

**Department of Education**  
**OFFICE OF INSPECTOR GENERAL**  
**Fiscal Year 2019 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, \$63,418,000, of which \$2,000,000 is available until expended.

### NOTE

A full-year 2018 appropriation for this account was not enacted at the time the fiscal year 2019 Budget was prepared; therefore, the Budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P. L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

**OFFICE OF INSPECTOR GENERAL**

**Amounts Available for Obligation**  
(dollars in thousands)

Appropriation and Adjustments	2017	2018 Annualized CR	2019
<b>Discretionary appropriation:</b>			
Appropriation.....	\$59,256	\$59,256	\$63,418
Across-the-board reduction (P.L.115-56) ..	<u>0</u>	<u>-402</u>	<u>0</u>
Subtotal, appropriation .....	59,256	58,854	63,418
Unobligated balance expiring .....	<u>-321</u>	<u>0</u>	<u>0</u>
Total, direct obligations .....	58,935	58,854	63,418

**OFFICE OF INSPECTOR GENERAL**

**Obligations by Object Classification**

(dollars in thousands)

Object Class	2017	2018 Annualized CR	2019	Change from 2018 to 2019
11.10 Full-time permanent	\$26,203	\$28,174	\$29,773	\$1,599
11.31 Full-time temporary	179	123	123	0
11.32 Part-time	25	123	123	0
11.51 Overtime	1,992	0	0	0
11.52 Awards	<u>358</u>	<u>501</u>	<u>501</u>	<u>0</u>
Subtotal, Personnel Comp.	28,757	28,921	30,520	1,599
12.00 Benefits	10,840	11,126	11,834	708
13.00 Benefits for former personnel	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal, Per. Com. & Ben.	39,597	40,047	42,354	2,307
21.00 Travel	1,179	1,178	1,486	308
22.00 Transportation of things	0	0	0	0
23.10 Rental payments to GSA	5,820	6,839	6,438	-401
23.31 Communications	190	198	191	-7
23.32 Postage/fees	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Subtotal, 23	6,010	7,039	6,631	-408
24.00 Printing and reproduction	4	1	1	0
25.10 Advisory and assistance services	733	326	752	426
25.21 Other services	1,936	2,311	2,331	20
25.22 Training/tuition contracts	295	456	415	-41
25.30 Goods/services from Federal sources	1,380	1,323	2,084	761
25.40 Operations/maint of facilities	0	0	0	0
25.70 Operations/maint of equip.	9	3	6	3
25.72 IT services/contracts	<u>6,116</u>	<u>5,456</u>	<u>6,471</u>	<u>1,015</u>
Subtotal, 25	10,469	9,875	12,059	2,184
26.00 Supplies	100	111	122	11
31.10 IT equipment/software	564	557	690	133
31.30 Other equipment	<u>62</u>	<u>24</u>	<u>35</u>	<u>11</u>
Subtotal, 31	626	581	725	144
32.00 Building alterations	<u>950</u>	<u>22</u>	<u>40</u>	<u>18</u>
Total, Obligations	58,935	58,854	63,418	4,564

**OFFICE OF INSPECTOR GENERAL**

**Summary of Changes**

(dollars in thousands)

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2018 .....	\$58,854
2019 .....	<u>63,418</u>
Net change.....	+4,564

	<u>2018</u> <u>Annualized CR</u>	<u>Change</u> <u>from base</u>
<b>Increases:</b>		
<u>Built-in:</u>		
Increase of 13 FTE and increased benefits.	\$40,047	+\$2,307
<u>Program:</u>		
Increase in travel.	1,178	+308
Increase in OIG's cost for IT Services and Contracts.	701	+1,107
Increase in OIG's cost for IT Equipment/Software.	539	+133
Increase in OIG's share of the Department's Central Support non-pay costs.	1,566	+105
Increase in Goods/services from Federal Sources.	1,323	+761
Net changes in other areas.	1,070	<u>+520</u>
Subtotal, increases		+5,241
<b>Decreases:</b>		
<u>Built-in:</u>		
Decrease in GSA rent payments.	6,839	-401
<u>Program:</u>		
Decrease in central information technology.	4,839	-133
Decrease in other contracts due to a decrease in the cost of the Federal Information Security Modernization Act (FISMA) contract.	752	<u>-143</u>
Subtotal, decreases		-677
Net Change		+4,564

**OFFICE OF INSPECTOR GENERAL**

**Authorizing Legislation**  
(dollars in thousands)

Activity	2018 Authorized	2018 Annualized CR	2019 Authorized	2019 Request
Inspector General ( <i>DEOA, Section 212</i> ).....	<u>Indefinite</u>	<u>58,854</u>	<u>Indefinite</u>	<u>\$63,418</u>
Total definite authorization .....	0		0	
Total appropriation .....		58,854		63,418

**OFFICE OF INSPECTOR GENERAL**

**Appropriations History**  
(dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2010	60,053	60,053	60,053 <sup>1</sup>	60,053
2011	65,238	60,053 <sup>2</sup>	65,238 <sup>1</sup>	59,933 <sup>3</sup>
2012	67,187	59,933 <sup>4</sup>	59,933 <sup>4</sup>	59,820
2013	62,401	59,820 <sup>5</sup>	59,820 <sup>5</sup>	56,691
Transfer (P.L. 113-6)	0	0	0	1,100
2014	62,347	N/A <sup>6</sup>	59,700 <sup>1</sup>	57,791
2015	59,181	N/A <sup>6</sup>	58,791 <sup>7</sup>	57,791
2016	59,256	59,256 <sup>8</sup>	57,791 <sup>8</sup>	59,256
2017	61,941	59,256 <sup>9</sup>	59,256 <sup>9</sup>	59,256
2018	58,854	59,256 <sup>10</sup>	59,256 <sup>10</sup>	58,854 <sup>10</sup>
2019	63,418			

<sup>1</sup> The level for the Senate allowance reflects Committee action only.

<sup>2</sup> The level for the House allowance reflects the House-passed full-year continuing resolution.

<sup>3</sup> The level for appropriation reflects the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).

<sup>4</sup> The level for the House allowance reflects an introduced bill and the level for the Senate allowance reflects Senate Committee action only.

<sup>5</sup> 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.

<sup>6</sup> The House allowance is shown as N/A because there was no Subcommittee action.

<sup>7</sup> The level for the Senate allowance reflects Senate Subcommittee action only.

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> The levels for the House reflect floor action on an Omnibus appropriation bill; Senate allowances reflect Committee action on the regular annual 2018 appropriations bill; the Appropriation reflects the Annualized Continuing Resolution level.

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### Office of Inspector General

(Department of Education Organization Act, Section 212)

(dollars in thousands)

FY 2019 Authorization: Indefinite

Budget Authority:

	<u>2018 Annualized CR</u>	<u>2019 Request</u>	<u>Change from Annualized CR</u>
Personnel Compensation and Benefits Costs	\$40,047	\$42,354	+\$2,307
Non-Personnel Costs			
	<u>18,807</u>	<u>21,064</u>	<u>+2,257</u>
Total	58,854	63,418	+4,564
FTE	231	244	13

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### 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 the 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.

The 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, the 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, the 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. Each month the hotline has approximately 400 telephone contacts and approximately 300 complaints. Since the middle of

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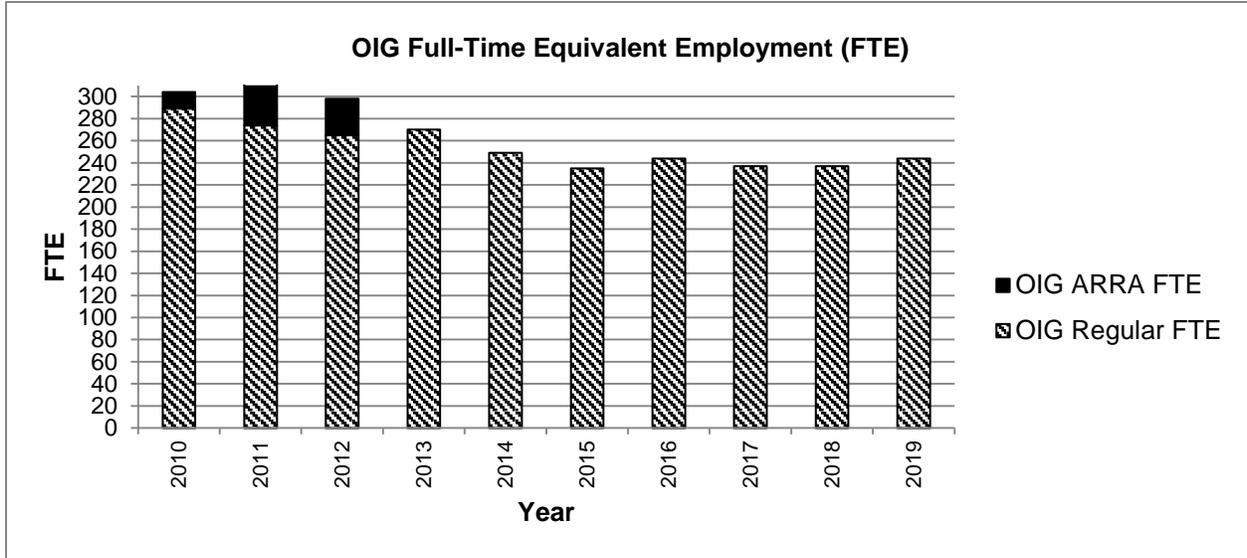
fiscal year (FY) 2016, the OIG hotline has had to evaluate over 100 additional complaints per month that were received as suspicious activity reports through Federal Student Aid's (FSA) Feedback system.

Funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2014.....	57,791
2015.....	57,791
2016.....	59,256
2017.....	59,256
2018.....	58,854

**FY 2019 BUDGET REQUEST**

For fiscal year 2019, the Budget request includes \$63.4 million and 244 full-time equivalents (FTE) employment for the Office of Inspector General, an increase of \$4.6 million over the fiscal year 2018 Annualized Continuing Resolution level of \$58.9 million. The \$4.6 million increase is necessary to begin to restore the OIG FTE level to its historical FTE level. With the additional funding, the estimated FTE level for fiscal year 2019 is 244. A 10-year history of the OIG's staffing is shown in the following chart:



Sixty-seven percent of the requested amount, or \$42.4 million, is for Personnel Compensation and Benefits (PC&B) to support the requested staffing level of 244 FTE. The remaining \$21.0 million is for Non-Personnel costs, of which \$12.8 million, or 20 percent of the total OIG request, is for Departmental Centralized Services such as rent, telecommunications, payroll processing, information technology (IT), and various service contracts. The remainder of the Non-Personnel request, \$8.2 million, or 13 percent, is for Non-Personnel costs that directly

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support the OIG's mission, such as travel, training, and the financial statement audit contract. The \$8.2 million also includes a payment of \$139,077 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 the OIG planned work in fiscal year 2019 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 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 Office of Management and Budget (OMB) Circular A-123.

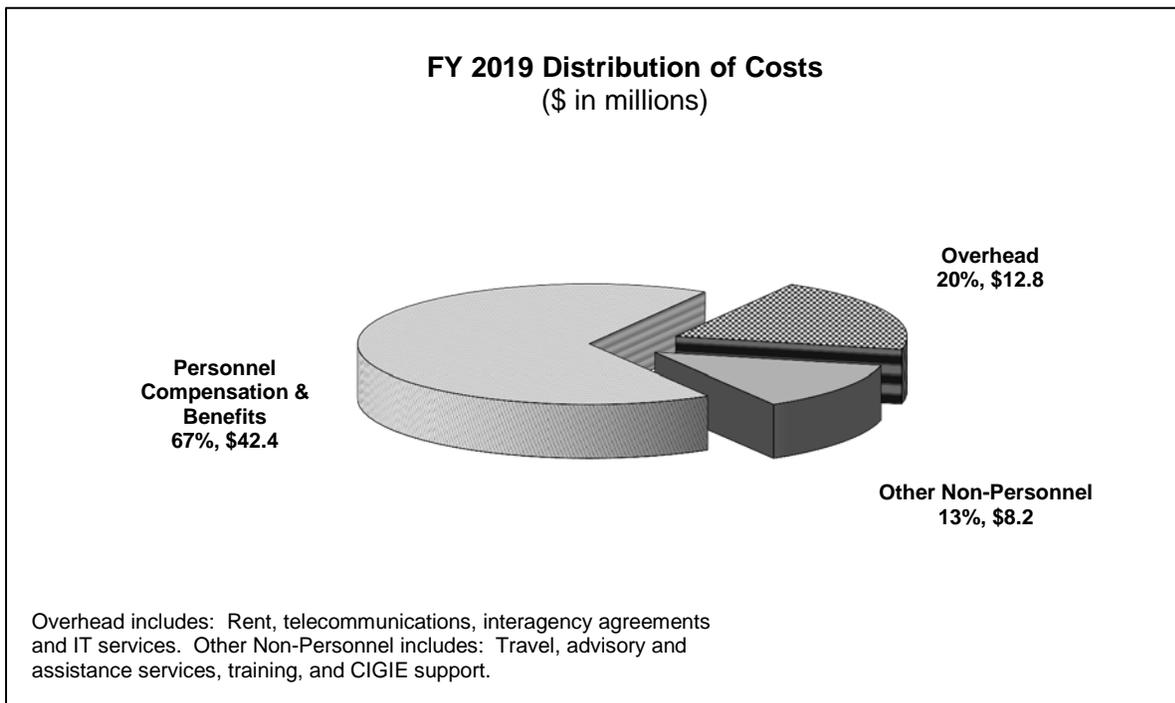
The OIG also must devote significant resources to mandated work, including annual audits of the Department, FSA, and Special Purpose financial statements, and annual audits and other reviews under the Federal Information Security Modernization Act of 2014 (FISMA), the Improper Payments Elimination and Recovery Act, and the Digital Accountability and Transparency Act. 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 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. The OIG also will continue to work a significant number of cases involving fraud rings 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

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fraud ring investigations represent, on average, 31 percent of the cases opened by the OIG since fiscal year 2012.

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 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 fiscal year 2019 training requirements.

In fiscal year 2019, 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 2019 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 the 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.

### **No-Year Funding**

Of the amount appropriated, the OIG is requesting \$2 million in no year funding. The need for the additional flexibility is for two main reasons: (1) due to historical delays in hiring, multiyear funds provide additional flexibility to allow the OIG to restore its FTE level; and (2) since 20% of the OIG budget is associated with common support provided by the Department, multiyear funds allow for flexibility when funds are returned to the OIG at the end of the fiscal year or if costs come in higher than expected.

### **Personnel Compensation and Benefits (PC&B) Costs**

The fiscal year 2019 budget request of \$42.4 million for Personnel Compensation and Benefits is an increase of \$2.3 million over the fiscal year 2018 Annualized level. The increase covers an increase of 13 FTE and increased benefits costs.

Prior to fiscal year 2014, the OIG dropped below 270 FTE only 4 times in its history: 1982 (269 FTE); 2000 (262 FTE); 2004 (268 FTE); and 2008 (264 FTE). Since fiscal year 2014, the OIG has had fewer than 250 FTE each year, with the low point being 228 FTE in fiscal year 2016. Having adequate FTE is essential for the OIG to fulfil its mission. The fiscal year 2019 request increases the OIG FTE level to 244 FTE to support audit and investigation activities, as well as IT audits and computer crime investigations (cyber security) for all Department programs. This 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

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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.

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.

### Audit Priorities

In fiscal year 2019, 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.

- **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 fiscal year 2019, 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, standards setting, 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 review 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. The 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 the 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, 21<sup>st</sup> 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, The 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 fiscal year 2019, 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. In fiscal year 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 fiscal year 2012 through fiscal year 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 fiscal year 2012 to fiscal year 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 open OIG cases. The OIG will continue to refer other matters to the Department so that future disbursements can be stopped. Since fiscal year 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 the OIG totaling an additional \$6.7 million in potential fraud.

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- **Disability Discharges**—In fiscal year 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 fiscal year 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. The OIG anticipates it will have a significant number of investigations in this area in fiscal year 2019 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 has seen the number of whistleblower retaliation investigations 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 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 \$21.0 million for Non-Personnel costs, an increase of \$2.3 million over the fiscal year 2018 Annualized CR level. Of the total, \$12.8 million is for Departmental Centralized Services (overhead expenses), including the Department's IT infrastructure and

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support contracts (Department IT contracts), and \$8.2 million is for other non-personnel operational costs.

### Departmental Centralized Services

The OIG request of \$12.8 million for non-pay overhead is a decrease of \$462,000 below the fiscal year 2018 Annualized CR 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. Rent and the Department IT contract use approximately 86 percent of the centralized services resources.

### **Departmental Centralized Services** (dollars in thousands)

<b>Item</b>	<b>2018 Annualized CR</b>	<b>2019 Request</b>	<b>Difference</b>
Rent	\$6,839	\$6,438	-\$401
Central IT	4,839	4,706	-133
Other Central Support	1,599	1,671	72
<b>Centralized Services</b>	<b>\$13,277</b>	<b>\$12,815</b>	<b>-\$462</b>

### Other Non-Personnel Costs

#### **Travel**

The OIG requests \$1.486 million in travel funds, \$308,000 over the fiscal year 2018 Annualized CR level. The requested amount for fiscal year 2019 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, a \$426,000 increase over the fiscal year 2018 Annualized CR level, to contract for audit services that support mandated OIG FISMA work. The requested funding level would provide contractor support for IT security reviews of systems; audits of the

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

### **Other Services**

The OIG is requesting \$1.807 million, same as the fiscal year 2018 Annualized CR level. This amount is primarily to contract with an independent certified public accounting firm to audit the Department wide financial statements. In accordance with the IG Act and the CFO Act, the OIG oversees the financial statement audits. The audits will result in reports on the Department wide 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 amount also includes \$432,000 for car leases, same as the fiscal year 2018 Annualized CR level.

### **Training**

The OIG is requesting a total of \$298,000, a decrease of \$41,000 from the fiscal year 2018 Annualized CR level for the OIG-specific training of auditors, investigators, and business operations staff. Within the Departmental Centralized Services section, the OIG requests \$117,000 in support of Department training operations, which reflects no change from the fiscal year 2018 Annualized CR level.

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 CPEs 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 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

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also continue to minimize training costs by having staff attend CIGIE-supported or OIG community-sponsored training events.

### **Goods/Services from Federal Sources**

The OIG is requesting \$1.086 million, an increase of \$716,000 over the fiscal year 2018 Annualized CR level. Within this request, \$787,000 is for anticipated services from the General Services Administration (GSA); \$139,077 will cover the OIG's funding support for the Council of the Inspectors General on Integrity and Efficiency (CIGIE). This contribution is 0.22 percent of the OIG 2019 designated funding level based on a total budget request of \$63.4 million, including the CIGIE amount; and \$159,727 in miscellaneous interagency agreements covering a variety of services provided by other Federal agencies, of which \$95,000 is designated for FLETC/IGCIA training cost for the OIG Investigations staff.

### **Equipment Operations/Maintenance**

For fiscal year 2019, the OIG requests \$5,500, an increase of \$2,600 over the fiscal year 2018 Annualized CR level, for equipment repair and maintenance of copiers.

### **IT Services/Contracts**

For fiscal year 2019, the OIG requests \$1.764 million, an increase of \$1.1 million over the fiscal year 2018 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 \$666,000, an increase of \$127,000 over the fiscal year 2018 Annualized CR level, to support non-centralized IT software maintenance agreements, software license renewals, and equipment purchases.

### **Building Alterations**

The OIG's request includes \$40,000, an increase of \$18,000 over the fiscal year 2018 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 the 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 are shown below.

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

<b>Year</b>	<b>Target Percent</b>	<b>Actual Percent</b>
<b>2015</b>	85%	100%
<b>2016</b>	85	100
<b>2017</b>	85	100
<b>2018</b>	85	
<b>2019</b>	85	

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

<b>Year</b>	<b>Target Percent</b>	<b>Actual Percent</b>
<b>2015</b>	80%	93%
<b>2016</b>	80	90
<b>2017</b>	80	89
<b>2018</b>	80	
<b>2019</b>	80	

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**Measure:** Recommendations in reports issued during the fiscal year were accepted by the Department and corrective action plans agreed to by OIG management.

<b>Year</b>	<b>Target Percent</b>	<b>Actual Percent</b>
<b>2015</b>	90%	99%
<b>2016</b>	90	99
<b>2017</b>	90	98
<b>2018</b>	90	
<b>2019</b>	90	

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

<b>Year</b>	<b>Target Percent</b>	<b>Actual Percent</b>
<b>2015</b>	70%	97%
<b>2016</b>	70	95
<b>2017</b>	70	93
<b>2018</b>	70	
<b>2019</b>	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.

<b>Year</b>	<b>Target Percent</b>	<b>Actual Percent</b>
<b>2015</b>	75%	80%
<b>2016</b>	75	79
<b>2017</b>	75	76
<b>2018</b>	75	
<b>2019</b>	75	

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**Measure:** Preliminary inquiries converted to full investigations by ITACCI that resulted in a criminal, civil or administrative action, or monetary result.

<b>Year</b>	<b>Target Percent</b>	<b>Actual Percent</b>
<b>2015</b>	65%	56%
<b>2016</b>	65	75
<b>2017</b>	50	63
<b>2018</b>	50	
<b>2019</b>	50	

**Measure:** Information technology audits issued in accordance with policy and accepted by management by the agreed upon date.

<b>Year</b>	<b>Target Percent</b>	<b>Actual Percent</b>
<b>2015</b>	75%	100%
<b>2016</b>	75	100
<b>2017</b>	75	100
<b>2018</b>	75	
<b>2019</b>	75	

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

<b>Year</b>	<b>Target Percent</b>	<b>Actual Percent</b>
<b>2015</b>	70%	70%
<b>2016</b>	70	85
<b>2017</b>	70	77
<b>2018</b>	70	
<b>2019</b>	70	

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

<b>Year</b>	<b>Target</b>	<b>Actual</b>
<b>2015</b>	95%	90%
<b>2016</b>	90	91
<b>2017</b>	90	77
<b>2018</b>	90	
<b>2019</b>	90	

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

<b>Year</b>	<b>Target Percent</b>	<b>Actual Percent</b>
<b>2015</b>	95%	100%
<b>2016</b>	95	100
<b>2017</b>	95	100
<b>2018</b>	95	
<b>2019</b>	95	