



U.S. Department of Education
Office of Inspector General

The U.S. Department of Education's Awarding and Monitoring Grantees' Uses of Disaster Recovery Funds for Postsecondary Schools

September 30, 2020
ED-OIG/A09T0007



NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. The appropriate Department of Education officials will determine what corrective actions should be taken.

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**UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL**

Audit Services

September 30, 2020

TO: Robert L. King
Assistant Secretary
Office of Postsecondary Education

FROM: Bryon S. Gordon
Assistant Inspector General for Audit

SUBJECT: Final Audit Report, "The U.S. Department of Education's Awarding and Monitoring Grantees' Uses of Disaster Recovery Funds for Postsecondary Schools,"
Control Number ED-OIG/A09T0007

Attached is the subject final report on the results of our audit of the U.S. Department of Education's awarding and monitoring grantees' uses of disaster recovery funds for postsecondary schools. We received your comments agreeing with the recommendations in our draft audit report and considered them as we prepared this final report.

U.S. Department of Education policy requires that you develop a final corrective action plan within 30 days of the issuance of this report. The corrective action plan should set forth the specific action items (with targeted completion dates) necessary to address the finding and recommendations contained in this final audit report. Corrective actions that your office proposes and implements will be monitored and tracked through the U.S. Department of Education's Audit Accountability and Resolution Tracking System.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after 6 months from the date of issuance.

We appreciate the cooperation that Office of Postsecondary Education officials and employees showed us during this audit. If you have any questions, please contact me at (202) 245-6051 or Bryon.Gordon@ed.gov or Gary D. Whitman, Regional Inspector General for Audit, Chicago/Kansas City and Sacramento Audit Regions, at (312) 730-1658 or Gary.Whitman@ed.gov.

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Results in Brief

What We Did

Public Law 115-123, the Bipartisan Budget Act of 2018 (Bipartisan Budget Act), authorized funding to help postsecondary schools meet the educational needs of individuals affected by Hurricanes Harvey, Irma, and Maria and the 2017 wildfires. The law set aside \$175 million to provide discretionary grants to postsecondary schools to help defray the unexpected expenses associated with enrolling students displaced by a covered disaster or emergency and to provide emergency assistance to schools in an area directly affected by a covered disaster or emergency.

The objective of our audit was to determine whether the U.S. Department of Education (Department) designed and implemented processes to provide reasonable assurance that it awarded and monitored grantees' uses of disaster recovery funds in accordance with the Bipartisan Budget Act; "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," 2 Code of Federal Regulations (C.F.R.) Part 200 (Uniform Guidance); and Department policy.¹ Specifically, this audit covered the Department's processes for awarding and monitoring grantees' uses of Defraying Costs of Enrolling Displaced Students in Higher Education Program (Defraying Costs) and Emergency Assistance to Institutions of Higher Education Program (Emergency Assistance) funds authorized by the Bipartisan Budget Act. We assessed the design of the processes as of May 2019 and implementation of the relevant processes as of December 2019.

To accomplish our objective, we interviewed Office of Postsecondary Education (OPE) officials and employees responsible for awarding Defraying Costs and Emergency Assistance grants and monitoring grantees' uses of these funds. We also reviewed OPE's records for 26 judgmentally selected grantees—9 (50 percent) of the 18 recipients of Defraying Costs funds and 17 (25 percent) of the 67 recipients of Emergency Assistance funds. We looked for records demonstrating that OPE implemented certain preaward, award, and post-award processes prescribed by the Department's "Handbook for the Discretionary Grant Process," ([Discretionary Grant Handbook](#)) effective September 11, 2015, that were significant to our audit objective. In addition, we looked for records demonstrating that OPE implemented the risk mitigation strategies for the Defraying Costs and Emergency Assistance grants as outlined in the Department's "2018 Disaster Relief Initial Draft Internal Control Plan" ([Internal Control Plan](#)).

¹ Unless otherwise noted, all regulatory citations are to the versions in effect as of December 2014.

What We Found

The Department designed policies and procedures for awarding and monitoring discretionary grants through its Discretionary Grant Handbook. Additionally, the Department designed risk mitigation strategies specific to the Defraying Costs and Emergency Assistance programs through the Internal Control Plan. Together, these policies and procedures, as designed, should have provided reasonable assurance that the Department awarded and monitored grantees' uses of Defraying Costs and Emergency Assistance grants in accordance with the Bipartisan Budget Act, Uniform Guidance, and Department policy.

The Discretionary Grant Handbook states that program offices may modify or deviate from prescribed policies and procedures in certain cases. However, such decisions should only be made after consultation with the Office of the General Counsel. The Discretionary Grant Handbook also states that, when a decision to modify or deviate from established policies and procedures is reached, the program office should record the decision in the application technical review plan or some other location in the official grant files. OPE did not provide us with records showing that, after consultation with the Office of the General Counsel, it decided to modify or deviate from the Department's established policies and procedures.

We concluded that OPE did not implement all the relevant Discretionary Grant Handbook processes and Internal Control Plan risk mitigation strategies as designed. Specifically, OPE did not

- scrutinize costs in all applications and eliminate those costs that were unallowable;
- validate grantees' self-reported data;
- prepare appropriate terms, such as a high-risk designation and associated conditions, for any awards made to grantees it designated as high risk;
- apply its Emergency Assistance program allocation formula as designed;
- conduct post-award conferences;
- complete post-award monitoring;
- support changes made through administrative action grant award notifications; and
- retain all relevant records in official Emergency Assistance grant files.

OPE officials stated that they considered the Defraying Costs and Emergency Assistance awards to be hybrid grants. Such an interpretation was contrary to the Defraying Costs

and Emergency Assistance Application Notices,² in which the Department stated that the Defraying Costs and Emergency Assistance awards were discretionary grants.

As a result of OPE not implementing all relevant Discretionary Grant Handbook processes and Internal Control Plan risk mitigation strategies as designed, the Department improperly awarded at least \$242,232 to 7 of the 26 judgmentally selected grantees whose applications we reviewed. The Department awarded Defraying Cost grants to (1) one ineligible grantee, (2) one applicant that identified itself as both the postsecondary school receiving displaced students and the postsecondary school affected by the disaster, (3) one applicant even though the applicant omitted the required displaced student data on the postsecondary school from which the student was displaced, (4) two applicants whose applications included unallowable costs, and (5) one applicant for an amount greater than the applicant requested. The Department also awarded an Emergency Assistance grant to one applicant that used an indirect cost rate that was different than the indirect cost rate established for the program. In addition, the Department did not have reasonable assurance that grantees used grant funds only for allowable, reasonable, and necessary activities and items.

What We Recommend

We recommend that the Assistant Secretary for Postsecondary Education ensure that OPE (1) takes appropriate actions to correct the seven improper awards; (2) reviews the applications that were not part of our audit and takes appropriate actions to correct any instances of unallowable, unreasonable, or unnecessary activities or items; (3) reviews its files and ensures that all post-award activities are completed and recorded in the official grant files for all Defraying Costs and Emergency Assistance grantees; (4) implements all preaward, award, and post-award processes described in the Discretionary Grant Handbook or documents the decision to modify or deviate from selected processes in the official grant files for all future special discretionary grant awards; and (5) identifies any records retained outside OPE's official grant files and ensures those records are placed in the official grant files for each Emergency Assistance grantee.

² "Applications for New Awards; Bipartisan Budget Act of 2018—Emergency Assistance to Institutions of Higher Education Programs" and "Applications for New Awards; Bipartisan Budget Act of 2018—Defraying Costs of Enrolling Displaced Students Programs," 83 Federal Register 19550–19555, (May 3, 2018) (Application Notices).

OPE Comments

OPE acknowledged that it did not always follow the policies and procedures in the Discretionary Grant Handbook when awarding grants and monitoring grant activities under the Defraying Costs and Emergency Assistance programs. It stated that awards were made only after the Department’s clearance process was completed. This clearance process included reviews by the Department’s Budget Office and the Office of the General Counsel.

OPE agreed with all five recommendations. Regarding the first recommendation, OPE stated that it did not approve the indirect cost rate for one Emergency Assistance grant as described in the report. For the remaining six grantees, OPE stated that it made corrections to the awards and recorded those corrections in G5. OPE stated that it will implement the other four recommendations and provided an estimated completion date of December 15, 2020, for three of them.

We summarize OPE’s comments and provide our responses at the end of the finding. The full text of OPE’s comments is included at the end of this report (see “[OPE Comments](#)”).

Office of Inspector General Response

We did not make any changes to the finding or recommendations. During our audit, OPE’s official files for the seven grantees did not include any records showing that OPE identified and resolved the discrepancies described in the finding. In response to the draft of this report, OPE did not provide any records to support the statement that the one award was proper or that it corrected the other six improper awards and notified the grantees of the revised award amounts.

Introduction

Background

The Bipartisan Budget Act was signed into law on February 9, 2018, authorizing funds to help postsecondary schools meet the educational needs of individuals affected by Hurricanes Harvey, Irma, and Maria and the 2017 wildfires. The law set aside \$75 million to help defray the unexpected expenses associated with enrolling displaced students who attended postsecondary schools disrupted by a covered disaster or emergency. The law also set aside \$100 million to help postsecondary schools and students attending postsecondary schools in an area directly affected by a covered disaster or emergency. Funds authorized by the law were to remain available through September 30, 2022.

The Department invited applications for the Defraying Costs program and preapplications and applications for the Emergency Assistance program on May 3, 2018. The Department stated that it would allocate Defraying Costs funds during fiscal year 2018 to schools that enrolled displaced students during academic year 2017–2018. The Department also stated that schools receiving Emergency Assistance funds had 24 months from the award date to use the funds.

Defraying Costs Program

To receive funds, postsecondary schools had to submit an application that described their activities and unexpected expenses associated with enrolling qualifying displaced students and the total amount of aid requested. The application also had to describe the steps that the applicant was taking to account for the funds and to ensure that it used the funds in compliance with statutory requirements. Additionally, the application had to include a list of the qualifying displaced students whom the applicant enrolled.

According to the Application Notice,³ only the costs of tuition, fees, and room and board were allowable. The Department stated that it would consider the following factors in allocating Defraying Costs funds:

- total amount of tuition waived, not including any portion covered by Federal, State, or private aid, for qualifying displaced students;
- total amount of fees waived, not including any portion covered by Federal, State, or private aid, for qualifying displaced students;

³ Page 19554.

- total amount of room and board costs incurred by the applicant, not including any portion covered by Federal, State, or private aid, to enroll qualifying displaced students; and
- funds already received by the applicant to help defray the unexpected costs of enrolling qualifying displaced students.

The Department established three application submission deadlines. After evaluating the information in the applications submitted by each deadline, OPE employees prepared a funding slate and an accompanying transmittal memorandum. Each funding slate included, among other things, a table showing the name of the applicants to be funded and the proposed funding amount for each applicant. Each transmittal memorandum contained background information on the grant program, a description of the application review process, special information or issues encountered during the review process, funding allocation recommendations, and risk assessment information about each applicant recommended for funding. Department employees based their funding allocation recommendations on the total amount of tuition, fees, and room and board that the applicants waived or incurred to enroll qualifying displaced students during academic year 2017–2018. The first funding slate included 10 grantees. The second funding slate included five grantees. The third funding slate included three grantees. As of April 23, 2020, the Department had awarded 18 grantees about \$7 million (9 percent) of the \$75 million available for the Defraying Costs program.

Emergency Assistance Program

Postsecondary schools intending to apply for funds under this program first had to submit a preapplication data information form. This form had to include information about (1) expenses incurred to remedy the effects of the disaster or emergency, (2) funds received from other sources, (3) expenses incurred to serve homeless students, and (4) percentage of operations affected by the disasters or emergencies. The Department used the information in the preapplication data information forms to calculate each postsecondary school's equitable share of the \$100 million available for the Emergency Assistance program.

In the Application Notice, the Department stated that, to the extent possible, it would prioritize postsecondary schools incurring costs to serve students who were homeless or at risk of being homeless as a result of displacement and postsecondary schools sustaining extensive damage from a covered disaster or emergency. It also established the following criteria for determining each postsecondary school's equitable share allocation:

- expenses incurred to remedy the effects of the covered disaster or emergency, including expenses for construction and reconstruction associated with physical damage caused by the covered disaster or emergency;
- amount of any insurance settlement or other funds received from any source, including a Federal or other relief agency, related to remedying the effects of covered disaster or emergency; and
- the need for the proposed project, including the magnitude and severity of the problem to be addressed by the proposed project.

After the Department calculated each postsecondary school's equitable share and notified it of the expected allocation, the postsecondary school had until August 1, 2018, to submit an application. The application had to include fiscal, transparency, and reporting assurances; the applicant's plans for using the funds; and four other assurances and certifications stating that the applicant would comply with Federal requirements.

The Department established two rounds of funding based on when it received each applicant's preapplication data information form. For each round of funding, Department employees prepared a funding slate and an accompanying transmittal memorandum. The first funding slate included 47 grantees. The second funding slate included 23 grantees. Department employees derived their funding allocation recommendations by applying a flat rate of 25 percent to the applicant's total reported disaster recovery expenses. As of April 23, 2020, the Department had awarded about \$96 million (96 percent) of the \$100 million available for the Emergency Assistance program.

Grantees could use Emergency Assistance funds for any purpose authorized under the Higher Education Act of 1965, as amended, provided they used the funds for activities directly related to mitigating the effects of a covered disaster or emergency. Emergency Assistance funds could also be used for student financial assistance, faculty and staff salaries, equipment, and student supplies and instruments.

Administering Discretionary Grant Programs

OPE's role within the Department is to promote reform, innovation, and improvement in postsecondary education and to promote and expand access to postsecondary education. Within OPE, the Higher Education Programs division is responsible for administering discretionary grants. The Higher Education Programs, Student Service unit administered the Defraying Costs program, and the Institutional Service unit administered the Emergency Assistance program.

Uniform Guidance covers the requirements agencies must follow when awarding and monitoring Federal grants. It addresses preaward and award processes, such as application review, risk determinations, and specific conditions on grantees. Uniform Guidance also covers post-award requirements, such as monitoring the use of Federal grant funds, collecting financial data from Federal grant recipients, and measuring recipient performance against goals and milestones.

The [Discretionary Grant Handbook](#) prescribes the preaward, award, and post-award processes that Department offices are to follow when administering discretionary grants. The [Internal Control Plan](#) prescribed strategies that Department offices were to implement to mitigate the risks specific to disaster relief funds authorized by the Bipartisan Budget Act.

Department policy requires each component to conduct a risk assessment before awarding a discretionary grant. OPE's risk assessment involves screening all active grantees before the start of the fiscal-year grant-making cycle. OPE designates as high risk any applicant that met one or more of the following five risk factors:

- the Department's entity risk review flagged the grantee as having significant potential risk;
- an Office of Management and Budget Circular A-133 audit was missing;
- the Department's high-risk report included the grantee;
- the Department's Grants Management System (G5) flagged the grantee as red, signifying noncompliance with program requirements or indications of risk based on the knowledge and experience of OPE program specialists responsible for managing grants; or
- an adverse actions report, which captured information about changes in accreditation status, showed the grantee as no longer accredited, or showed the grantee with serious issues.

Funding slate transmittal memoranda noted any applicants that OPE identified as high risk.

Finding. The Department Designed but Did Not Always Implement Policies and Procedures for Awarding and Monitoring Grantees' Uses of Disaster Recovery Funds

The Department designed policies and procedures that, if implemented as designed, should have provided reasonable assurance that it awarded and monitored grantees' uses of Defraying Costs and Emergency Assistance funds in accordance with the Bipartisan Budget Act, Uniform Guidance, and Department policy. However, we found that OPE did not implement all the relevant processes as designed.

OPE did not implement all relevant Discretionary Grant Handbook processes and Internal Control Plan risk mitigation strategies because OPE officials considered the Defraying Costs and Emergency Assistance awards to be hybrid grants. However, such an interpretation was contrary to the Application Notices,⁴ in which the Department stated that the Defraying Costs and Emergency Assistance awards were discretionary grants.

OPE not following the Department's established processes resulted in improper awards. We reviewed the official files for 26 (31 percent) of the 85 Defraying Costs and Emergency Assistance grantees. We found that OPE made errors resulting in improper awards totaling at least \$242,232 being made to 7 of the 26 grantees.

The Department Designed Policies and Procedures to Provide Reasonable Assurance of Compliance with Federal Requirements

The Department's Discretionary Grant Handbook describes the internal policies and procedures that Department offices should use to carry out discretionary grant functions. The Discretionary Grant Handbook applies to all offices responsible for administering discretionary grants. Among other things, offices must

- thoroughly review each applicant's project activities and budgets before making funding recommendations (Section 4.2.1, number 2);
- eliminate unallowable items from an applicant's project or requested funding level (Section 4.2.1, number 6c);
- scrutinize the direct costs in a grantee's application (Section 4.4.14);

⁴ Pages 19550 and 19553.

- prepare appropriate terms, such as a high-risk designation and associated conditions, for awards to high-risk grantees (Section 4.8.1);
- create and maintain, for each applicant awarded a grant, an official file that includes the correspondence, decisions, and any other records relevant to the grant throughout its life cycle (Section 4.11);
- hold a post-award conference within 30 days of the award and document the conference and all subsequent contacts with the grantee in the official file (Section 5.2.1);
- focus monitoring activities on technical assistance, continuous improvement, and promised results (Section 5.3.2);
- conduct regular monitoring of a grantee's activities to measure project quality and progress (Section 5.3.3);
- develop the most appropriate form of monitoring, such as site visits, telephone reviews, reports, milestone evaluations, written communication, or electronic methods (Section 5.3.6, number 1);
- create detailed records of all monitoring activities, contact with grantees, and information gathered (Section 5.3.6, number 3);
- document all monitoring activity in the official file (Section 5.3.12); and
- document all changes in key grantee personnel (Section 5.5.2).

In addition to the Discretionary Grant Handbook, the Internal Control Plan covered the Department's risk mitigation strategies relevant to the disaster relief programs authorized by the Bipartisan Budget Act. The plan's sections for the Defraying Costs and Emergency Assistance programs stated that risks associated with these grants should be mitigated by

- resolving identified audit findings,
- completing a formal risk assessment,
- developing a monitoring plan to respond to identified risks,
- ensuring funds awarded to the U.S. Virgin Islands were managed by the Department-imposed third-party fiduciary agent,
- reviewing supporting documentation for allowable use of funds,
- requesting a waiver for extending the period for use of the funds,
- monitoring expenditures in G5 on a quarterly basis,

- providing written guidance to grantees for the supplement-not-supplant requirement, and
- validating self-reported data submitted in the grantee’s application.

We concluded that, if implemented as designed, the Discretionary Grant Handbook processes and Internal Control Plan risk mitigation strategies should have provided reasonable assurance that the Department awarded and monitored grantees’ uses of Defraying Costs and Emergency Assistance funds in accordance with the Bipartisan Budget Act of 2018, Uniform Guidance, and Department policy.

OPE Did Not Implement All Relevant Policies and Procedures as Designed

The Discretionary Grant Handbook states that Department offices may modify or deviate from the prescribed policies and procedures in certain cases. However, such decisions should be made only after consultation with the Office of the General Counsel. Additionally, the Discretionary Grant Handbook states that when a decision to modify or deviate from established policies and procedures is reached, the decision should be recorded in the application technical review plan or some other location in the official grant files. OPE did not provide us with any records showing that it decided to modify or deviate from the standard preaward, award, and post-award processes or that it developed any alternative processes in place of those in the Discretionary Grant Handbook.

We concluded that OPE did not implement all the relevant processes prescribed by the Discretionary Grant Handbook and the Internal Control Plan. Specifically, OPE did not

- scrutinize Defraying Costs and Emergency Assistance applicants’ costs and eliminate unallowable costs,
- validate Defraying Costs and Emergency Assistance applicants’ self-reported data,
- place appropriate terms and conditions on each high-risk Defraying Costs and Emergency Assistance award,
- correctly apply its Emergency Assistance program allocation formula,
- conduct post-award conferences with or complete post-award monitoring of Defraying Costs and Emergency Assistance grantees, or
- retain all relevant records in official Emergency Assistance grant files.

Scrutinizing Applications and Eliminating Unallowable Costs

OPE did not provide us with records demonstrating that it scrutinized all grant applications and eliminated any unallowable costs that were identified. OPE employees told us that they reviewed the Defraying Costs and Emergency Assistance applications to identify unallowable costs. However, OPE provided us with only a spreadsheet that summarized information about the completeness of Defraying Costs applications. In a draft version of this spreadsheet, OPE employees had entered comments such as “Listed Requested Amount,” “Follow up,” and “Not Addressed.” In the final version of this spreadsheet, these comments had been removed but the spreadsheet did not explain why they were removed or whether OPE employees eliminated any unallowable costs based on their review.

The director for the Defraying Costs program told us that, in some instances, the preaward review process included OPE employees contacting applicants to ask them questions about their application data. We asked the director to provide all records relevant to the review of applications, and the director provided us with emails. One email included a concern about an application, but the information was not specific about the nature of the concern. None of the other emails that the director provided showed that OPE obtained answers to questions employees had about the application data.

For the Emergency Assistance program, none of the 17 official grant files that we reviewed included employees’ comments or records supporting OPE’s reviews of the details of the preapplication and application data. Also, except for grant award notifications, none of the files contained any correspondence with grantees that occurred during the preaward and award processes.

Validating Grantee Self-Reported Data

OPE did not validate Defraying Costs application data or Emergency Assistance preapplication and application data. For the Defraying Costs program, each applicant reported the amounts of tuition, fees, and room and board costs incurred or total amount of tuition waived, not including any portion covered by Federal, State, or private aid, for qualifying displaced students. For the Emergency Assistance program, each applicant reported the amounts already spent for disaster recovery and the amounts that had been or were to be reimbursed by insurance, other Federal agencies, or public and private donors. OPE did not obtain records, such as student account ledgers, other accounting records, invoices, and receipts, from each applicant to validate the data included in preapplications and applications.

Placing Appropriate Terms and Condition on High-Risk Grantees

OPE did not place appropriate terms and conditions in the grant award notifications for the two Defraying Costs or the seven Emergency Assistance grantees that it designated as high risk. According to the official responsible for OPE's risk assessment process, each grant officer was responsible for determining the course of action to be taken for grantees that OPE designated as high risk.

The funding slate transmittal memoranda stated that OPE would take appropriate action to mitigate the risks associated with designated high-risk grantees. Appropriate actions would include placing special terms and conditions on the award; establishing heightened monitoring activities, such as additional reporting and conference calls; and other activities deemed appropriate to the situation. The funding slate transmittal memoranda further stated that OPE would follow the Department's plan for mitigating improper payments and enforcing department-wide conditions that applied to all grants to the U.S. Virgin Islands and Puerto Rico. However, the grant award notifications to the nine high-risk grantees did not include any special terms or conditions. Additionally, OPE did not provide us with records showing the actions it took to mitigate the risks specific to each of the nine high-risk grantees.

Applying the Emergency Assistance Program Funding Allocation Formula

OPE did not always correctly apply its Emergency Assistance allocation formula to calculate grantees' awards. According to the funding slate transmittal memoranda for the Emergency Assistance program, the first step in OPE's allocation formula was to calculate total expenses using

- expenses already incurred by the applicant in remediation of the effects of the covered disasters or emergencies,
- estimated construction or reconstruction costs to repair or replace buildings damaged or destroyed by the covered disasters or emergencies, and
- additional expected expenses, for any purpose authorized under the Higher Education Act, that are not included in the prior categories.

The second step was to subtract the expenses that would be or had been reimbursed by insurance, other Federal agencies, and all public and private donors of any kind (other than the applicant itself) from the expenses calculated in the first step. The third step was to apply a flat rate of 25 percent to the total expenses calculated in the second step to obtain the amount that OPE planned to award.

We judgmentally selected 17 of the 67 Emergency Assistance grantees that had submitted applications and received awards. OPE did not correctly apply its Emergency Assistance allocation formula to calculate 10 grantees' awards. For each of these 10 grantees, OPE calculated the award amount without deducting the expenses that would be or had been reimbursed by insurance, other Federal agencies, and all public and private donors of any kind. The official grant files did not include any records explaining why OPE did not deduct \$17.2 million in expenses for which these 10 grantees would be or had been reimbursed.

Conducting Post-award Conferences and Completing Post-award Activities

Defraying Costs Program

We reviewed OPE's official files for nine Defraying Costs grantees and found that OPE did not conduct post-award activities in accordance with the Department's Discretionary Grant Handbook and Internal Control Plan. Specifically, OPE did not

- conduct post-award conferences with any of the nine grantees;
- complete post-award monitoring of any of the nine grantees;
- develop a monitoring plan to address and respond to risks identified for two high-risk grantees;
- review records to determine whether five grantees' expenditures were reasonable, necessary, and allocable under the program;⁵
- monitor grantees to mitigate the risks of improper payments;
- monitor grantees for violations of the supplement-not-supplant requirements; and
- monitor the time frame that grantees had to spend funds.⁶

Also, three of the nine official grant files did not include records supporting changes made through administrative action grant award notifications. In one file, OPE had a grant award notification changing the name of the grantee's authorized representative based on an email from a person who was not named as the authorized representative in the grant application. The email stated that the president of the university delegated

⁵ As of May 16, 2019, only five of the nine Defraying Costs grantees had drawn down any funds.

⁶ As of May 16, 2019, three of the nine Defraying Costs grantees had not drawn down all their funds and were approaching the end of their performance period.

authority for the grant to this official. However, the email did not include any attachments to support a delegation of authority. Contrary to the Discretionary Grant Handbook, OPE did not have any records showing that it contacted the grantee to confirm the delegation of authority.

Two other official grant files included grant award notifications changing the name of the project director. Contrary to the Discretionary Grant Handbook, neither file included a written request from an authorized representative. In one of these two files, the second grant award notification indicated that the name of the project director had changed; however, the project director name was the same as the one shown in the first notification. Also, the file did not include any records showing that an authorized representative had requested the change.

Emergency Assistance Program

We judgmentally selected 17 of the 67 Emergency Assistance grantees. OPE awarded these 17 grants from October 31, 2018, through February 19, 2019. As of November 2019, OPE had not conducted post-award conferences with or completed other post-award activities for any of the 17 grantees. OPE told us that it monitored the Emergency Assistance grantees' uses of funds. However, none of the 17 official grant files included records showing that OPE completed the post-award monitoring activities described in the Discretionary Grant Handbook.⁷ Additionally, the official grant files did not include records showing that OPE completed the post-award activities described in the Internal Control Plan. Specifically, the files did not show that OPE

- developed a monitoring plan that addressed and responded to risks identified in the formal risk assessment for seven grantees it designated as high risk;
- reviewed records to determine whether nine grantees' expenditures were reasonable, necessary, and allocable under the program;
- monitored any of the nine grantees to mitigate the risks of improper payments; or
- monitored any of the nine grantees for violations of the supplement-not-supplant requirements.

We also found that 7 of the 17 official grant files did not include records required to support changes made through administrative action grant award notifications.

⁷ As of May 16, 2019, only 9 of the 17 grantees had drawn Emergency Assistance funds.

- One file did not include a justification for including two grant award notifications with different award amounts.⁸
- One file included three grant award notifications, two changing the name of the project director and one changing the email address of the grantee. However, the grant file did not include written requests from a grantee official.
- One file included a grant award notification changing the name and email address of the grantee, the Data Universal Number System number for the award, and the name of the project director. However, the grant file did not include records explaining why the original information was incorrect.
- Four files included grant award notifications changing the name of the project directors but no written requests from any grantee officials.

Retaining All Emergency Assistance Records in Official Grant Files

The Department’s Grant Bulletin 19-01, “Official File for Discretionary Grant Programs,” states that, for all new and existing open grants, the official file must be maintained in either G5 or the Office 365 OneDrive by no later than September 30, 2019.

OPE designated G5 as its official repository for all Emergency Assistance records. We reviewed the official files for 17 Emergency Assistance grantees. We found that OPE retained application packages and grant award notifications in G5 for all 17 grantees. However, for 15 of the 17 grantees, OPE maintained other records, such as preapplications, in an email system rather than in G5.

OPE Did Not Consider the Defraying Costs and Emergency Assistance Awards Discretionary

OPE did not implement all relevant policies and procedures prescribed by the Discretionary Grant Handbook. When we informed them that the prescribed policies and procedures had not been implemented, OPE officials told us that they considered the Defraying Costs and Emergency Assistance awards to be hybrid grants, not discretionary grants. Additionally, the director of the Defraying Costs program stated that Defraying Costs funds reimbursed grantees for costs that the grantees had already incurred. Therefore, they did not require much post-award monitoring. The director

⁸ When added together, the award amounts shown on the two notifications equal the award amount shown on the funding slate. However, the Discretionary Grants Handbook requires the program office to document any change that occurs post award. The second grant award notification did not explain why OPE increased the grantee’s award.

further explained that OPE employees typically would hold post-award conference calls with grant directors on a quarterly basis. However, because the Defraying Costs grants reimbursed them for costs that they already incurred, grantees could draw down all their awarded funds at once.

Not Following Established Procedures as Designed Resulted in Numerous Errors

OPE not correctly applying its grant allocation formula might have resulted in it awarding about \$4.3 million more in Emergency Assistance funds than it should have awarded to 10 grantees.

Additionally, OPE not following the Department's established preaward and award processes resulted in improper awards. We reviewed the official files for 26 (31 percent) of the 85 Defraying Costs and Emergency Assistance grantees. We found that OPE made errors resulting in improper awards totaling at least \$242,232 being made to 7 of the 26 grantees.

- OPE improperly awarded \$32,389 in Defraying Costs funds to one ineligible applicant. In this instance, OPE prepared and issued the grant award notification to an ineligible private nonprofit corporation that contracted with the parent organization of the applicant. As of April 23, 2020, the ineligible grantee had received about 82 percent (\$26,516) of the improper award.
- OPE improperly awarded \$29,596 in Emergency Assistance funds to one grantee. The grantee received approval from the U.S. Department of Health and Human Services for an indirect cost rate of 82 percent of salaries and used the 82-percent rate in its Emergency Assistance application. OPE approved the grantee's budgeted indirect costs of \$32,796. However, the allowable indirect cost rate for the Emergency Assistance grants was 8 percent. Therefore, OPE should have approved only \$3,200 in indirect costs.
- OPE improperly awarded \$56,619 in Defraying Costs funds to one grantee that identified itself in the application as both the postsecondary school receiving displaced students and the postsecondary school affected by the disaster. This grantee listed identification numbers for 101 students whose prior postsecondary school was the same as the receiving postsecondary school.
- OPE improperly awarded \$112,021 in Defraying Costs program funds to one grantee that marked each of the costs included in its application as not applicable. The grantee's application also did not include a displaced student list showing the postsecondary school from which the student was displaced.

- OPE improperly awarded \$11,607 more than one Defraying Costs grantee requested in its application. OPE did not retain any records justifying the award of additional funds.
- OPE awarded Defraying Costs program funds to two grantees whose applications included unallowable costs. One applicant's displaced student list included nine students with a high school shown as the postsecondary school from which the student was displaced and two students with postsecondary schools from which the student was displaced that were not located in a disaster area. The second grantee's displaced student list included five students with a high school shown as the postsecondary school from which the student was displaced and seven students without any data about the postsecondary school from which the student was displaced.

In its March 30, 2018, memorandum to the heads of executive departments and agencies, the Office of Management and Budget stated that fraud risk was higher in disaster situations. Therefore, agencies must take steps to implement controls that address this increased fraud risk. By not implementing the preaward and award processes established by the Department, OPE did not address this increased fraud risk.

In addition, the Discretionary Grant Handbook states that post-award processes must address the Department's fiduciary responsibility to hold grantees accountable for Federal funds. Department offices should implement risk-based monitoring strategies to ensure that grantees manage grant funds consistent with Federal requirements.

OPE not following the Department's established post-award processes and maintaining records in different locations resulted in OPE not being able to provide assurances that grantees used grant funds only for allowable, reasonable, and necessary activities and items. OPE also could not show that disaster recovery funds were being used to accomplish the objectives of the programs.

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education ensure that OPE—

- 1.1 Takes appropriate actions to correct the improper awards made to the seven grantees whose applications we reviewed.
- 1.2 Reviews the application information for the 59 grantees that were not part of our audit and takes appropriate actions to correct any application inaccuracies and any identified instances of unallowable, unreasonable, or unnecessary activities or items resulting from OPE's review.

- 1.3 Reviews the files for all the Defraying Costs and Emergency Assistance grantees and ensures that all post-award activities are completed and recorded in the official grant files.
- 1.4 For all future special grant awards that are classified as discretionary grants, implements the processes that the Department designed for the awarding and monitoring of such grants. If OPE determines that modification of or deviation from the designed processes is needed, then it should consult with the Office of the General Counsel before making a final decision and then record the reasons for the modification or deviation in the official grant files.
- 1.5 Identifies, for each Emergency Assistance grantee, any records retained outside OPE's official grant files and ensures those records are placed in the official grant files in G5.

OPE Comments

OPE acknowledged that it did not always follow the policies and procedures in the Discretionary Grant Handbook and did not always retain clear records regarding its reviews of applications. It stated that employees assigned to the Defraying Costs and Emergency Assistance grant programs had vast experience and expertise in reviewing and administering grant programs. OPE also stated that every step in its process was developed in consultation with and approved by others in the Department. Further, OPE stated that it made awards only after the departmental clearance process was completed. The clearance process included reviews by the Department's Budget Office and the Office of the General Counsel.

OPE disagreed with the implication that it made any improper payments. However, it agreed with all five recommendations. Regarding Recommendation 1.1, OPE stated that it did not approve the incorrect indirect cost rate when it awarded the one Emergency Assistant grant. Amounts awarded to Emergency Assistance grantees were based on the amounts reported in the grantees' preapplications, not the amounts reported on the budget form that the OIG reviewed. Each grantee was awarded only a portion of the amount reported in their applications. Regarding the other six awards, OPE stated that it has made corrections to the awards and recorded those corrections in G5.

OPE stated that it will implement Recommendations 1.2, 1.3, and 1.5, by December 15, 2020.

OIG Response

We did not make any changes to the finding or recommendations. While it disagreed with the implication that it made improper payments, our audit identified seven improper awards caused by OPE not effectively implementing the procedures set forth

in the Discretionary Grant Handbook and Internal Control Plan. During our audit, we reviewed OPE's official files for the seven grantees. None of the files included any records showing that OPE identified and resolved the award discrepancies we identified.

In response to the draft of this report, OPE did not provide any records to support the statement that the one award was proper (that is, the award was based on the correct indirect cost rate) or that it corrected the other six improper awards and notified the grantees of the revised award amounts. We reviewed the award, adjustment, and available balance amounts in G5 as of September 17, 2020. The amounts were the same as recorded in G5 as of April 23, 2020. Therefore, OPE's statement that it made corrections to the awards and recorded them in G5 does not agree with the Department's official grant and payment records.

Appendix A. Scope and Methodology

To accomplish our objective, we first gained an understanding of the following law, regulations, policies, guidance, and website information relevant to our objective:

- Bipartisan Budget Act of 2018, Public Law 115-123 (February 9, 2018);
- Uniform Guidance (December 2014);
- Education Department General Administrative Regulations (December 2014);
- Office of Management and Budget memorandum M-18-14, “Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations,” (March 2018);
- Government Accountability Office, “Standards for Internal Control in the Federal Government,” (September 2014);
- “Handbook for the Discretionary Grant Process,” (September 11, 2015);
- “2018 Disaster Relief Initial Draft Internal Control Plan,” (March 12, 2018);
- U.S. Department of Education Grant Bulletin, GB#: 19-01, “The Official Grant File for Discretionary Grant Programs,” (January 2019);
- U.S. Department of Education Grant Bulletin, GB#: 19-02, “Developing, Maintaining, and Closing the Grant Program Competition File,” (January 2019);
- Defraying Costs of Enrolling Displaced Students frequently asked questions (May 2018); and
- Emergency Assistance to Institutions of Higher Education frequently asked questions (July 2018).

We then reviewed information in G5 to identify the recipients of Defraying Costs and Emergency Assistance grants. In addition, we reviewed information relevant to the two grant programs, such as the purposes of and eligibility for the programs and press releases, that the Department posted on its website. Finally, we interviewed OPE officials and employees responsible for awarding Defraying Costs and Emergency Assistance grants and monitoring grantees’ uses of those funds.

Design of Internal Control

We first obtained an understanding of all five areas of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) relevant to the Department’s awarding and monitoring grantees’ uses of

Defraying Costs and Emergency Assistance grants. We concluded that the following principles of internal control were significant to our audit objective.⁹

- Control environment—oversight structure, responsibility, and delegation of authority for and documentation of the Department’s internal control system (Principles 2 and 3).
- Risk assessment—risk identification, analysis, and related mitigation strategies specific to achieving defined objectives for disaster relief funds, including consideration of the potential for fraud (Principles 6, 7, and 8).
- Control activities—design of control activities and information systems to achieve objectives and respond to risk and policies, procedures, and practices documenting responsibilities for the discretionary grant process (Principles 10, 11, and 12).
- Information and communication—use and communication (both internally and externally) of relevant information to achieve the Department’s objectives relevant to disaster relief funds (Principles 13, 14, and 15).
- Monitoring—establishing a baseline for monitoring the Department’s internal control system over disaster recovery funds (Principle 16).

We did not identify any deficiencies in the design of the Department’s internal control over the preaward, award, and post-award processes for the Defraying Costs and Emergency Assistance grants.¹⁰

Sampling Methodology

To help us determine whether OPE implemented the Department’s preaward, award, and post-award processes for the Defraying Costs and Emergency Assistance grants that were relevant to our objective, we judgmentally selected OPE’s files for 26 (31 percent) of the 85 grantees that had received Defraying Costs or Emergency Assistance funds as of May 16, 2019. We selected 9 (50 percent) of the 18 recipients of Defraying Costs grants and 17 (25 percent) of the 67 recipients of Emergency Assistance grants (see Table 1 and Table 2, respectively). Because we used nonstatistical samples, our results cannot be projected to the universes.

⁹ As defined in “Standards for Internal Control in the Federal Government.”

¹⁰ A deficiency in internal control exists when the design, implementation, or operation of a control does not allow management or personnel to achieve control objectives and address related risks.

Table 1. Defraying Costs Program

Funding Slate	Universe Size	Sample Size	Universe Dollars	Sample Dollars
1	10	5	\$5,384,186	\$3,837,417
2	5	3	\$301,971	\$127,666
3	3	1	\$1,314,106	\$1,220,638
Total	18	9	\$7,000,263	\$5,185,721

Table 2. Emergency Assistance Program

Funding Slate	Universe Size	Sample Size	Universe Dollars	Sample Dollars
1	46	12	\$62,955,187	\$35,869,550
2	21	5	\$32,760,241	\$17,629,046
Total	67	17	\$95,715,428	\$53,498,596

Defraying Costs Program

OPE prepared three funding slates and accompanying transmittal memoranda. The first funding slate included 10 grantees. We selected the three grantees with the highest awards per student, the one grantee that received both Defraying Costs and Emergency Assistance funds, and the one grantee that OPE designated as high risk. The second funding slate included five grantees. We selected the two grantees with the highest awards per student and the one grantee that received both Emergency Assistance and Defraying Costs program grant funds. The third funding slate included three grantees. We selected the one grantee with the highest award per student.

Overall, we selected 9 (50 percent) of the 18 grantees from the three Defraying Costs program funding slates. These nine grantees received \$5.19 million (74 percent) of the \$7 million in Defraying Costs funds that OPE awarded.

Emergency Assistance Program

OPE prepared two funding slates and accompanying transmittal memoranda.¹¹ The first funding slate included 47 applicants recommended for funding, but only 46 submitted applications and received awards. We selected all five grantees that were not allocated 25 percent of their total reported disaster recovery expenses. For the 41 grantees that

¹¹ The Department established two rounds of funding because it concluded that more postsecondary schools were eligible for funding than had initially submitted preapplication data information forms.

were allocated 25 percent of their total reported disaster recovery expenses, we selected the grantee receiving the most money in Florida, Puerto Rico, and Texas, respectively. In addition, we selected one grantee that received both Defraying Costs and Emergency Assistance grants. We also selected three of the seven grantees that OPE designated as high risk.¹²

The second funding slate included 23 applicants recommended for funding, but only 21 submitted applications and received awards. We selected two of the five grantees that were not allocated 25 percent of their total reported disaster recovery expenses—the grantee with the highest allocation percentage and the grantee with the lowest allocation percentage (one from Florida and one from Puerto Rico). For the 16 grantees that were allocated 25 percent of their total reported disaster recovery expenses, we selected the grantee from Texas with the highest allocation amount to ensure that we selected at least one grantee from Florida, one from Puerto Rico, and one from Texas. We also selected two of the six grantees that OPE designated as high risk.

Overall, we selected 17 (25 percent) of the 67 grantees from the two Emergency Assistance funding slates. These 17 grantees received \$53.5 million (56 percent) of the \$95.72 million in Emergency Assistance funds that OPE awarded.

Implementation of Internal Control

To determine whether OPE implemented the Department’s preaward, award, and post-award processes for the Defraying Costs and Emergency Assistance grants that were significant to our objective, we reviewed OPE’s records for 26 (31 percent) of the 85 Defraying Costs and Emergency Assistance grantees. In each of the 26 official grant files, we looked for records showing that OPE completed the preaward, award, and post-award processes described in the Department’s Discretionary Grant Handbook. We also looked for records showing that OPE completed all relevant risk mitigation strategies outlined in the Department’s Internal Control Plan.

Discretionary Grant Handbook

The following Discretionary Grant Handbook processes were significant to our audit objective.

- Conduct a thorough review of each applicant’s project activities and budgets before making funding recommendations (Section 4.2.1, number 2).

¹² We already selected two other grantees that OPE identified as high risk as part of the five grantees that were not allocated 25 percent of their total reported disaster recovery expenses.

- Ensure that the application included all required assurances and budget forms (Section 3.3.6, number 1c).
- Eliminate from the applicant's requested funding level items of cost that are not allowable (Section 4.2.1, number 6c).
- Scrutinize direct costs in a grantee's application to ensure that they are allowable, reasonable, and allocable to the grant activities and to ensure that the applicant has no other sources of revenue, such as State, local, or private grants (Section 4.4.14).
- Create and maintain an official grant file for each application awarded a grant (Section 4.11).
- Conduct a post-award conference within 30 days of the award and document this conference and all subsequent contacts with the grantee in the official grant file (Section 5.2.1).
- Develop the most appropriate form of monitoring for each grant (for example, site visits, telephone reviews, reports, milestone evaluations, written communication, or electronic methods) and create detailed records of all monitoring activities, contacts with grantees (including email and telephone), and information gathered (Section 5.3.6, numbers 1 and 3).
- Obtain a written request from the grantee for administrative actions requiring prior approval (for example, a change in key grantee personnel) and, as needed, contact grantee directly for clarification or additional information (Section 5.5.2, number 1 and table 2).

The Department's 2018 Disaster Relief Initial Draft Internal Control Plan

The Department developed the Internal Control Plan for program offices to follow before the Office of Management and Budget disseminated governmentwide guidance requiring Federal agencies to develop internal control plans specific to the Bipartisan Budget Act. In the Internal Control Plan, the Department identified possible risks associated with funded activities and related mitigation strategies for the education-related 2018 disaster relief programs. The following Internal Control Plan risk mitigation strategies were identified by the Department and significant to our audit objective.

- Resolve identified audit findings.
- Complete a formal risk assessment.
- Develop a monitoring plan to respond to identified risks.

- Ensure funds awarded to the U.S. Virgin Islands were managed by the Department-imposed third-party fiduciary agent.
- Review supporting documentation for allowable uses of funds.
- Request a waiver for extending the period for use of the funds.
- Monitor G5 on a quarterly basis.
- Provide written guidance to grantees for the supplement-not-supplant requirement.
- Validate the data submitted in the grantee's application.

Use and Reliability of Computer-Processed Data

We relied, in part, on grantee information and funding data that the Department retained in G5. We assessed the reliability of the grantee information and funding data by comparing it to the applicant name and requested disaster recovery expense amounts included in all 85 Defraying Costs and Emergency Assistance grantees' applications. We also compared the authorized funding amount for all 85 grantees to the approved allocation amounts included in OPE's funding slates and accompanying transmittal memoranda. Based on these comparisons, we concluded that the G5 grantee information and funding data were sufficiently reliable for the purposes of our audit.

Compliance with Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We conducted this audit at OPE's offices in Washington, DC, and our offices from May 2019 through March 2020. We discussed the results of our audit with OPE officials on May 1, 2020.

Appendix B. Acronyms and Abbreviations

Application Notices	“Applications for New Awards; Bipartisan Budget Act of 2018—Emergency Assistance to Institutions of Higher Education Program” and “Applications for New Awards; Bipartisan Budget Act of 2018—Defraying Costs of Enrolling Displaced Students Program,” 83 Federal Register 19550–19555, (May 3, 2018)
Bipartisan Budget Act	Bipartisan Budget Act of 2018 (Public Law 115-123)
C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
Defraying Costs	Defraying Costs of Enrolling Displaced Students in Higher Education Program
Discretionary Grant Handbook	“Handbook for the Discretionary Grant Process”
Emergency Assistance	Emergency Assistance to Institutions of Higher Education Program
G5	U.S. Department of Education’s Grants Management System
Internal Control Plan	“2018 Disaster Relief Initial Draft Internal Control Plan”
OPE	Office of Postsecondary Education
Uniform Guidance	“Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” 2 C.F.R. Part 200

OPE Comments



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

MEMORANDUM

DATE: August 21, 2020

TO: Gary D. Whitman
Regional Inspector General
Chicago/Kansas City and Sacramento Audit Regions

FROM: Robert L. King
Assistant Secretary
Office of Postsecondary Education

SUBJECT: Comments on Draft Audit Report--
The U.S. Department of Education's Awarding and Monitoring Grantees'
Uses of Disaster Recovery Funds for Postsecondary Schools, Control
Number ED-OIG/A09T0007

We have reviewed the draft audit report, "The U.S. Department of Education's Awarding and Monitoring Grantees' Uses of Disaster Recovery Funds for Postsecondary Schools" (Control Number ED-OIG/A09T0007). The objectives of the audit were to determine whether the Department designed and implemented processes to provide reasonable assurance that it awarded and monitored grantees' uses of disaster recovery funds in accordance with the Bipartisan Budget Act; "Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards", 2 CFR Part 200 (Uniform Guidance); and Department policy. Specifically, the audit covered the Department's processes for awarding and monitoring grantees' uses of Defraying Costs of Enrolling Displaced Students in Higher Education Program (Defraying Costs) and Emergency Assistance to Institutions of Higher Education Program (Emergency Assistance or "EAI") funds authorized by the Bipartisan Budget Act. OIG assessed the design of the processes as of May 2019 and implementation of the relevant processes as of December 2019.

Thank you for providing us the opportunity to comment on the draft audit report. After a review of the findings, the Department acknowledges that it did not always strictly follow the policies and procedures in the Department's Handbook for the Discretionary Grant Process (Handbook) when awarding and monitoring the Defraying Costs and the EAI programs. However, it is

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important to note that the staff assigned to each program has vast experience and expertise in reviewing and administering grant programs. While the policies and procedures used for the Defraying Costs and EAI programs varied in some respects from those in the Handbook, every step was approved and developed in consultation with others in the Department and was determined to be appropriate to fulfill the purposes of these programs. Additionally, all awards were made only after Departmental clearance was conducted, which included reviews by other offices including the Department's Budget Office and the Office of General Counsel.

We provide our specific comments on the draft report as follows:

FINDING NO. 1 – The Department Designed but Did Not Always Implement Policies and Procedures for Awarding and Monitoring Grantees' Uses of Disaster Recovery Funds

RECOMMENDATIONS

We recommend that the Assistant Secretary for Postsecondary Education ensure that OPE:

RECOMMENDATION

- 1.1 Takes appropriate actions to correct the improper awards made to the seven grantees whose applications we reviewed.

RESPONSE

1.1 We agree with this recommendation. The Department acknowledges that it has not retained clear records regarding the review of applications as required by the Handbook. However, the findings indicating that improper payments were made to seven grantees is incorrect. In the EAI Program, the final award was not based on the indirect cost stated in the budget form submitted by the institutions of higher education (IHE). The allocation was based on the information provided in the applicant's pre-application and the IHE was awarded a portion of the requested amount. When each IHE submitted its proposed budget of how it would spend the funds, the budget was based on the allocation amount. The indirect costs noted in the application highlighted by the IG were not approved by the Department. For the other IHEs all corrections have been made and records of the updates are included in G5. It is important to note that our G5 system allows us to review draw downs. Additionally, we receive alerts indicating any large draw downs and large available balances.

RECOMMENDATION

1.2 Reviews the application information for the 59 grantees that were not part of our audit and takes appropriate actions to correct any application inaccuracies and any identified instances of unallowable, unreasonable, or unnecessary activities or items resulting from OPE's review.

RESPONSE

1.2 We agree with this recommendation. The Department will conduct a thorough review of the application information for the 59 Defraying Costs and EAI grantees that were not part of the OIG audit and should this review reveal any instances of unallowable, unreasonable or unnecessary activities, the Department will take appropriate action to correct any application inaccuracies. This final review will be completed no later than December 15, 2020.

RECOMMENDATION

1.3 Reviews the files for all the Defraying Costs and Emergency Assistance grantees and ensure that all post-award activities are completed and recorded in the official grant files.

RESPONSE

1.3 We agree with this recommendation. The Department will review the files for all Defraying Costs and EAI grantees for all post-award activities. Upon completion of the post-award reviews, all official files will be properly notated in G5.

OPE has begun reviewing the official files for all Defraying Costs and EAI grantees. Upon completion of the reviews, all official files will meet the standards established in the Handbook for the Discretionary Grant Process. The file review will be completed by December 15, 2020.

RECOMMENDATION

1.4 For all future special grant awards that are classified as discretionary grants, implements the process that the Department designed for the awarding and monitoring of such grants. If OPE determines that modification of or deviation from the designed processes is needed, then it should consult with the Office of the General Counsel before making a final decision and then record the reasons for the modification or deviation in the official grant files.

RESPONSE

1.4 We agree with this recommendation. For any future grant awards that the Department identifies as discretionary grants, but for which the staff believes do not require every step outlined in the Handbook, we will seek a waiver in consultation with OGC regarding any variance in processing awards.

RECOMMENDATION

1.5 Identifies, for each Emergency Assistance grantee, any records retained outside OPE's official grant files and ensures those records are placed in the official grant files in G5.

RESPONSE

1.5 We agree with this finding. The Department will identify for each EAI grantee, any records retained outside of OPE's official grant files and will ensure those records are placed in the official grant files in G5. This process will be completed by December 15, 2020.

Thank you for the opportunity to respond to the draft audit report. If you have questions about any of our comments, please contact Beatriz.Ceja@ed.gov

Robert L. King
Assistant Secretary
Office of Postsecondary Education

cc: Bryon Gordon, OIG
Keith Cummins, OIG