2016, our postsecondary investigations resulted in the recovery of approximately \$136.9 million, more than double the OIG's budget for the fiscal year. These investigations currently represent approximately 22 percent of OIG's investigative inventory.
- **Charter Schools**—The OIG will continue to conduct criminal investigations of fraud in charter schools. From FY 2012 through FY 2016, the OIG completed 48 charter school investigations which resulted in 32 indictments, 21 convictions, and the recovery of over \$10.2 million.
- **State and Local School Corruption**—The OIG will continue to focus significant resources on allegations of bribery and theft involving State and local public school officials. From FY 2012 to FY 2016, the OIG investigated 72 cases involving State and Local Educational Agencies (SEAs and LEAs). To date, these investigations have resulted in 84 indictments and 92 convictions securing more than \$27.3 million in restitution, fines, and civil recoveries.
- **Distance Education Fraud**—The OIG will continue to conduct criminal investigations involving fraud resulting from the vulnerabilities associated with the delivery of distance education; however, due to limited investigative resources, the OIG will generally focus on only cases involving a significant financial loss. Currently these investigations represent about 27 percent of all OIG cases. The OIG will continue to refer other matters to the Department so that future disbursements can be stopped. Since FY 2012, investigations in this area resulted in 325 indictments, 289 convictions, and recoveries of approximately \$16.6 million, and the OIG referred to the Department distance education matters not investigated by OIG totaling an additional \$6.7 million in potential fraud.

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- **Disability Discharges**—In FY 2016, the Department discharged approximately \$3.7 billion in student loans due to total and permanent disability. This figure has increased steadily from \$2.3 billion since FY 2013. Based on recent investigative activity, the OIG believes there is significant fraud in this area, and the OIG has initiated a proactive investigative project to identify it. OIG anticipates it will have a significant number of investigations in this area in FY 2018 but may be limited in the resources it can dedicate to these investigations.
- **Whistleblower and Retaliation Investigations**—The OIG will continue to conduct administrative investigations of whistleblower reprisal complaints, as well as evaluating the underlying allegation to determine if criminal or civil investigations are warranted. OIG believes the number of whistleblower retaliation investigations may increase due to legislative changes that now incorporate sub-grantees.

IT Audits and Cybercrime Priorities

The OIG requested staffing level includes staff with expertise necessary to conduct audits of the Department's IT systems and operations, investigate cybercrime, and provide technical support for investigative activities, including digital forensics and data analytics.

The OIG data analytics efforts will focus on the detection of illegal electronic financial transactions, including unauthorized payment requests, ineligible program participants, and program abuse and fraud. This data analytics activity requires the OIG to continue to maintain its data risk assessment systems: E-Fraud Student Fraud Ring System, SEA and LEA Ranking Model, and Purchase Card Risk Model. These systems allow the OIG staff to discern patterns indicating fraud, waste, and abuse and allow dynamic audit and investigative planning using risk-based analysis. The OIG will also conduct data analytics projects to proactively identify criminal activity impacting the Department's programs.

The OIG cybercrime investigations include the investigation of intrusions into the Department's systems and criminal misuse of the Department's systems and electronic data. These investigations also include the investigations of intrusions into higher education computer systems used to administer student financial aid. While conducting these investigations, the OIG will identify systemic IT security problems as new threats emerge.

The OIG IT audit efforts will include assessing the effectiveness of the Department's information security program as mandated by the Federal Information Security Modernization Act (FISMA). As part of that review, the OIG will also continue to evaluate the effectiveness of general and technical IT security controls of the Department's mission-critical and support systems and the Department's overall information security plans, programs, and practices.

Non-Personnel Costs

The OIG request includes \$20.3 million for non-personnel costs, an increase of \$1.5 million from the 2017 annualized CR level. Of the total, \$13.5 million is for departmental centralized services (overhead expenses), including the Department's IT infrastructure and support contracts (Department IT contracts), and \$6.8 million is for other non-personnel operational costs.

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Departmental Centralized Services

The OIG request of \$13.5 million for overhead is an increase of \$0.6 million over the 2017 annualized CR level and \$2.2 million over the 2016 level. The major items included in overhead costs are: rent, interagency agreements for services such as payroll processing, guard services, background security investigations, communications, and IT services and contracts. The communications and IT amounts will be used primarily for the Department IT contracts, which cover IT equipment, telecommunications, IT processing services, network support, end-user support, maintenance, and improvements. The increased costs over the last two years are associated primarily with rent, IT security and the recompetition of the Department's IT contract. Rent and the Department IT contract use approximately 88 percent of the centralized services resources.

Centralized Services (dollars in thousands)

Item	2017 Annualized CR Level	2018 Request	Difference
Rent	\$6,685	\$7,090	+\$405
IT and telecommunications services and contracts	4,801	4,834	+33
Interagency agreements	881	923	+42
Other	564	642	+78
Non-Pay Centralized Services	\$12,931	\$13,489	+\$558

Other Non-Personnel Costs

Travel

The OIG requests \$1.1 million in travel funds, \$95,000 below the 2017 annualized CR level. The requested amount for FY 2018 covers travel expenses for the requested staff of auditors, investigators, and other specialists and is necessary to perform the OIG audit and investigative mission.

Most OIG work involves travel to SEAs, LEAs, schools, other grantees, loan servicers, contractors, and other recipients of Federal education funds, to conduct audits and investigations, interview witnesses and subjects, and gather evidence. Many of these entities and people are not located in the cities where the OIG has staff, thus necessitating travel.

Advisory and Assistance Services

The OIG is requesting \$752,000, no change from the 2017 annualized CR level, to contract for audit services that support mandated OIG FISMA work. The requested funding level would provide contractor support to expand the coverage needed for IT security reviews of systems;

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audits of the Department's IT contract; reviews of systems development life cycles, enterprise architecture, and IT project management; and computer forensic analysis.

Other Services

The OIG is requesting \$2.6 million, an increase of \$1 million from the 2017 annualized CR level, to contract with an independent certified public accounting firm to audit the Departmentwide financial statements. In 2018, the contract for the financial statement audits will be recompleted and awarded. A significant increase in the contract costs is anticipated since the last award 5 years ago. In accordance with the IG Act and the CFO Act, the OIG will oversee the financial statement audits. The audits will result in reports on the Departmentwide financial statements, FSA's financial statements, and the Closing Package. Audits will examine and analyze account balances, review applicable financial systems, and evaluate internal controls and compliance with significant laws, regulations, contracts, and grant agreements. Audit results will assess the fair presentation of the financial statements, make recommendations for improving financial management, accountability and stewardship, and identify areas requiring further review by management.

The OIG is requesting \$432,000 for car leases, no change from the 2017 annualized CR level.

Training

The OIG is requesting a total of \$607,000, an increase of \$10,000 from the 2017 annualized CR level for the training of auditors, investigators, and business operations staff. The training request is divided among three separate sections in the 2018 Budget Request—Other Non-Personnel Costs, Departmental Centralized Services, and Interagency Agreements. Under the other non-personnel section, the OIG is requesting \$319,000 for OIG-specific staff training, no change from the 2017 annualized CR level. Also, within the departmental centralized services section, the OIG requests \$117,000 in support of Department training operations, which reflects an increase of \$10,000 from the 2017 annualized CR level. In addition, within the interagency agreements section, the OIG requests \$171,000, no change from the 2017 annualized CR level, to cover Federal Law Enforcement Training Center (FLETC) and Inspector General Criminal Investigator Academy (IGCIA) costs for the OIG investigations staff.

Training funds are needed to provide professional and statutorily mandated training for the OIG's auditors and investigators. As required by the Government Accountability Office, auditors performing work under generally accepted Government auditing standards must maintain professional competencies through continuing professional education (CPE) by completing, every 2 years, 80 hours of governmental auditing training with at least 20 hours of CPE in each 2-year period. The OIG's criminal investigators must also complete periodic statutory and Attorney General-mandated law enforcement training requirements to maintain their statutory law enforcement authorities. The OIG maintains a staff of accredited trainers to deliver firearms and other mandated training to the OIG investigators, and the trainers require specific refresher courses to maintain their accreditation. In addition, the requested amount will cover the costs of review courses and examinations to obtain professional certifications, such as Certified Public Accountant and Certified Information Systems Auditor; send the OIG investigators to

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FLETC/IGCIA; and obtain advanced IT skills to address ever increasing computer requirements and processes, as well as combat new threats and weaknesses.

To control the costs associated with mandatory training requirements, the OIG plans to continue to use such technologies as WebEx, video conferencing, and web-enabled training courses to accomplish continuing education requirements, as well as using qualified OIG staff to deliver required training while attending only essential/critical vendor-offered courses. The OIG will also continue to minimize training costs by having staff attend CIGIE-supported or OIG community-sponsored training events.

Interagency Agreements

The OIG request includes \$122,116 in FY 2018 to cover the OIG's funding support for the Council of the Inspectors General on Integrity and Efficiency (CIGIE). This contribution is 0.2 percent of the OIG 2018 designated funding level based on a total budget request of \$61.1 million, including the CIGIE amount. Other interagency agreements covering a variety of services provided by other Federal agencies, such as FLETC/IGCIA training, mandated biannual physicals for investigators, and the use of firearms ranges, total \$406,000, an increase of \$63,000 from the 2017 annualized CR level.

Equipment Operations/Maintenance

For FY 2018, the OIG requests \$2,900, no change from the 2017 annualized CR level, for maintenance of copiers.

IT Services/Contracts

For FY 2018, the OIG requests \$646,000, no change from the 2017 annualized CR level, for contracts for system support and expertise. This request includes programmer services and maintenance for various OIG systems and applications, and services and support for IT security operations, computer forensics, and data analytics experts. None of these costs are covered by centralized IT funding.

IT Equipment/Software

The OIG requests \$493,000, no change from the 2017 annualized CR level, to support non-centralized IT software maintenance agreements, software license renewals, and equipment purchases.

Building Alterations

The OIG's request includes \$22,000, no change from the 2017 annualized CR level, in non-centralized building alterations costs. This amount will provide funding for miscellaneous facilities projects, such as space reconfigurations, furniture repair and/or replacement, and other costs associated with maintaining the work environment.

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PROGRAM PERFORMANCE INFORMATION

Specific results from audits and investigations are summarized twice yearly in the OIG Semiannual Report to Congress. All OIG reports are available on OIG’s website, <http://www2.ed.gov/about/offices/list/oig/reports.html>.

Performance Measures:

In 2014, OIG developed its “Five-Year Strategic Plan” covering fiscal years 2014-2018. The Plan established the strategic goals and strategies shown below.

Goals: (1) improve the Department’s ability to effectively and efficiently implement its programs; (2) strengthen the Department’s efforts to improve the delivery of student financial assistance; (3) protect the integrity of the Department’s programs and operations; (4) contribute to improvements in the Department’s business operations; and (5) strive for a diverse and skilled workforce that is provided with the means necessary to achieve OIG’s mission.

Strategies: (a) provide value-added audit, investigative, and other services; (b) allocate resources based on risk assessments; (c) use proactive analytical tools; (d) conduct effective outreach; (e) cultivate workforce excellence; (f) provide necessary resources; and (g) promote an inclusive workplace environment.

Performance measures are reviewed annually and revised as necessary. Several key performance measures from the Budget Service Program Performance Report are shown below.

Measure: Audits initiated each year in accordance with policy and focused on areas of high risk or significant importance.

Year	Target Percent	Actual Percent
2014	85%	100%
2015	85	100
2016	85	100
2017	85	
2018	85	

Measure: Investigations initiated each year in accordance with policy and focused on areas of high risk or significant importance.

Year	Target Percent	Actual Percent
2014	80%	87%
2015	80	93
2016	80	90
2017	80	
2018	80	

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Measure: Recommendations in reports issued during the fiscal year were accepted by the Department.

Year	Target Percent	Actual Percent
2014	90%	96%
2015	90	99
2016	90	99
2017	90	
2018	90	

Measure: Draft and final audit reports issued in accordance with policy, including applicable standards, and by the agreed-upon date.

Year	Target Percent	Actual Percent
2014	70%	97%
2015	70	97
2016	70	95
2017	70	
2018	70	

Measure: Complaints of fraud, waste, and abuse were processed for case initiation (investigation) or complaint closed to a final disposition in accordance with policy, including applicable standards, within 120 days.

Year	Target Percent	Actual Percent
2014	70%	78%
2015	75	80
2016	75	79
2017	75	
2018	75	

Additional information: This metric changed from 90 to 120 days starting in FY 2015.

Measure: Closed investigations (all investigations) that resulted in a criminal, civil or administrative action, or monetary result.

Year	Target Percent	Actual Percent
2014	74%	79%

Additional information: This metric was split into Investigation Services investigations and Information Technology Audits and Computer Crime Investigations (ITACCI) investigations starting in FY 2015.

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Measure: Investigations closed by Investigations Services that resulted in a criminal, civil or administrative action, or monetary result.

Year	Target Percent	Actual Percent
2015	74%	80%
2016	74	82
2017	74	
2018	74	

Additional information: This metric started in FY 2015.

Measure: Investigations closed by ITACCI that resulted in a criminal, civil or administrative action, or monetary result.

Year	Target Percent	Actual Percent
2015	65%	56%
2016	65	75
2017	65	
2018	65	

Additional information: This metric started in FY 2015.

Measure: Information technology audits were accepted by management by the agreed upon date.

Year	Target Percent	Actual Percent
2014	75%	100%
2015	75	100
2016	75	100
2017	75	
2018	75	

Measure: Substantive comments provided by OIG resulted in changes in legislation, regulations, or other policies.

Year	Target Percent	Actual Percent
2014	70%	83%
2015	70	70
2016	70	85
2017	70	
2018	70	

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Measure: Freedom of Information Act responses are provided in accordance with statutory requirements and delivered to requestors within required deadlines.

Year	Target	Actual
2014	95%	87%
2015	95	90
2016	90	91
2017	90	
2018	90	

Measure: Hotline controlled correspondence processed in accordance with policy and within the established deadlines.

Year	Target Percent	Actual Percent
2014	95%	100%
2015	95	100
2016	95	100
2017	95	
2018	95	