

Office of Inspector General's (OIG) Management and Performance Challenges for Fiscal Year 2021

MANAGEMENT CHALLENGE 1— IMPLEMENTING PANDEMIC RELIEF LAWS

The U.S. Department of Education (Department) was provided with more than \$280 billion under three major pandemic relief laws to assist States, schools, school districts, and institutions of higher education (IHEs) in meeting their needs and the needs of students impacted by the pandemic. This included the Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted in March 2020; the Coronavirus Response and Relief Supplemental Appropriations Act, 2021, enacted in December 2020; and the American Rescue Plan (ARP), enacted in March 2021. Collectively, these laws established and funded new emergency relief programs, allowed the Department to provide State educational agencies (SEA) and local educational agencies (LEA) with waivers of certain statutory or regulatory requirements, and included provisions intended to provide borrowers with emergency relief.

Why This Is a Challenge

Implementation of the pandemic relief laws poses challenges for the Department as it must effectively oversee and monitor new grant programs and additional Federal education funds, implement additional student financial assistance program requirements, and ensure that quality data are reported. While these laws provide more than \$161 million to the Department for student aid administration and \$38 million for program administration, the Department must design and implement related processes timely and effectively to help ensure the overall success of its pandemic relief activities. In addition to the programs funded by the pandemic relief laws, the Department must oversee more than 100 other grant and loan programs, including a Federal student loan portfolio of about \$1.5 trillion.

New Grant Programs and Additional Federal Education Funds

As shown in Table 4, the pandemic relief laws included funding for State and local agencies, higher education, nonpublic schools, and other education-related entities.

Table 4

Education Stabilization Fund Summary

Program	Funding	Overview
Elementary and Secondary School Emergency Relief Fund (ESSER)	\$190 billion	ESSER funds are awarded to SEAs to provide formula-based subgrants to LEAs. ESSER funds can be used to support a wide range of activities, including purchasing and using technology for online learning, coordinating efforts with public health departments, addressing the needs of underrepresented student subgroups, planning for both school closures and reopenings, purchasing cleaning supplies, providing mental health services, and implementing summer learning and supplemental after-school programs.
Higher Education Emergency Relief Fund (HEERF)	\$76.2 billion	HEERF funds are awarded to IHEs. HEERF funds can be used to assist students with expenses related to the disruption of campus operations due to the pandemic, such as tuition, food, housing, healthcare, childcare, technology, and course materials; and to help IHEs, including Historically Black Colleges and Universities and Minority Serving Institutions, cover costs associated with significant changes to the delivery of instruction due to the pandemic, reimburse themselves for lost revenue resulting from the pandemic, and defray other expenses, such as those for faculty and staff trainings, payroll, campus safety measures and protocols, and student support activities.
Emergency Assistance to Nonpublic Schools (EANS)	\$5.5 billion	Awarded to Governor's offices. EANS funds can be used to provide services or assistance to nonpublic schools.
Governor's Emergency Education Relief Fund (GEER)	\$4.3 billion	GEER funds are awarded to Governors' offices to provide to LEAs, IHEs, or other education-related entities that each Governor determines to be most impacted by the pandemic or deems essential. GEER funds can be used to support these entities' ongoing operations and efforts to provide educational services to students.

The pandemic relief laws also provided about \$2.8 billion in funds for the Outlying Areas, Tribal education agencies and programs operated or funded by the Bureau of Indian Education, and homeless children and youth. The ARP provided an additional \$3 billion to States to support infants, toddlers, children, and youth with disabilities served under the Individuals with Disabilities Education Act.

Each of these programs must be effectively implemented and monitored by the Department to ensure that the legislation is followed, and that States, elementary and secondary schools, and postsecondary institutions and students receive support in response to the pandemic. Effective oversight and monitoring of pandemic relief funds are critical to ensure that they are used for the purposes intended. Because these programs have different purposes, allowable uses of funds, and grant recipients, it is vital that the Department provides effective guidance, training, technical assistance, and outreach. These additional responsibilities pose a significant challenge to the Department given the large amount of funding involved, the number of entities receiving funds, and the need to administer its existing programs. Additionally, the Department must ensure that the primary recipients, such as Governors' offices and SEAs, effectively fulfill their critical role in overseeing and monitoring subrecipients, such as LEAs.

Student Financial Assistance Program Requirements

The CARES Act included student financial assistance provisions intended to provide emergency relief to borrowers and to allow institutions to meet student needs more easily. These provisions included borrower and teacher assistance provisions, waivers of student financial assistance refunds and loan cancellations, and

adjustments to lifetime Federal Pell Grant (Pell) and subsidized William D. Ford Federal Direct Loan (Direct Loan) usage. The Department had to provide guidance to and rely on postsecondary institutions, contracted servicers, collection agencies, guaranty agencies, and accrediting agencies to effectively implement these and other provisions. The Department may be challenged to provide adequate oversight of existing student aid program participants while it implements and oversees the student aid provisions in the CARES Act. Additionally, the Department faces the challenge of ensuring that postsecondary institutions continue to meet financial responsibility requirements, as the pandemic may negatively impact the enrollment and financial health of many institutions.

Data Quality

The pandemic relief laws included several reporting provisions that were intended to provide transparency regarding the use of funds to alleviate the impact of the Coronavirus Disease 2019 (COVID-19). The Department also established additional reporting requirements for programs authorized under these laws. Grantees must report monthly on subcontracts and subgrants exceeding a certain threshold and submit annual performance reports. Administering the programs and operations funded by the pandemic relief laws requires the Department to collect, analyze, and report on data for many purposes, such as evaluating programmatic performance, assessing fiscal compliance, and informing management decisions. For this reason, the Department, its grant recipients and subrecipients, and other program participants must have effective systems, processes, and procedures in place to ensure that the reported data are accurate and complete. The Office of Inspector General's (OIG) recent audit work within this area is shown in Table 5.

Table 5

OIG's Recent Reports Relating to Pandemic Relief Laws

Activities Reviewed	Review Results
HEERF	<p>We have issued three reports relating to HEERF funds.</p> <p>In the first two audits from a series of work on postsecondary schools' use of HEERF funds, we found that two schools generally used the Student Aid portion of their HEERF funds for allowable and intended purposes but did not always use the Institutional portion of their funds in accordance with Federal requirements. We also found that both schools did not minimize the time between drawing down and disbursing HEERF funds nor deposit excess funds in an interest-bearing account, contrary to Federal regulations.</p> <p>We issued a flash report on HEERF-related risks that shared observations on closed schools that received or had access to HEERF funds. We found that 17 schools that had closed on or before December 31, 2020, applied for and were awarded more than \$4.9 million in HEERF funds. We also noted that eight of those schools had drawn about \$1.26 million from these grants after closure dates listed in a Department system.</p>
Student Financial Assistance Program Requirements	<p>We found that Federal Student Aid (FSA) took quick action to implement processes that generally achieved positive results in suspending and refunding most involuntary collections on defaulted Department-held loans. We specifically determined that that FSA suspended administrative wage garnishments and the Treasury offsets for over 96 percent of the borrowers that FSA collected payments for within 90 days of the start of the suspension period. We also found that FSA refunded 99 percent of administrative wage garnishments and Treasury offsets that were collected from March 13, 2020, through September 30, 2020. Although FSA refunded most administrative wage garnishments and Treasury offsets collected for the period of our review, it did not reprocess all refunds that were subsequently returned to Treasury and did not refund all wage garnishments and Treasury offsets collected. In addition, FSA did not develop procedures to obtain and track the U.S. Department of Justice's progress on suspending and refunding involuntarily collections on defaulted Department-held loans.</p>
Data Quality and Reporting	<p>We issued a flash report on Education Stabilization Fund reporting in the Federal Audit Clearinghouse regarding the inconsistent reporting of subprogram expenditures by grantees and subgrantees. This included instances where subprograms were not identified and variations in the information that was used to identify subprograms.</p> <p>In our work relating to HEERF reporting requirements, we found that 81 of the 100 recipients included in our nonstatistical sample complied with HEERF Institutional portion reporting requirements. However, we were unable to locate Institutional portion reports on the websites of the 19 other recipients. As of September 30, 2020, those 19 recipients had drawn down over \$5.5 million of the almost \$29 million awarded to them.</p> <p>Our work on postsecondary schools' use of HEERF funds also reviewed the timeliness and quality of the data that two schools reported on their use of HEERF funds. We found that the information in both school's required HEERF reports were generally accurate, complete, and timely.</p>
Department Operations	<p>Our assessment of the Department's reconstitution plans following COVID-19 found the Department generally incorporated available guidance, which was intended to provide for a safe and gradual return to Federal offices, in its Workplace Reconstitution Transition Plan. However, we noted that the Department did not address anti-retaliation, including practices for ensuring that no adverse or retaliatory action is taken against an employee who adheres to guidelines or raises workplace safety and health concerns, and did not periodically reassess and update self-screening questions as suggested by available guidance.</p> <p>We issued a Management Information Report that identified challenges that the Department may face as it implements and oversees the CARES Act. These included grantee oversight and monitoring, student financial assistance oversight and monitoring, and data quality and reporting. We noted that the Department should consider these persistent challenges and the lessons learned from its administration of the Recovery Act as it implements and administers the programs and provisions authorized under the CARES Act to reduce vulnerabilities to fraud, waste, abuse, noncompliance, and other issues that could impact a grantee's or subgrantee's ability to achieve intended programmatic results.</p>

Ongoing and Planned Work

Our ongoing work in this area includes reviews of one State's use of ESSER funds, LEAs' use of ESSER funds for technology, the Department's award of duplicate HEERF grants, a third school's use of HEERF funds, the Department's oversight of HEERF funds, States' plans for using GEER funds, three States' awarding and monitoring of GEER funds, and the Department's processes for implementing flexibilities to Teacher Education Assistance for College and Higher Education grant service obligations.

Our planned projects relating to State and local programs within this area for fiscal year (FY) 2022 include reviews of additional States' uses of ESSER funds, the Department's oversight of ESSER funds, recipients processes for awarding and monitoring GEER funds, and recipients' allocation and use of ARP homeless children and youth funds.

Our planned projects relating to student financial assistance and higher education programs within this area for FY 2022 include reviews of FSA's transition of Federal student loan borrowers back into repayment after the relief measures implemented in response to the pandemic expire, FSA's processes for the return of Title IV funds, cancellation of borrower loans, and exclusion of subsidized loan usage and Pell lifetime usage, and school's compliance with the return of Title IV waiver requirements.

We also plan to perform work relating the Department's use or planned use of its supplemental pandemic-related program administration funding.

Progress in Meeting the Challenge

Regarding new grant programs, additional Federal education funds, and related data quality, the Department stated that it took comprehensive steps to ensure appropriate interpretation of the legislative requirements and subsequent policy and operational implications. The Department noted that the Office of Finance and Operations and the Office of Planning, Evaluation, and Policy Development coordinated Department efforts to make COVID-19 relief awards on expedited grantmaking timelines on top of the ongoing administration of the agency's more than \$70 billion annual portfolio of existing programs. The Department further added that it leveraged the COVID-19 excepted service hiring authority to help address the additional administrative, monitoring, and oversight workload associated with administering the pandemic relief funding.

The Department identified strategies it had taken to provide support to grantees that included (1) establishing structured processes for data collection and reporting; (2) implementing preventative internal controls, (3) adopting risk-based approaches to administering funds and monitoring, (4) providing training, guidance, and technical assistance to new grantees, and (5) working to ensure relevant programs were included in guidance used by independent third-party auditors. The Department added that it issued early and comprehensive communications to grantees outlining data quality and timing expectations. It further noted that lessons learned from the initial ESF grantee data collection experience significantly informed the processes for the year two collection and that that these collections will enable it to better assess the use of funds and provide visibility into the equitable recovery of schools and students.

Regarding student financial assistance program requirements, the Department stated that it worked to implement COVID-19-related relief that included suspending Federal loan payments and stopping Federal wage garnishments and collection actions for borrowers with Federally held loans in default. The Department added that FSA worked with loan servicers to ensure all eligible borrowers received personalized communications informing them of these changes. With respect to the suspension of loan payments, the Department stated that it placed all borrowers in administrative forbearance status, which allowed them to temporarily stop making monthly loan payments. The Department added that once the payment suspension period ends, all non-defaulted borrowers in the Federal student loan portfolio will be in a current repayment status. With respect to stopping wage garnishments and collection actions, the Department stated that FSA refunded more than 99 percent of involuntary payments.

What the Department Needs to Do

To effectively oversee the Pandemic Relief programs, the Department should assess the results of its monitoring efforts and information reported back from recipients to identify potential problem areas or areas that could benefit from additional guidance or technical assistance. Given the importance of spending these funds quickly and appropriately, it is important for the Department to obtain timely and accurate information and to respond quickly to emerging challenges identified by its monitoring and oversight, or work performed by Federal and non-Federal auditors. Continuing to use a lessons-learned approach, like the one cited above on its change to 2-year data collection strategy, is a good way for the Department to continue to learn from and act on emerging issues.

To implement the student financial assistance related statutory provisions, waivers, and flexibilities, the Department needs to continue to provide guidance to and work with postsecondary institutions, contracted servicers, collection agencies, guaranty agencies, and accrediting agencies. The Department also needs to monitor and oversee these entities to ensure that the provisions are implemented effectively. Importantly, when these provisions expire, the Department will need to carefully reinstate the student loan provisions for which the relief was temporarily provided.

MANAGEMENT CHALLENGE 2—OVERSIGHT AND MONITORING

Effective oversight and monitoring of the Department’s programs and operations are critical to ensure that funds are used for the purposes intended and programs are achieving goals and objectives. This is a significant responsibility for the Department given the numbers of different entities and programs requiring monitoring and oversight, the amount of funding that flows through the Department, and the impact that ineffective monitoring could have on stakeholders. Two subareas are included in this management challenge: student financial assistance programs and grantees.

Oversight and Monitoring—Student Financial Assistance Programs

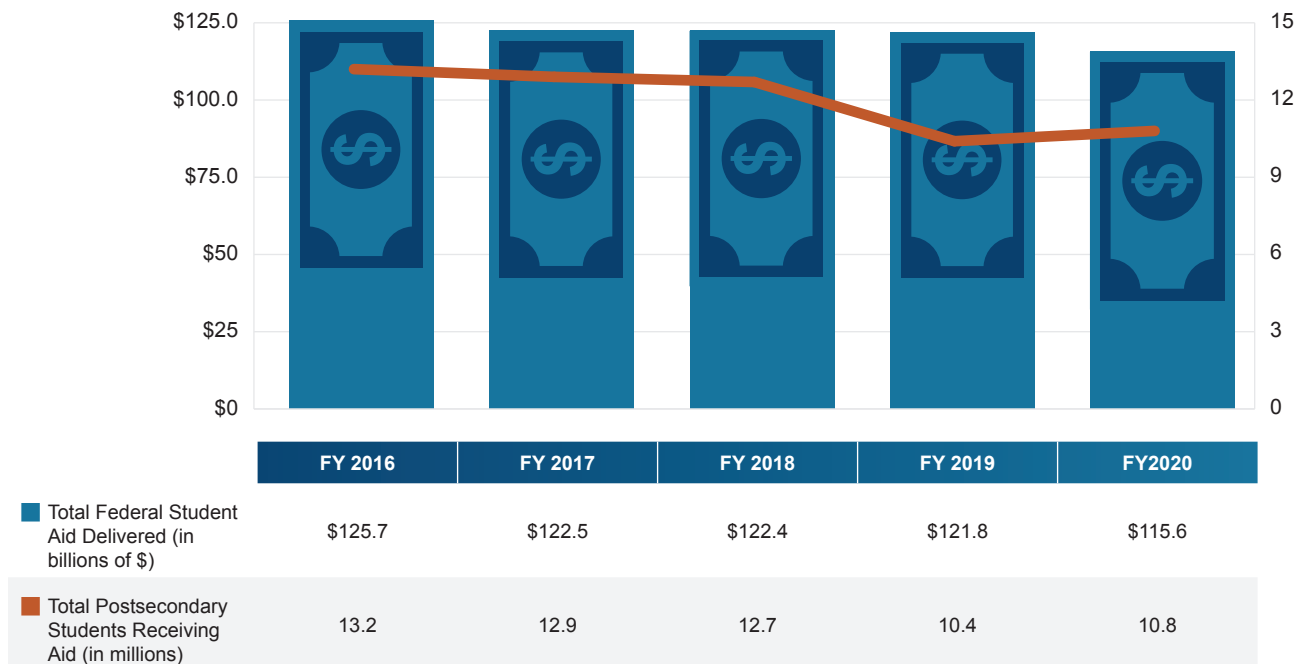
FSA, a principal office of the Department, seeks to ensure that all eligible individuals can benefit from Federal financial assistance for education beyond high school. FSA is the nation’s largest provider of student financial aid

and is responsible for implementing and managing the Federal student financial assistance programs authorized under Title IV of the Higher Education Act of 1965, as amended. These programs provide grants, loans, and work-study funds to students attending colleges or career schools. FSA directly manages or oversees a loan portfolio of over \$1.5 trillion, representing about 212 million student loans to more than 45 million borrowers. FSA also oversees more than 5,600 postsecondary institutions that participate in the Federal student aid programs.

In FY 2020, FSA performed these functions with an administrative budget of \$1.8 billion and about 1,400 employees, along with contractors that provide outsourced business operations. From FY 2016 to FY 2020, FSA delivered an average of \$121.6 billion in Federal student aid to an average of 12.0 million students.

Figure 13

Student Aid Delivered and Postsecondary Students Receiving Aid FYs 2016–2020



Source: Federal Student Aid Annual Report FY 2020

Within the Department, FSA administers the Federal student assistance programs, and the Office of Postsecondary Education develops Federal postsecondary education policy and regulations for the Federal student assistance programs. The Office of Postsecondary Education also administers the review process for accrediting agencies to ensure that the Department recognizes only agencies that are reliable authorities for evaluating the quality of education and training postsecondary institutions and programs offer.

Why This Is a Challenge

The Department must provide effective oversight and monitoring of the student financial assistance programs to ensure that the programs are not subject to fraud, waste, and abuse. The Department's responsibilities include coordinating and monitoring the activity of many Federal, State, nonprofit, and private entities involved in Federal student aid delivery, within a statutory framework established by Congress and a regulatory framework established by the Department. These entities include lenders, guaranty agencies, postsecondary institutions, contracted servicers, collection agencies, and accrediting agencies.

Audits Relating to Student Financial Assistance Programs

Our audits involving the oversight and monitoring of student financial assistance programs continue to identify instances of noncompliance as well as opportunities for the Department to further improve its processes. The OIG's recent work within this area has covered a wide range of activities, as shown in Table 6.

Table 6

OIG's Recent Reports Relating to the Oversight and Monitoring of Student Financial Assistance Programs

Activities Reviewed	Review Results
Accreditation	In an audit of the Department's processes for accessing the Accrediting Council for Independent Colleges and School's compliance with Federal regulatory criteria for recognition from 2016 through 2018, we determined that the Department did not comply with all regulatory requirements during its 2016 review of the Accrediting Council for Independent Colleges and School's petition for recognition renewal because its process did not consider all available relevant information during its review as required. We also determined that the Department implemented a process for assessing the Accrediting Council for Independent Colleges and School's compliance with recognition criteria following a court remand in 2018 that was permitted under applicable policies and regulations as well as the court's remand order.
Contractor Oversight	In our audit of FSA's oversight of loan servicers, we found that FSA did not track all identified instances of loan servicer noncompliance and rarely held loan servicers accountable for noncompliance with requirements. We also noted that the information FSA collected was not always sufficient to ensure that loan servicers complied with requirements for servicing Federally held student loans. In an audit of FSA's contractor personnel security clearance process, we found that FSA had not effectively implemented Department requirements to ensure that all contractor employees had appropriate security screening.
Heightened Cash Management	We found that FSA consistently administered its heightened cash monitoring payment methods when utilizing this process for one of the top five reasons. We also concluded that FSA's use of heightened cash monitoring was an effective oversight tool. However, we noted opportunities for FSA to improve its controls to better ensure that it (1) consistently places schools on a heightened cash monitoring payment status when they submitted late annual financial statements or had composite scores that fell below the minimum financial responsibility score, (2) tracks a school's method of payment status from the time of recommendation for heightened cash monitoring placement until the placement was made, and (3) retains all required documentation.
Professional Judgment	In the first of a series of audit work in this area, we found that a school did not adequately document special circumstances for more than 90 percent of the students in our nonstatistical random sample for whom it applied professional judgment. Because the school did not adequately document special circumstances, its application of professional judgment was not in accordance with the Higher Education Act of 1965, as amended.

Activities Reviewed	Review Results
Sales of Postsecondary Schools	<p>We found that the Department did not take actions sufficient to mitigate significant financial responsibility and administrative capability risks posed by buyer and the 13 for-profit postsecondary schools that were purchased in transactions occurring in November 2017 and February 2018. We also found that the Department did not follow several of its procedures relating to subsequent activities involving those schools. For example, the Department retroactively approved temporary interim nonprofit statuses for 2 of the 13 schools, to avoid a lapse in their eligibility to participate in the Title IV programs, without following its own procedures for ensuring that schools meet the regulatory definition of a nonprofit school. The Department also did not follow FSA's financial analysis procedures when it limited a letter of credit requirement despite lacking certain documentation for a transaction involving the resale of 4 of the 13 schools in 2019. We also found that the Department did not follow FSA policy when it extended the temporary provisional program participation agreements for the four schools without receiving evidence that the accrediting agencies and all State authorizing agencies had approved the changes in ownership. We also determined that the Department allowed the use of surety funds to pay the operating expenses of schools that were planned to close in December 2018. Allowing surety funds to be used for such purposes was unprecedented, and neither the Department nor FSA had policies or procedures for such a situation. Finally, we found that the Department's standard procedures were not rigorous enough to ensure the purchaser's compliance with requirements for drawing down and disbursing Title IV funds, including the payment of credit balances.</p>
Satisfactory Academic Progress	<p>We found that FSA did not always ensure that schools completed corrective actions related to satisfactory academic progress findings that independent public accountants identified in compliance audits and FSA identified in program reviews.</p>
Total and Permanent Disability (TPD) Discharges	<p>We found that FSA appropriately approved and rejected TPD applications and its contractor generally serviced TPD accounts in accordance with Federal program requirements. However, we identified design weaknesses in FSA's control activities for the TPD discharge application review process that may negatively affect the operating efficiency and effectiveness of the process and increase the risk that FSA approves applications that are inaccurate or incomplete. We also found weaknesses in FSA's documented procedures and its quality control review for its TPD discharge application review process, as well as weaknesses in FSA's monitoring of the TPD discharge process.</p>
Verification of Free Application for Federal Student Aid (FAFSA) Data	<p>We completed a series of eight audits within this area.</p> <p>In our review of FSA's controls over the school verification process, we found that FSA implemented five significant control activities over schools' processes for completing verification procedures and reporting verification results. However, we determined that FSA did not monitor 4 of those control activities on a regular basis and did not address all of the control issues identified in a separate internal evaluation of its processes to ensure schools performed verification. In a separate audit, we found that FSA did not evaluate its process for selecting Free Application for Federal Student Aid data elements that schools were required to verify and generally did not effectively evaluate and monitor its processes for selecting students for verification.</p> <p>We also performed a series of external audits of selected schools to assess their compliance with Federal verification and reporting requirements. Of six schools covered by these audits, three did not always complete verification of applicant data in accordance with Federal requirements, and two did not always accurately report verification results to FSA.</p>

Investigations of Student Financial Assistance Program Participants

The OIG's investigative recent work continues to identify fraud, waste, and abuse of student financial assistance program funds. This includes each of the areas in Table 7.

Table 7

OIG's Recent Investigative Activity Relating to the Student Financial Assistance Programs

Area	Example of Related Investigative Activity
Institutions	OIG investigations have identified instances where schools violated the Federal ban on incentive compensation. Title IV of the Higher Education Act prohibits any institution that receives Federal student aid from compensating student recruiters with a commission, bonus, or other incentive payment based on the recruiters' success in securing student enrollment. The incentive compensation ban protects students against admissions and recruitment practices that serve the financial interests of the recruiter rather than the educational needs of the student.
School Officials	OIG investigations identified improper activities of school officials that included falsifying student eligibility information, embezzling portions of student's Federal student financial assistance awards, using a corporate credit card for personal benefit, and overriding academic holds on students' financial aid records to allow improper award and disbursement of Federal student assistance.
Program Participants	OIG investigations identified instances where program participants gave kickback payments in exchange for unjustified financial aid payments, used fraudulently obtained social security numbers to obtain direct loans, and made false claims of earning a high school diploma to receive student financial assistance.
Distance Education Fraud Rings	Fraud rings are large, loosely affiliated groups of criminals who seek to exploit vulnerabilities in distance education programs. The OIG has investigated numerous instances where these groups use the identities of others (with or without their consent) to fraudulently obtain Federal student aid.

Ongoing and Planned Work

Our ongoing work in this area includes reviews of three additional school's use of professional judgment, FSA's transition to the Next Generation Loan Servicing Environment, and a school's compliance with career pathways and ability to benefit provisions. Additional planned projects for FY 2022 include reviews of FSA's processes for overseeing proprietary school compliance with 90/10 revenue requirements, FSA's oversight of its contractor's acceptability review process for proprietary school annual audits, FSA outreach to individuals who belong to underserved communities, and the Department's reporting on experimental sites initiatives.

Progress in Meeting the Challenge

The Department identified actions it had taken or plans to take to improve its activities relating to the oversight and monitoring of the student financial assistance programs. This included items relating to IHEs participating in Title IV programs, accrediting agencies, and the FAFSA verification process. The Department also noted that recent legislation will allow it to better verify financial data and oversee the Pell program.

With respect to the oversight and monitoring of IHEs, the Department stated that FSA worked to address weaknesses in the single audit process to improve its use as an oversight and monitoring tool for IHEs' disbursements of Pell Grants and Direct Loans. The Department also noted that FSA deployed an analytical model to continually monitor partner data and performance that improved its ability to identify IHEs most at-risk and allow more effective use of oversight resources.

Regarding accrediting agencies, the Department stated that it planned to implement additional risk-based procedures to evaluate an agency's ability to effectively determine IHE compliance with standards and to identify agencies at higher risk of failing to meet statutory and regulatory requirements. These evaluations would allow FSA to prioritize the oversight of higher-risk agencies.

The Department added that FSA implemented an improved model for verification selection and evaluation of data elements from the FAFSA that allows the Department to better identify applicants for whom errors will result in a change in their Federal aid award, potentially reducing improper payments.

The Department also stated that the Fostering Undergraduate Talent by Unlocking Resources for Education Act will help it ensure the accuracy of income information used for determining Pell Grant eligibility. The Department noted that the Act allows it to receive income tax data more easily from the Internal Revenue Service and related processes will be implemented in stages through FY 2023.

What the Department Needs to Do

The Department's reported progress and actions are responsive to suggestions we have made in previous reports and indicate that it has made progress to improve oversight of its student financial assistance programs, participants, and partners. While there has been progress, this continues to be a challenge area as evidenced by our audit work. We reiterate that the Department further needs to ensure its oversight functions work together to effectively provide the intended additional protections to students and taxpayers. Also, while FSA's Next Gen initiative has significant potential to improve FSA's ability to oversee and hold accountable its key contractors servicing Federal student aid, it will be important for FSA to ensure that this initiative is effectively implemented, and once in place that it follows through to hold its contractors accountable for effectively administering their responsibilities. As the Department continues to make improvement in its oversight efforts, it will be important for it to assess the effectiveness of its initiatives by setting goals for and measuring results that demonstrate progress of its efforts.

Our audits and investigations of student financial assistance program participants and audits of the Department's related oversight and monitoring processes will continue to assess a variety of effectiveness and compliance elements. This area remains a management challenge given our continued findings in this area.

Oversight and Monitoring—Grantees

The Department is responsible for administering education programs that Congress authorized and the President signed into law. This responsibility includes awarding program funds to eligible recipients and monitoring their progress in meeting program objectives, ensuring that programs are administered fairly, ensuring grants are executed in conformance with both authorizing statutes and laws prohibiting discrimination in Federally funded activities, collecting data and conducting research on education, and helping to focus attention on education issues of national importance. The funding for many grant programs flows through primary recipients, such as SEAs, to subrecipients, such as LEAs or other entities. The primary recipients must oversee and monitor the subrecipients' activities to ensure compliance with Federal requirements.

The Department's early learning, elementary, and secondary education programs annually serve about 17,000 school districts and more than 56 million students attending more than 98,000 public schools and 32,000 private schools. The Department awards discretionary grants using competitive processes and priorities and formula grants using formulas established by Congress. In all cases, the Department's activities are governed by the program authorizing legislation and implementing regulations. One of the key programs the Department administers is Title I, Part A, which provided about \$16.5 billion in FY 2021 for local programs that provide extra academic support to help an estimated 25 million students in high-poverty schools meet State academic standards. Another key program is the Individuals with Disabilities Education Act, Part B Grants to States. This program provided more than \$12.9 billion in FY 2021 to help States and school districts meet the special educational needs of an estimated 7.6 million students with disabilities.

Why This Is a Challenge

Effective monitoring and oversight are essential to ensure that grantees meet grant requirements and achieve program goals and objectives. Our recent audits related to several grant programs identified weaknesses in grantee oversight and monitoring that included concerns with SEA and LEA controls and Department oversight processes.

Audits Relating to Federal Education Grant Programs

Our recent audits at the SEA and LEA levels identified weaknesses that could have been limited through more effective oversight and monitoring. The internal control issues identified within these areas could impact the effectiveness of the entities reviewed and their ability to achieve intended programmatic results. This included work related to the programs and activities identified in Table 8.

Table 8

OIG's Recent Reports Relating to SEA or LEA Implementation of Federal Education Grant Programs

Activities Reviewed	Review Results
Charter Schools	<p>We have issued two audit reports relating to Charter Schools Program Grants for the Replication and Expansion of High-Quality Charter Schools. We found that two nonprofit charter management organizations did not fully comply with Federal grant reporting requirements and did not charge only adequately documented and allowable expenditures to their grants.</p>
Disaster Recovery	<p>We have issued seven reports relating to disaster recovery funding authorized under the Bipartisan Budget Act of 2018.</p> <p>Our work at two SEAs relating to internal controls over the Immediate Aid to Restart School Operations (Restart) program identified weaknesses in programmatic monitoring processes, internal audit division staffing, processes to assess fraud risks, internal controls over procurement, and segregation of duties.</p> <p>Our work at two SEAs relating to Restart allocations and uses of funds found that one SEA established and implemented effective controls over Restart allocations and uses of funds. However, we identified instances of noncompliance that included one district inappropriately charging unallowable personnel expenditures to the program and failure by another entity to obtain control and ownership of materials at nonpublic schools funded by the Restart program. We found that another SEA also established and implemented effective controls over Restart allocations and uses of funds but could better maintain and manage its records for the Restart program.</p> <p>Our work at two SEAs relating to the Temporary Emergency Impact Aid for Displaced Students (EIA) program found that both SEAs did not ensure that the displaced student count data provided to the Department were accurate and complete or that LEAs accounted for EIA program funds received for students reported as children with disabilities in accordance with Federal requirements. We also found that one SEA did not ensure that LEAs used Emergency Impact Aid program funds to pay salaries only for employees who supported schools with displaced students.</p> <p>We issued a Flash Report on the risk of a SEA's unallowable use of EIA funds. We found that the SEA may have charged up to \$1.3 million in payrolls costs to the EIA program for employees who were not employed by the SEA during the accrual periods applicable to the payments.</p>
Individuals with Disabilities Education Act	<p>We have issued two audit reports relating to SEAs' and selected LEAs' development and implementation of individualized education programs (IEP) for children with disabilities who attend virtual charter schools. We found that both SEAs generally had sufficient internal controls to ensure that LEAs developed IEPs in accordance with Federal and State requirements for children with disabilities who attend virtual charter schools and that these students were provided with the services described in their IEPs. However, we identified weaknesses at selected LEAs that included insufficient written procedures for IEP development and documenting the delivery of services, not ensuring that they maintained IEPs that included all of the required information describing the services that students needed, and not maintaining sufficient documentation to support that all special education services that were outlined in IEPs were provided.</p>

Our recent audits of the Department's oversight and monitoring processes over several grant programs identified internal control weaknesses and opportunities for improvement. These weaknesses could limit the Department's ability to ensure that grantees demonstrated progress towards meeting programmatic objectives and properly safeguarded and used Federal education funds. As noted in Table 9, our work included audits within several areas.

Table 9

OIG's Recent Reports Relating to the Department's Oversight and Monitoring of Federal Education Grant Programs

Area Reviewed	Review Results
Disaster Recovery	We found that the Department designed policies and procedures that should have provided reasonable assurance that it awarded and monitored Defraying Costs of Enrolling Displaced Students in Higher Education Program and Emergency Assistance to Institutions of Higher Education Program funds in accordance with applicable guidance. However, we found that the Department did not implement all processes and risk mitigation strategies as designed. As a result, the Department inappropriately awarded funds to some of the grantees whose applications we reviewed.
Every Student Succeeds Act	We found that the Department designed processes that would provide reasonable assurance of identifying and resolving potential instances of State plans' noncompliance with applicable requirements and complying with Department policy. However, the Department did not always implement these processes as designed. As a result, we could not determine why the Department selected certain peer reviewers, could not ensure that the Department considered conflict of interest information it collected from peer reviewers before assigning them to panels, and could not always determine whether the Department considered the results of the peer review process when providing States feedback to strengthen the technical and overall quality of their plans.

Investigations of Federal Education Grant Program Participants

The OIG's recent investigative work continues to identify fraud relating to Federal education grant programs. This includes the areas identified in Table 10.

Table 10

OIG's Recent Investigative Activity Relating to Federal Education Grant Programs

Subject Area	Example of Related Investigative Activity
Contractors	OIG investigations identified instances where contractors invoiced for services that it did not perform, fraudulently obtained contracts, committed bribery, and made kickback payments.
LEA Officials	OIG investigations identified instances where LEA officials allowed fraudulent credit card use in exchange for kickbacks, embezzled cash, and executed a scheme to obtain funds for personal use by creating false invoices and issuing fraudulent checks.
Charter School Officials	OIG investigations identified instances involving charter school founders and senior officials who participated in conspiracy, fraud, theft, money laundering, false bankruptcy declarations, and other scams, abusing their positions of trust for personal gain.

Ongoing and Planned Work

Ongoing work in this area includes reviews of two additional SEAs' administration of the EIA program, a SEA's allocation and use of Restart funds, selected schools' use of Emergency Assistance to Institutions of Higher Education program funds, the effectiveness of Charter School Program grants, and the Department's oversight of Charter School Program Grants for Replication and Expansion of High-Quality Charter Schools. Planned projects for FY 2022 include reviews of selected SEAs' implementation of Statewide accountability systems and the Department's implementation of its rule concerning equity in the Individuals with Disabilities Education Act.

Progress in Meeting the Challenge

The Department stated that it has continued to prioritize enhancing its processes related to grant oversight and monitoring to achieve positive program outcomes. The Department noted that it has strengthened and modernized the grants administration process through recent innovation, process overhauls, and technology improvements. The Department noted that these efforts emphasized capacity building and collaboration across grants staff to improve oversight and monitoring.

The Department identified several strategic efforts within this area that included: identifying opportunities for coordination and information sharing across offices to improve efficiency and effectiveness, establishing new virtual monitoring and support approaches for discretionary and formula grant programs, developing and implementing in-house training resources, and leveraging contract support to increase online training resources for grantees.

The Department also noted that a grants management system modernization initiative was underway to better meet stakeholder needs throughout the grant lifecycle. The Department further stated that it has partnered with the Department of Health and Human Services to pilot emerging solutions that could further strengthen and streamline future risk-based monitoring strategies.

What the Department Needs to Do

The Department continues to report progress in enhancing its grantee oversight processes, citing numerous actions it has taken to address risks, including those identified in a number of OIG audit reports, and to improve outcomes across multiple program offices. Given our ongoing findings under this challenge area, we reiterate that the Department should continue its efforts to offer common training, encourage collaboration and communication

within and across program offices, and take steps to ensure that its program offices are consistently providing effective risk-based oversight of grant recipients—to include both technical assistance and monitoring. The Department should especially focus on the actions taken by pass-through entities to provide oversight of their subrecipients. Lastly, it is important for the Department to continue to explore ways to more effectively leverage the resources of other entities that have roles in grantee oversight, including those conducting single audits under the Office of Management and Budget (OMB) 2 Code of Federal Regulations 200, Subpart F, given its generally limited staffing in relation to the amount of Federal funding that it oversees.

MANAGEMENT CHALLENGE 3—DATA QUALITY AND REPORTING

The Department collects, analyzes, and reports on data for many purposes that include enhancing the public's ability to access high-value education-related information, reporting on programmatic performance, informing management decisions, and improving education in the United States. The Department collects data from numerous sources, including States, which compile information relating to about 17,000 public school districts and 98,000 public schools; about 6,000 postsecondary institutions, including universities and colleges, as well as institutions offering technical and vocational education beyond the high school level; and surveys of private schools, public elementary and secondary schools, students, teachers, and principals.

Why This Is a Challenge

The Department, its grantees, and its subrecipients must have effective controls to ensure that reported data are accurate and complete. The Department relies on program data to evaluate program performance and inform management decisions.

Audits and Inspections Involving Data Quality and Reporting

Our recent audit work identified a variety of weaknesses in the quality of reported data and recommended improvements at the Department and at SEAs and LEAs. This included the following areas, as shown in Table 11.

Table 11

OIG's Recent Data Quality Related Reports

Area Reviewed	Review Results
Charter Schools	We have issued two audit reports relating to Charter Schools Program Grants for the Replication and Expansion of High-Quality Charter Schools. We found that both recipients did not include complete and accurate information for all performance measures on which they were required to report in three annual performance reports. We also found that both recipients did not always retain records that supported the performance measures that they reported to the Department.
Clery Act	We found that two postsecondary institutions did not have effective controls to ensure they reported complete and accurate Clery Act crime statistics. We concluded that both school's Clery Act crime statistics were not complete and accurate and as a result neither school provided reliable information to current and prospective students, their families, and other members of the campus community for making decisions about personal safety and security.
Disaster Recovery	We found that two SEAs did not ensure that the displaced student count data provided to the Department under the EIA program were accurate and complete. This included instances where students who did not change schools or not did not transfer from a disaster area were included in displaced student counts.
Pandemic Relief	We found inconsistent reporting of subprogram expenditures by grantees and subgrantees in the Federal Audit Clearinghouse. This included instances where subprograms were not identified and variations in the information that was used to identify subprograms. As a result, Federal award expenditure data at the subprogram level cannot be reliably used by the Department and associated data on areas such as audit results, audit findings, and corrective action plans are not consistently reported at the subprogram level. In our work relating to HEERF reporting requirements, we were unable to locate Institutional Portion reports on the websites of the 19 percent of the recipients included in our nonstatistical sample. We also found that 22 percent of the recipients in our sample that reported expenditures in the 'Other Uses' category did not follow Department instructions or did not provide sufficient detail.

Ongoing and Planned Work

Ongoing work in this area includes reviews of two additional SEAs' reported displaced student count data under the EIA program, an SEA's allocation and use of Restart funds, State plans for using GEER funds, the effectiveness of Charter School Program grants, and the Department's compliance under the Digital Accountability and Transparency Act. Planned projects for FY 2022 include reviews of selected SEAs' implementation of Statewide accountability systems.

Progress in Meeting the Challenge

The Department stated that it is committed to improving the access, use, and dissemination of meaningful education data to inform decision making. The Department also noted numerous activities that it has taken to address this challenge and emphasized its commitment to protecting students' education data.

The Department's actions included multiple internal activities such as formalizing data management functions through data governance policies, implementing data maturity assessments, and developing a data workforce plan. The Department identified additional activities such as developing a Data Quality Playbook that outlined authorities, tools, and resources for grant program managers. The Department further identified activities to collaborate and engage with external entities that included work with the IRS to implement programmatic changes to ensure accuracy of income data used for determining Pell Grant eligibility.

The Department stated that the National Center for Education Statistics continues to focus on models for data quality improvement to support Department-wide program data collections. This included efforts to improve the completeness and accuracy of ED Facts data and the timeliness of SEA's submissions. The Department noted specific accomplishments that included the refinement of data collection guidance and the publication of a Business Rules Single Inventory.

What the Department Needs to Do

The Department continues to take actions to improve the quality of data. While the Department has made progress in strengthening grantees' data quality processes, we continue to report findings in this area. The Department should continue its efforts to promote strong data management practices across its program offices, from the development of sound data collection protocols to the implementation of comprehensive data verification processes.

As discussed in its response, the Department should ensure that it uses the results of its data maturity assessments to measure progress and growth toward its data quality goals. The Department should also continue performing outreach to States and other entities that report data to the Department to reinforce requirements and expectations around good data quality practices—of particular importance given the substantial amount of funding for new programs and emphasis on transparency and accountability under pandemic relief programs. Lastly, the Department should continue to monitor the quality of the data it receives, work to implement effective controls to address known weaknesses, and take steps to ensure that strong data management practices are implemented across the Department as well as by its grantees and subgrantees.

MANAGEMENT CHALLENGE 4— IMPROPER PAYMENTS

“Improper payments” are payments the government makes to the wrong person, in the wrong amount, or for the wrong reason. Although not all improper payments are fraudulent or represent a loss to the government, all improper payments degrade the integrity of government programs and compromise citizens' trust in government. To reduce instances of improper payments, agencies must properly identify the cause of the improper payment, implement effective mitigation strategies to address the cause, and regularly assess the effectiveness of those strategies, refining them, as necessary.

The Payment Integrity Information Act of 2019 (PIIA), reorganized and revised several existing improper payments statutes, including the Improper Payments Elimination and Recovery Act of 2010 (IPERA). PIIA requires Federal agencies to reduce improper payments

and to report annually on their efforts. It specifically requires that each agency, in accordance with guidance prescribed by OMB, periodically review all programs and activities that the agency administers and identify those that may be susceptible to significant improper payments. For each program and activity identified as susceptible to significant improper payments, the agency is required to produce a statistically valid estimate (or an estimate that is otherwise appropriate using a methodology that OMB approved) of the improper payments made by each program and activity. The agency must include those estimates in the accompanying materials to its annual Agency Financial Report.

PIIA also requires each agency's Inspector General to determine the agency's compliance with the statute for each fiscal year. To be considered compliant with PIIA, an agency must (1) publish an Agency Financial Report; (2) conduct a program-specific risk assessment; (3) publish improper payment estimates; (4) publish corrective action plans to reduce improper payments; (5) publish improper payment reduction targets, demonstrate improvements, and develop a plan to meet reduction targets; and (6) report improper payment rates of less than 10 percent.

Why This Is a Challenge

The Department must ensure that the billions of dollars entrusted to it reach the intended recipients. In FY 2020, the Pell and the Direct Loan programs continued to be susceptible to significant improper payments. In FY 2020, the Department also identified the EIA, Restart, and Emergency Assistance to Institutions of Higher Education programs as susceptible to improper payments because each of the programs met OMB criteria as disaster-related programs with \$10 million or more in outlays in a given fiscal year. We found that the Department's estimates for all five programs that required an estimate in FY 2020 were unreliable. It is important for the Department to develop statistically valid and reliable estimates so that it can identify the root causes and take actions to prevent and reduce improper payments.

Audits and Inspections Involving Improper Payments

The OIG's review of the Department's compliance with improper payment reporting requirements for FY 2020 found that the Department did not comply with PIIA because it did not meet two of the six compliance requirements. Specifically, the Department did not demonstrate improvement in reducing improper payments in the Direct Loan program. In addition, the Department reported improper payment rates that exceed 10 percent for the EIA and Restart programs. As shown in Table 12, our recent improper payment audits identified opportunities for improvement in multiple areas.

Table 12

Results of Recent OIG Statutorily Required Improper Payment Audits

FY of Department's Reporting	Complied with Reporting Requirements	Identified Concerns
2020	No	<p>The Department published improper payment estimates for all five required programs. However, its estimates were unreliable because they were not statistically valid. We found that the development of these estimates included the use of nonrandom samples, unsuitable sample weighting, or inaccurate and incomplete population sampling frames.</p> <p>We also found that the Department's improper payment risk assessment process needs strengthening. Specifically, the risk assessment performed for one program did not adequately support the Department's conclusion regarding its level of improper payment risk and the risk assessment the Department conducted on its contracts management activity was incomplete.</p>
2019	Yes	The Department published improper payment estimates for the Pell, Direct Loan, EIA, Restart, and Emergency Assistance to Institutions of Higher Education programs as required by IPERA. However, we found that the published estimates for three of these programs were unreliable because the methodologies used to develop them were not statistically valid.
2018	Yes	The Department reported inaccurate and incomplete information regarding the amounts of identified and recaptured improper payments in its FY 2018 Agency Financial Report. As a result, we could not accurately evaluate the Department's performance in recapturing improper payments for its programs and activities.

Other audit work has identified potential improper payments in the student financial assistance programs and by SEAs and LEAs. Our semiannual reports to Congress from April 1, 2018, through March 31, 2021, included more than \$20 million in questioned costs from audit activity and more than \$81 million in restitution payments ordered from investigative activity. These examples demonstrate that there may be other potential opportunities for the Department to identify and prevent improper payments.

Ongoing and Planned Work

Planned projects include our annual review of the Department's compliance with the improper payment reporting requirements and its efforts to prevent and reduce improper payments. We will also complete the required risk assessment of the Department's purchase card program and, if deemed necessary, conduct an audit of Department purchase card transactions. Our planned activities for FY 2022 include multiple projects involving grant recipients where improper payments could be identified.

Progress in Meeting the Challenge

The Department stated that it continued to prioritize efforts to ensure payment integrity and minimize improper and unknown payments across all programs in FY 2021. The Department noted that collaboration between financial management and grants administration staff facilitated its implementation of PIIA compliance activities. According to the Department, increased sophistication in estimation, detection, and data collection activities helped it to expeditiously identify and resolve improper payments.

The Department identified numerous activities in response to this challenge that included improvements relating to its improper payment estimate for the EIA program. The Department further noted that it implemented enhanced quality control procedures over FSA's improper payment estimation process to ensure the completeness and accuracy of data and calculations used in the estimates. The Department also stated that it developed improper payment training for staff and refined its Payment Integrity Monitoring Application, a digital tool used to detect anomalies in grants payment data.

What the Department Needs to Do

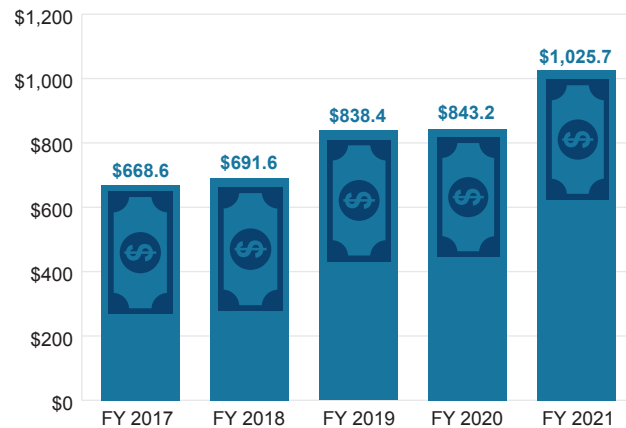
As the Department continues to work to improve its payment integrity initiatives, it is important that the Department ensures that its estimation methodologies for the programs deemed susceptible to significant improper payments produce statistically valid improper payment estimates. In addition, the Department needs to properly implement its enhanced quality control procedures over its improper payment estimation process. The OIG has not assessed the Department's FY 2021 estimation methodologies or the accuracy and validity of the Department's estimates. The OIG will review the accuracy and validity of these measurements as part of the FY 2021 PIIA audit. This is an annual focus of the OIG's work, and we will continue to monitor and report on the Department's progress on this Management Challenge Area.

MANAGEMENT CHALLENGE 5— INFORMATION TECHNOLOGY SECURITY

The Department's systems house millions of sensitive records on students, their parents, and others, and are used to process billions of dollars in education funding. These systems are primarily operated and maintained by contractors and are accessed by thousands of authorized people (including Department employees, contractor employees, and other third parties such as school financial aid administrators). As shown in Figure 14, as of September 30, 2021, the Department reported more than \$1 billion in total information technology (IT) spending for FY 2021.

Figure 14

Department Total IT Spending FY 2019–2021 (Dollars in Millions)



Source: Department of Education IT Agency Summary, ITDashboard.gov, as of September 30, 2021.

Through the Office of the Chief Information Officer (OCIO), the Department monitors and evaluates the contractor-provided IT services through a service-level agreement framework and develops and maintains common business solutions required by multiple program offices. OCIO is responsible for implementing the operating principles established by legislation and regulation, establishing a management framework to improve the planning and control of IT investments, and leading change to improve the efficiency and effectiveness of the Department's operations. In addition to OCIO, FSA has its own chief information officer, whose primary responsibility is to promote the effective use of technology to achieve FSA's strategic objectives through sound technology planning and investments, integrated technology architectures and standards, effective systems development, and production support.

The Federal Information Security Modernization Act of 2014 (FISMA) requires the OIG to assess the effectiveness of the agency's information security program. FISMA mandates that this evaluation includes (1) testing of the effectiveness of information security policies, procedures, and practices of a representative subset of the agency's information systems and (2) an assessment of the effectiveness of the information security policies, procedures, and practices of the agency.

Why This Is a Challenge

In light of increased occurrences of high-profile data breaches (public and private sector), the importance

of safeguarding the Department's information and information systems cannot be understated. Protecting this complex IT infrastructure from constantly evolving cyber threats is an enormous responsibility and challenge. Without adequate management, operational, and technical security controls, the Department's systems and information are vulnerable to attacks. Unauthorized access could result in lost data confidentiality and integrity, limited system availability, and reduced system reliability. For the last several years, IT security audits and financial statement audits have identified security controls that need improvement to adequately protect the Department's systems and data.

Audits Involving IT Security

Our recent reports on the Department's compliance with FISMA, performed by the OIG with contractor assistance, noted that the Department and FSA made progress in strengthening their information security programs. However, as shown in Table 13, our recent FISMA audits included audit findings across all five cybersecurity framework security functions developed by the Council of the Inspectors General on Integrity and Efficiency, OMB, and the Department of Homeland Security and within each security function's related metric domains. Our FY 2018 through FY 2020 FISMA audits concluded that the Department and FSA were not effective in any of the five security functions (Identify, Protect, Detect, Respond, and Recover) and we had findings in all eight metric domains.

Table 13

Results of OIG FISMA Audits—Cybersecurity Framework Security Functions and Metric Domains with Audit Findings

FY	Identify: Risk Management	Protect: Configuration Management	Protect: Identity and Access Management	Protect: Data Protection and Privacy	Protect: Security Training	Detect: Information Security Continuous Monitoring	Respond: Incident Response	Recover: Contingency Planning
2020	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding
2019	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding
2018	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding

Each of our recent FISMA reports recommended ways the Department and FSA could increase the effectiveness of their information security program so that they fully comply with all applicable requirements. Our FY 2020 FISMA audit specifically noted that the Department and FSA could strengthen their controls in several areas, examples of which are identified in Table 14.

Table 14

Results of the OIG's FY 2020 FISMA Audit—Examples of Areas where Controls can be Strengthened

Metric Domain	Areas Where Controls can be Strengthened
Risk Management	<ul style="list-style-type: none"> Remediation process for Plan of Action and Milestones. IT inventory reporting. Required IT security clauses for contracts.
Configuration Management	<ul style="list-style-type: none"> Use of unsecure connections and appropriate application connection protocols. Reliance on unsupported operating systems, databases, and applications in its production environments.
Identify and Access Management	<ul style="list-style-type: none"> Removing access of terminated users to the Department's network and database management.
Incident Response	<ul style="list-style-type: none"> Timely reporting of incidents. Ensuring data loss prevention tools work accordingly.

We noted that until the Department improves in these areas, it cannot ensure that its overall information security program adequately protects its systems and resources from compromise and loss. We made recommendations to help the Department and FSA fully comply with all applicable requirements.

Recent audits of the Department's financial statements, performed by an independent public accountant with OIG oversight, have repeatedly identified IT controls as a significant deficiency. In its FY 2020 report, the independent public accountant noted that the Department and FSA management demonstrated progress implementing corrective actions to remediate some prior-year deficiencies. However, they reported that management had not fully remediated prior-year deficiencies in areas such as logical access administration, separated or transferred user access removal, user access reviews and recertification, and configuration management. In addition, control deficiencies were reported for FY 2020 covering security management, segregation of IT duties, application change control, and logical access. As a result, the independent public accountant also reported that entity level controls were not designed and implemented appropriately to remediate identified internal control deficiencies in a timely manner. The independent public accountant concluded that ineffective IT controls increase the risk of unauthorized use, disclosure, disruption, modification, or destruction of information and information systems that could impact the integrity and reliability of information processed in the associated applications.

Our investigative work in this area identified a fraud scheme targeting borrowers of Federal student financial assistance funds. The participants in this scheme feigned associated with the Department and, without authority to do so, guaranteed the borrowers enrollment in programs that would lower their monthly payments and result in loan forgiveness. The participants obtained and used borrowers' personal identifying information to access and make changes to their FSA accounts without their consent. The impacted borrowers paid—or were scheduled to pay—upfront fees and additional monthly fees to the participants for services that Federal loan servicers provide at no cost. We also found that most borrowers believed that their payments to the participants would be applied toward their student loan debt, but they were not. This caused many of the borrowers to stop making monthly payments on their student loans, which resulted in late

payment notifications, increased loan balances, and sometimes, defaulting on their student loans.

Planned projects in this area will determine whether the Department's and FSA's overall IT security programs and practices were generally effective as they relate to Federal information security requirements.

Progress in Meeting the Challenge

The Department identified numerous advancements in its IT security program in response to this challenge. The Department stated that it took a comprehensive approach to addressing this area and cited improvements in areas that included its technological capabilities and internal controls.

With respect to its technological capabilities the Department noted activities that included a major infrastructure upgrade that enhanced the security posture of its hosting environments. The Department also stated that took steps to improve its email security, expanded its Virtual Private Network capacity to effectively support its remote workforce during the pandemic, and delivered an alternative multi-factor authentication solution to provide continuity of critical business functions.

Regarding internal controls, the Department stated that it enhanced quality control standard operating procedures and checklists to ensure security incidents are consistently reported within required timeframes, consistently categorized, and include correct elements. The Department also noted that it worked to ensure its security assessment activities continue to align with Department of Homeland Security standards and conducted proactive outreach to employees regarding increased phishing and other cybercriminal scams.

The Department cited additional improvements that included establishing an Information Communications Technology Supply Chain Risk Management program, a Zero Trust strategic implementation plan, and Vulnerability Disclosure Policy that provides an open channel and legal safe harbor to engage external partners in discovering and reporting vulnerabilities.

What the Department Needs to Do

Managing IT security programs and practices to effectively reduce risk to the Department's operations is a clear and ongoing management challenge. The Department relies on IT to manage its core business operations and deliver

products and services to its many stakeholders. The OIG has consistently reported concerns regarding the overall effectiveness of the Department's IT security program through our annual FISMA audits, financial statement audits, and management challenges reports.

While we commend the Department for its efforts to address weaknesses and improve its IT security program, we continue to identify significant weaknesses in our annual FISMA audits—despite the Department's reported corrective actions to address our prior recommendations. It is critical that the Department focus on the timely and successful implementation of corrective actions in response to our audit work. The Department also needs to continue its efforts to develop and implement an effective system of IT security controls, particularly in the areas of configuration management, identity and access management, data protection and privacy, and incident response.

The Fiscal Year 2021 Inspector General metrics include a new Supply Chain Risk Management domain within the Identify function area. However, since the new domain

references Supply Chain Risk Management criteria in the National Institute of Standards and Technology Special Publication 800-53, revision 5, to provide agencies with sufficient time to fully implement it, the new metric was not considered for the purposes of the Identify framework function rating and was included for informational purposes only. However, past audit work identified deficiencies in this security area, and it presents a significant challenge to the Department as they address critical weaknesses.

Our FISMA audits will continue to assess the Department's efforts within this area, and IT security will remain a management challenge until our work corroborates that the Department's system of controls achieves expected outcomes. To that end, the Department needs to effectively address deficiencies, continue to provide mitigating controls for vulnerabilities, and implement planned actions to correct weaknesses.

DEPARTMENT COMMENTS



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF FINANCE AND OPERATIONS

November 2, 2021

TO: Sandra D. Bruce
Acting Inspector General
U.S. Department of Education

FROM: Denise L. Carter
Denise L. Carter
Acting Assistant Secretary
Office of Finance and Operations

SUBJECT: Response to Office of Inspector General Draft Report, "U.S. Department of Education FY 2022 Management Challenges"

Thank you for the opportunity to provide input on the Office of Inspector General (OIG) draft report, *U.S. Department of Education (Department) Fiscal Year (FY) 2022 Management Challenges*.

The Department values the OIG's perspective on risks and vulnerabilities related to programs and operations. Similar to last year's report, the inclusion of five challenges in areas of Implementing Pandemic Relief Laws; Oversight and Monitoring; Data Quality and Reporting; Improper Payments; and Information Technology Security are well-aligned with the Department's own assessment of enterprise risks and respective targeted management efforts.

The Department continues to navigate the challenges of serving the public through a pandemic, and we are pleased to report several significant steps to address the identified challenges. This memo contains a summary of the Department's progress in meeting each of the five challenges, organized by challenge title.

Attached, you will find a supplemental document that provides proposed technical corrections to other sections of the draft report.

We look forward to continued communication and collaboration on these issues.

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The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

DEPARTMENT COMMENTS

CHALLENGE 1: IMPLEMENTING PANDEMIC RELIEF LAWS**New Grant Programs and Additional Federal Education Funds; Data Quality**

Congress passed multiple COVID-19 relief bills in FY 2020 and FY 2021 (i.e., the Coronavirus Aid, Relief, and Economic Security Act of 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, and the American Rescue Plan Act of 2021 that provided a total of \$282.3 billion in education-related assistance to prevent, prepare for, and respond to the COVID-19 emergency. The Department took comprehensive steps to ensure appropriate interpretation of the legislations' requirements and subsequent policy and operational implications.

The Office of Finance and Operations and the Office of Planning, Evaluation, and Policy Development coordinated Department efforts to successfully award an extraordinary number and size of COVID-19 relief awards on expedited grantmaking timelines on top of the ongoing administration of the agency's \$70+ billion annual portfolio of existing programs. Additional collaborations with Congressional Appropriations Committee staff and the Office of Management and Budget (OMB) helped ensure statutory requirements and program implementation priorities were met. The Department also participated in several accountability engagements with the OIG and the Government Accountability Office regarding the implementation of the pandemic relief laws, the programs that manage and execute the requirements, and the overall stewardship of the appropriations.

To address the additional administrative, monitoring, and oversight workload associated with administering the pandemic relief funding, the Department strategically leveraged the COVID-19 excepted service hiring authority, per the Office of Personnel Management, to augment staffing resources for the Office of Postsecondary Education and the Office of Elementary and Secondary Education.

To ensure effective and timely support to eligible applicants, grantees, and stakeholders while also balancing the need for high quality data collection and reporting processes, the Department implemented several strategies including:

- Establishing structured processes for data collection and reporting;
- Implementing preventative funds control measures for accurate tracking and reporting of funds in real time;
- Adopting risk-based approaches to administering program funding and comprehensive monitoring;
- Providing regulatory flexibilities, training, written guidance, webinars, direct technical assistance to new grantees;
- Reducing burdensome data collections, thorough progress reviews, and clear and transparent reporting (via the Education Stabilization Fund (ESF) Transparency Portal launched in November 2020). The Public Transparency Portal allows the Department to track performance, hold grantees accountable, and provide transparency to taxpayers and oversight bodies;
- Issuing early and comprehensive communications to grantees outlining clear data quality and timing expectations; and
- Working with OMB to ensure relevant programs were included in the 2021 Compliance Supplement, which issues guidance relied upon by independent third-party auditors who review or audit federal programs and negotiate "high-risk" designations for these programs.

Lessons learned from the initial ESF grantee data collection experience significantly informed the processes for the year two annual collection. Through these collections, the Department will be better able to assess the use of funds, providing visibility into the equitable recovery of schools and students as well as the capacity to promote learning.

Student Financial Assistance Program Requirements; Data Quality

The COVID-19 relief legislation and administrative actions also provided support for student loan borrowers primarily by suspending nearly all federal loan payments until January 31, 2022, interest free. The Department also stopped all federal wage garnishments and collection actions, as well as interest accrual, for borrowers with federally held loans in default.

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In addition to COVID-19 relief, the Department provided targeted relief to thousands of borrowers by cancelling \$11.5 billion of loans using authority previously authorized by Congress. The targeted beneficiaries include those who were:

- Qualified for total and permanent disability discharge.
- Defrauded by failed for-profit schools.
- Deployed to war zones (soldiers).
- Denied eligibility previously for forgiveness under the Public Service Loan Forgiveness Program.

The Department automatically placed all borrowers in administrative forbearance status, which allowed them to temporarily stop making monthly loan payments. Once the payment suspension period ends on January 31, 2022, all non-defaulted borrowers in the federal student loan portfolio will be in a current repayment status. Federal Student Aid (FSA) closely tracks data related to repayments to identify the impact of borrowers' decisions regarding repayment to understand current revenue and cost to the federal government. FSA refunded more than 99% of involuntary payments made by borrowers with defaulted loans who were subject to having certain Treasury payments offset or wages garnished. Additionally, FSA worked with loan servicers to ensure all eligible borrowers received personalized communications informing them of the changes.

CHALLENGE 2: OVERSIGHT AND MONITORING

Student Financial Assistance Programs

FSA improved oversight and monitoring of institutions of higher education (IHEs) participating in Title IV programs. In doing so, FSA worked to address weaknesses in the single audit process to improve its use as an oversight and monitoring tool for IHEs' disbursements of Pell Grants and Direct Loans. They additionally deployed an analytical model to continually monitor partner data and performance, thus improving the ability to identify IHEs most at-risk and allow more effective use of oversight resources by informing and prioritizing support for IHEs.

Over the next several years, the Department will implement additional risk-based procedures to evaluate an accrediting agency's ability to effectively determine and

measure IHE compliance with accreditation standards and to identify accrediting agencies at higher risk of failing to meet statutory and regulatory requirements and additional procedures to prioritize oversight of those higher-risk agencies.

FSA implemented an improved model for verification selection and evaluation of data elements from the FAFSA that allows the Department to better identify applicants for whom errors will result in a change in their federal aid award, potentially reducing improper payments.

The President signed the Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act in December 2019, which will help ensure the accuracy of income information used for determining Pell Grant eligibility. One of the primary causes of improper payments in the Pell Grant program is failure to accurately verify financial data. The FUTURE Act provides an exception to the Department of Education from restrictions of Section 6103 of the Internal Revenue Code to allow the Department to receive income tax data more easily from the Internal Revenue Service (IRS). Implementation of the FUTURE Act began in FY 2020 and will continue through FY 2023. FSA has organized implementation into three phases:

1. Establishing FSA's ability to request and receive certain Federal Tax Information from the Internal Revenue Service through the FUTURE Act Direct Data Exchange;
2. Updating FSA systems and processes to enable the provisions of the FUTURE Act; and,
3. Working with FSA's partners—schools, state agencies, and designated scholarship organizations—as they update their systems and processes to fully implement the FUTURE Act.

Grantee Oversight

The Department continued to prioritize enhancing processes related to grant oversight and monitoring to achieve positive program outcomes. Recent innovative initiatives, process overhauls, and technology improvements further strengthened and modernized the grants administration process. During FY 2021, the Department continued to expand these efforts with a

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critical emphasis on capacity building of and collaboration across grants staff to boost oversight and monitoring practices and effective stewardship of taxpayer funded investments. Several strategic efforts facilitated the swift response to the COVID-19 pandemic and associated administration of relief funding:

- Assessing the standard grantmaking process to identify opportunities to create operating efficiencies and increase program effectiveness through cross-POC coordination and information sharing;
- Establishing new virtual monitoring and support approaches for discretionary and formula grant programs;
- Developing and implementing comprehensive in-house training resources;
- Enhancing pre-award risk assessments by adding contextual information on individual grantees relative to parent institutions;
- Implementing a grants management acquisition program that includes post-award monitoring support;
- Leveraging contract support to increase online training resources for grantees, including key areas of risk such as Subrecipient Monitoring;
- Ensuring data systems effectively collect grantee data, analyze performance, detect risk, report progress, and serve as a catalyst for continuous improvement to all aspects of grant operations and program monitoring;
- Awarding a contract for the G5 Modernization Initiative to develop a modern, modular, secure, and user-friendly G5 grants management system to support the range of stakeholder needs throughout the grant lifecycle; and,
- Partnering with the Department of Health and Human Services to pilot emerging solutions that could further strengthen and streamline future risk-based monitoring strategies.

CHALLENGE 3: DATA QUALITY AND REPORTING

The Department is committed to improving access, use, and dissemination of meaningful education data while protecting privacy. Doing so enables the Department to provide education stakeholders with timely and accurate information to inform decisions.

In FY 2021, the Department took numerous steps to address this challenge and emphasize a strong commitment to protecting student's education data both within the agency and at educational institutions by:

- Establishing a holistic agencywide framework that formalized data management functions through new Data Governance Policies to support data maturation across the Department (Data Governance Board);
- Implementing annual Data Maturity Assessments to evaluate office data strategies, data quality assessments, and data cleansing to help determine growth and gaps, identify priority areas for improvement, and drive relevant budgetary decisions and investments that support overall data management capabilities;
- Developing a Data Quality Playbook which outlined authorities, tools, and resources for grant program managers;
- Developing a comprehensive data workforce plan to better align the workforce with functional data needs;
- Implementing process improvements related to program performance and accountability measures;
- Collaborating with the IRS to implement programmatic changes to ensure accuracy of income data used for determining Pell Grant eligibility (see Challenge #2, above).
- Engaging with nearly 1,000 schools to build capacity to improve security of student financial and privacy data;
- Conducting more than 20 outreach activities in response to breach incidents, to improve compliance with cybersecurity safeguards; and,

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- Conducting outreach to more than 500 IHEs in response to Microsoft Exchange Vulnerability to ensure awareness of the vulnerability and provide guidance for remediation or management of potential exposure.

Apart from FSA, the National Center for Education Statistics (NCES) operates the largest data collections within the agency and continues to focus on models for data quality improvement to support Department-wide program data collections. ED Facts, which contains both the statistical Common Core of Data release and data required for multiple ED programs, sought to improve the completeness and accuracy of data as well as the timeliness of submissions by K-12 state education agencies. Select FY 2021 accomplishments include the refinement of NCES data collection guidance to establish reasonable due dates and timelines for state grantees and the publication of a Business Rules Single Inventory (available to all grantees and regularly reviewed by NCES staff).

The inception of ED's OIG Management Challenges report in 2008 identified data quality as a significant challenge area, and it has remained one ever since. In August of 2021, the Department released its first Annual Evaluation Plan for FY 2022, as required by The Evidence Act, to delineate these activities. In addition to the continued deployment of the above initiatives, other foci for FY 2022 include updating the Department's Information Quality Act Guidelines and the establishment of data quality plans.

CHALLENGE 4: IMPROPER PAYMENTS

The Department continued to prioritize efforts to ensure payment integrity and minimize improper and unknown payments across all programs in FY 2021, including monitoring disaster-related programs in accordance with OMB Memorandum M-18-14. Collaborations between financial management and grants administration staff aimed to facilitate successful implementation of Payment Integrity Information Act compliance activities (e.g., improper payment estimations, as well as qualitative and quantitative improper payment risk assessments for programs and activities in scope). Increased sophistication in estimation, detection, and data collection activities helped expeditiously identify and resolve improper payments. Improvement action items included:

- Updating the methodology for the Emergency Impact Aid program and implementing written procedures regarding the processes of obtaining and validating population data including quality assurance steps to ensure the results of the test sample are calculated correctly to yield a reliable improper payment estimate;
- Establishing a process to introduce subject matter expert (SME) reviews of improper payment cases to make final determination when they cannot be resolved by the program offices;
- Developing and delivering improper payment training for staff;
- Refining the Payment Integrity Monitoring Application, a digital tool to detect anomalies in grants payment data (i.e., case management files for payment anomalies are established within the application for follow-up investigation by the Department's grants program officials to validate improper payments and determine root causes);
- Implementing enhanced quality control procedures over FSA's improper payment estimation process to ensure the completeness and accuracy of compliance audit data and calculations used in the estimates; and,
- Coordinating with OMB and the independent audit community to recommend and advocate for changes to the OMB Compliance Supplement to strengthen the quality of data used in improper payment estimates.

CHALLENGE 5: INFORMATION TECHNOLOGY SECURITY

FY 2021 advancements in the information technology security program encompass both technological capabilities as well as improvements in knowledge management and internal controls. The Department took a comprehensive approach to addressing this management challenge including:

- Establishing an Information Communications Technology (ICT) Supply Chain Risk Management (SCRM) program;

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- Releasing a strategic roadmap designed to provide a vision and action plan for the planning, preparation, implementation, and execution of ED's ICT SCRM Program;
- Establishing a Zero Trust strategic implementation plan, addressing current issues with access, including unauthorized, and siloed single point solutions for data protection;
- Publishing a Vulnerability Disclosure Policy that provides an open channel and legal safe harbor to engage external partners in discovering and reporting vulnerabilities;
- Completing a major infrastructure upgrade to improve performance, dependability, capacity, and security to enhance the security posture of our hosting environments;
- Enhancing quality control standard operating procedures and checklists to ensure incidents are consistently submitted to United States Computer Emergency Readiness Team and the OIG within the required timeframes, and are consistently categorized, and include the correct vector elements as required;
- Deploying and monitoring the Office 365 email Data Loss Prevention (DLP) capability to bolster the Department's email security;
- Ensuring the Department's security assessment activities continue to align with DHS standards;
- Mitigating operational impacts of the COVID-19 pandemic through delivery of Personal Identity Verification authentication as alternative multi-factor authentication solution providing continuity of critical business functions;
- Identified, analyzed, and recommended cloud-based solutions to provide rapid expansion of the Department's Virtual Private Network capacity to effectively support our remote workforce during the pandemic; and,
- Conducting proactive outreach to employees regarding increased phishing and other cybercriminal scams yielding a 7% average reporting rate increase this year.