



U.S. Department of Education
Office of Inspector General

FAFSA Simplification Act and Student Loan Forgiveness Initiatives Accounting

February 27, 2025
ED-OIG/I24DC0194

Inspection Report

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.

In accordance with Freedom of Information Act (Title 5, United States Code, Section 552), reports that the Office of Inspector General issues are available to members of the press and general public to the extent information they contain is not subject to exemptions in the Act.



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

February 27, 2025

TO: Denise Carter
Acting Chief Operating Officer
Federal Student Aid

FROM: Sean Dawson /s/
Assistant Inspector General for Audit

SUBJECT: Final Inspection Report, "FAFSA Simplification Act and Student Loan Forgiveness Initiatives Accounting," Control Number ED-OIG/I24DC0194

Attached is the subject final inspection report that consolidates the results of our review of FAFSA Simplification Act and Student Loan Forgiveness initiatives accounting. We have provided an electronic copy to your audit liaison officer. We received your comments generally agreeing with the recommendations in our draft report.

U.S. Department of Education policy requires that you submit a corrective action plan within 30 days of the issuance of this report. The corrective action plan should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the findings and recommendations contained in this final report. Corrective actions that your office proposes and implements will be monitored and tracked through the Department'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 recommendations that have not been completed after 6 months from the date of issuance.

We appreciate your cooperation during this inspection. If you have any questions, please contact Michele Weaver-Dugan, Director, Internal Operations Oversight Team, at (202) 360-8454 or michele.weaver-dugan@ed.gov.

Attachment

Results in Brief

FAFSA Simplification Act and Student Loan Forgiveness Initiatives Accounting



Why the OIG Performed this Work

The Free Application for Federal Student Aid (FAFSA) Simplification Act made several changes to the FAFSA, including changing the formula for determining student financial assistance need and simplifying the application. The rollout of the redesigned 2024–2025 FAFSA application encountered issues that affected students’ ability to apply for aid.

The Department of Education (Department) has also introduced several student loan forgiveness initiatives, including an initial debt relief plan, the Student Debt Relief loan discharge program, and the Saving on a Valuable Education Plan.

As a result of Congressional concerns related to resources spent on these initiatives, we initiated a review to determine whether the Department’s Federal Student Aid (FSA) office could account for resources expended under these initiatives.

The objectives of our inspection were to determine if (1) for the FAFSA Simplification Act and student loan forgiveness initiatives, FSA has prepared accountings of appropriated funds, obligations, administrative expenses, and staffing for fiscal years (FY) 2021–2024; and (2) FSA provided Congress with detailed spend plans of anticipated uses of funds made available under the FYs 2021–2024 appropriations laws.

What did the OIG Find?

We found that FSA does not have readily available full accountings of appropriated funds, obligations, administrative expenses, and staffing related to its FAFSA Simplification Act and student loan forgiveness initiatives for FYs 2021–2024. We also found that FSA provided spend plans to Congress from FYs 2021–2024 as required by the respective appropriations acts, though FSA’s initial submissions to Congress were late in all four fiscal years. Additionally, one of the required subsequent quarterly updates was not submitted in FY 2023, and another quarterly update was late in FY 2024. We also found that the spend plans provided limited information specific to the use of funds for FSA’s FAFSA Simplification Act and student loan forgiveness initiatives.

What Is the Impact?

FSA is a high-profile public-facing entity within the Department that receives questions from taxpayers and members of Congress regarding resources expended on major initiatives, such as the FAFSA Simplification Act and student loan forgiveness initiatives. The ability to readily provide and report quality information on resources allocated to and expended on major initiatives can assist FSA in implementing such initiatives and provides transparency with external entities, such as Congress.

What Are the Next Steps?

We made three recommendations to the FSA Chief Operating Officer. These included (1) determining the feasibility and appropriateness of implementing a managerial cost accounting system and (2) evaluating the financial information requirements for FSA’s initiatives and projects and determining if FSA’s existing information systems support the reporting of financial information consistent with the expectations of external stakeholders. We also recommended that the FSA Chief Operating Officer, in coordination with the Department of Education’s Budget Director, ensure that spend plans and quarterly updates are submitted timely and comply with requirements.

We provided a draft of this report to FSA for comment. We summarize FSA’s comments and provide our responses at the end of each finding. We also provide the full text of the comments at the end of the report (see FSA Comments).

Table of Contents

Introduction	1
Finding 1. FSA Does Not Have Readily Available Full Accountings of the FAFSA Simplification Act and Student Loan Forgiveness Initiatives	3
Finding 2. FSA’s Spend Plans Were Not Provided Timely and Did Not Provide Details Specific to the FAFSA Simplification Act and Student Loan Forgiveness Initiatives	9
Appendix A. Scope and Methodology.....	12
Appendix B. Acronyms and Abbreviations.....	13
FSA Comments	14

Introduction

Background

FAFSA Simplification Act

The Free Application for Federal Student Aid (FAFSA) Simplification Act was enacted into law as part of the Consolidated Appropriations Act, 2021. The FAFSA Simplification Act amends the Higher Education Act of 1965 to make it easier to apply for Federal student aid and to make that aid predictable. The FAFSA Simplification Act made several changes to the FAFSA, including changing the formula for determining the amount of need for student financial assistance and simplifying the FAFSA application.

The Department of Education (Department) released the redesigned 2024–2025 FAFSA application on December 30, 2023. The rollout of the 2024–2025 FAFSA application encountered numerous issues, including errors in student aid index calculations, inconsistent tax data provided by the Internal Revenue Service, and technical issues that, in some cases, prevented submission of the FAFSA application or corrections to it. In February 2024, the Department released a FAFSA College Support Strategy to provide additional funding, resources, and technology to help students complete the updated FAFSA application and to help institutions of higher education prepare to process student records as quickly and accurately as possible. In April 2024, the Department announced it had completed reprocessing 2024–2025 FAFSA applications impacted by known issues with Internal Revenue Service data, which it noted should allow all institutions of higher education to provide aid offers. Other technical issues related to the application remained as of September 2024. As a result of the FAFSA issues, some colleges ultimately pushed back their decision dates and students had to make decisions about where to attend college before they had received financial aid offers. FAFSA issues contributed to fewer students applying for financial aid.

Student Loan Forgiveness

In August 2022, the Biden Administration announced an initial debt relief plan that would cancel up to \$20,000 in student loan debt for Pell Grant recipients and up to \$10,000 in student loan debt for non-Pell Grant recipients, providing relief for up to 43 million borrowers, including cancelling the full remaining balance for roughly 20 million borrowers. In June 2023, the Supreme Court ruled that the student loan forgiveness program was not authorized. The Department then began pursuing an alternative path to debt relief (herein referred to as the Student Debt Relief loan discharge program) through negotiated rulemaking under the Higher Education Act. As a result of that effort, the Administration announced a new effort in April 2024 that was estimated to fully eliminate accrued interest for 23 million borrowers, cancel the full amount of student debt for over 4 million borrowers, and provide more than 10 million

borrowers with at least \$5,000 in debt relief. The Administration has taken additional actions to provide debt relief for borrowers, including a limited Public Service Loan Forgiveness (PSLF) waiver, regulatory improvements made to the PSLF program, administrative adjustments to income-driven repayment payment counts announced in April 2022, and reducing timeframes for forgiveness under the Saving on a Valuable Education (SAVE) Plan announced in August 2023.¹

As a result of Congressional concerns related to resources spent on student loan forgiveness initiatives and FAFSA simplification, and in light of the significant challenges faced by the latter, we initiated a review to determine whether the Department's Federal Student Aid (FSA) office could account for resources expended under these initiatives.

¹ The SAVE Plan is an income driven repayment plan that was designed to lower monthly payments for borrowers, reduce the amount of monthly interest accruing on loans, and provide for loan forgiveness after as few as 10 years of monthly payments, rather than 20 or 25 years under other income driven repayment plans. Many aspects of the SAVE Plan are subject to a court injunction and have not been implemented.

Finding 1. FSA Does Not Have Readily Available Full Accountings of the FAFSA Simplification Act and Student Loan Forgiveness Initiatives

FSA does not have readily available full accountings of appropriated funds, obligations, administrative expenses, and staffing related to its FAFSA Simplification Act and student loan forgiveness initiatives² for fiscal years (FY) 2021 through 2024. FSA noted that generally it would not track funds in this manner.

Regarding appropriated funds and obligations of such funds, FSA provided some budget execution data (spend plans, status of funds reports, and change requests) related to activity codes associated with the FAFSA Simplification Act and student loan forgiveness initiatives; however, this information included only costs related to information technology (IT) assets and systems.

- For the FAFSA Simplification Act, FSA established specific categories called lines of accounting³ for Operations & Maintenance (O&M) and Development, Modernization, and Enhancement (DME) activities⁴ and used the lines of accounting to track funds used for system modifications directly associated with FAFSA simplification. FSA noted that, due to the complexity of the project, some funds may have been obligated under other established lines of accounting for related systems.
- For student loan forgiveness, FSA did not have any lines of accounting specific to student loan forgiveness initiatives prior to FY 2023. Department officials explained that the Administration's August 2022 debt relief plan was part of its

² We requested accountings of student loan forgiveness initiatives, including the initial debt relief initiative struck down by the Supreme Court, the Department's subsequent efforts to provide loan forgiveness through negotiated rulemaking on its Student Debt Relief loan discharge program, and the SAVE Plan.

³ A line of accounting refers to a specific category or item and allows for detailed tracking and analysis of financial data within an organization; it often includes a unique code to identify the exact funding source or budget category associated with a specific transaction.

⁴ The Office of Management and Budget specifies that O&M includes costs associated with operations, maintenance activities, and maintenance projects needed to sustain the IT asset at the current capability and performance levels. DME refers to projects and activities leading to new IT assets or systems, as well as projects and activities that change or modify existing IT assets to substantively improve capability or performance, implement legislative or regulatory requirements, or meet an agency leadership request.

response to the pandemic and initial loan forgiveness relief was included in, and not separated from, the lines of accounting established for all pandemic related activities. For the Department's April 2024 Student Debt Relief loan discharge program, FSA established lines of accounting for O&M and DME activities in the latter part of FY 2024. For the SAVE Plan, FSA officials stated that obligation data was included as part of an Income Driven Repayment Administrative Updates DME line of accounting in FY 2023 and FY 2024; however, the documentation provided did not include descriptions that enabled us to confirm that obligations specific to the SAVE Plan were included.

FSA noted that administrative expenses such as travel, printing, training, or supplies are not tracked by project or initiative but rather by organizational unit. FSA also noted that it did not track staffing by specific project or initiative.

FSA identified additional activities that it believed could be performed to provide data. However, these were described as processes that would require additional time and may not deliver quality information. Specifically, FSA explained that it would need at least 6 to 8 weeks of additional time and resources to be able to analyze information related to appropriations, obligations, and administrative expenses from its accounting and financial management system in order to provide a complete response in relation to the objective of our inspection.

Regarding staffing, FSA stated that even with additional time it would still not be able to provide complete information since it does not track staffing by specific project or initiative. Any compiled information about staffing costs would need to incorporate and reflect responses from individual staff who supported a particular project or initiative. FSA added that responses may vary given multiple factors, including responders' application of stated criteria, completeness of the staff identified, and an individual staff person's ability to accurately recall or document the percentage of time spent on specific projects, and there is no mechanism to validate responses received.

FSA's Acting Finance Directorate director, who is also serving as the Department's Acting Chief Financial Officer (Acting CFO), stated that FSA does not currently have the system capability to assign costs at the initiative level. The Acting CFO noted that there is a lot of integration and interdependence among different components within FSA, which would complicate the ability to assign costs. The Acting CFO noted potential behavioral impacts if FSA were to track employee hours by initiative, such as unintentionally discouraging staff from supporting FSA's mission and helping other teams. The Acting CFO also noted that tracking employee time would require negotiation with the union for bargaining unit employees. A senior attorney from the Department's Office of the General Counsel stated that FSA would not be able to change its accounting system

without coordinating with the Department's finance and budget offices and Congress providing appropriate staffing and resources to support such a change.

We noted that FSA was highlighted in a September 2009 report⁵ that documented the use of managerial cost accounting⁶ within Federal agencies. FSA was noted as having developed a managerial cost accounting system after being designated as a performance-based organization in 1998.⁷ The report also highlighted the successful use of managerial cost accounting within several other Federal agencies.

The Acting CFO and the senior attorney explained that FSA did use cost accounting⁸ years ago but has not done so for several years. They both explained that there is limited information about FSA's former cost accounting methods, and FSA has lost institutional knowledge of them. The Acting CFO did not know why cost accounting was no longer used but cited reduced resources as a possible cause.

The September 2009 report cites a Government Accountability Office (GAO) report,⁹ which noted that there are many potential applications for cost accounting in the Federal government, including budgeting and cost control, performance measurement, and program evaluations. The GAO report stated that Congress can use managerial cost accounting to determine how to fund programs, monitor agency performance, and analyze the merits of proposals advocated by different parties. The GAO report stated that the public, in turn, can benefit from greater transparency about program performance and ready access to information on how its tax dollars are spent.

⁵ "Managerial Cost Accounting in the Federal Government: Providing Useful Information for Decision Making," Association of Government Accountants Corporate Partner Advisory Group Research, September 2009.

⁶ Managerial cost accounting involves accumulating and analyzing both financial and nonfinancial data to determine the costs of achieving performance goals, delivering programs, and pursuing other activities. It provides information that is useful in the day-to-day operations of an entity, unlike financial accounting, which provides historical information.

⁷ FSA stated that the objective of the managerial cost accounting system was to provide FSA with the ability to determine and report the per unit cost of various activities to aid in performance management.

⁸ Cost accounting is a subset of managerial accounting, used to provide detailed cost information for better management decisions.

⁹ "Managerial Cost Accounting Practices: Implementation and Use Vary Widely across 10 Federal Agencies," GAO-07-679, July 2007.

Office of Management and Budget Circular A-11, Preparation, Submission and Execution of the Budget, states that, to the extent possible, agencies should align their budget accounts with programs, distinguishing among components that contribute to different strategic objectives. Agencies should charge personnel compensation to activities on the basis of organizational units or on the basis of specific assignments, and when feasible, distribute other administrative and overhead expenses among activities.

The Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards 4 states that each reporting entity¹⁰ should accumulate and report costs of its activities on a regular basis for management information purposes. It notes that management of each reporting entity should define and establish responsibility segments,¹¹ and managerial cost accounting should be performed to measure and report the costs of each segment's outputs.

The Office of Management and Budget's Capital Planning Guidance specifies that O&M costs should include Federal and contracted labor costs, as well as maintenance, overhead, and business operations and commercial services costs. The guidance notes that DME costs can include government labor costs, along with contracted labor costs for planning, development, acquisition, system integration, and direct project management and overhead support.

Principle 13.02 of GAO's *Standards for Internal Control in the Federal Government* notes that management should design a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks, and that information requirements consider the expectations of both internal and external users. For example, consistent with principle 13.02, a managerial cost accounting system could provide needed information to help an entity achieve objectives, address risks, and meet the needs of internal and external users.

FSA is a high-profile public-facing entity within the Department that receives questions from taxpayers and members of Congress regarding resources expended on major initiatives, such as the FAFSA Simplification Act and student loan forgiveness initiatives. The ability to readily provide and report quality information on resources allocated to and expended on major initiatives can assist FSA in implementing such initiatives and provides transparency with external entities, such as Congress. In addition, FSA is a

¹⁰ A reporting entity is an organization or unit that prepares financial statements in accordance with accounting standards and legal requirements.

¹¹ A responsibility segment is a component of a reporting entity that is responsible for carrying out a mission, conducting a major line of activity, or producing one or a group of related products or services.

performance-based organization under section 141 of the Higher Education Act. Adopting a managerial cost accounting system could provide FSA management with information that could assist with achieving some of the purposes of FSA as a performance-based organization. Specifically, to improve services to students and participants in the Federal student financial assistance programs; reduce the costs of administering such programs; increase the accountability of the officials responsible for administering operational aspects of such programs; and develop, implement, and integrate information systems to support such programs.

Recommendations

We recommend the FSA Chief Operating Officer—

- 1.1 Assess the feasibility and appropriateness of implementing a managerial cost accounting system in consultation with relevant Department officials, the Office of Management and Budget, and other Federal agencies, such as those highlighted in the report referenced above.
- 1.2 Evaluate the financial information requirements for FSA's initiatives and projects and determine if FSA's existing information systems support the reporting of financial information consistent with the expectations of external stakeholders.

FSA Comments

FSA did not explicitly agree or disagree with the finding and it generally agreed with our recommendations. For Recommendation 1.1, FSA stated that it will evaluate the feasibility and appropriateness of implementing a managerial cost accounting system. FSA stated that this evaluation will include identifying possible objectives of such a system and outputs required, obtaining input from relevant stakeholders, determining resources and technology required to implement, and identifying possible opportunities to align efforts with other planned activities such as a review of staffing levels. FSA stated that if it determines a cost accounting system is feasible and appropriate, implementation will depend on the availability of the required human and financial resources.

For Recommendation 1.2, FSA stated that it will evaluate current financial reports and consider expanding the data collected and reported by its systems as it identifies additional information requirements. FSA stated that it will determine if there are opportunities to better leverage technology and noted that its ability to implement such improvements will be dependent upon the availability of both human and financial resources.

OIG Response

FSA's proposed corrective actions, if implemented as described, are responsive to our recommendations.

Finding 2. FSA’s Spend Plans Were Not Provided Timely and Did Not Provide Details Specific to the FAFSA Simplification Act and Student Loan Forgiveness Initiatives

FSA provided spend plans to Congress from FY 2021 to FY 2024 as required by the respective appropriations acts. FSA’s initial submissions to Congress were late for all four fiscal years. Additionally, one of the required subsequent quarterly updates was not submitted for FY 2023, and another quarterly update was submitted late for FY 2024. The spend plans provided limited information specific to the use of funds for FSA’s FAFSA Simplification Act and student loan forgiveness initiatives.

Spend Plan Submissions

For FY 2021, FY 2022, and FY 2023, the respective Consolidated Appropriations Act required FSA to provide to Congress detailed spend plans on anticipated uses of funds made available in the Student Aid Administration account within 60 days of enactment and provide quarterly updates on the plan. The Consolidated Appropriations Acts for these years did not provide a deadline for the subsequent quarterly updates. For FY 2024, the Further Consolidated Appropriations Act required FSA to provide the spend plan within 45 days of enactment, and specifically required that FSA provide quarterly updates on the plan no later than 10 days prior to the start of each quarter.

FSA’s initial submission of its spend plan was provided to Congress after the required deadline in all four fiscal years, ranging from 5 days late in FY 2021 to 81 days late in FY 2022, as shown in the table.

Table. FSA Initial Spend Plan Submissions

-	Date of Enactment	Initial Submission Due Date	Initial Submission Date	Days Late
FY 2021	12/27/2020	2/25/2021	3/2/2021	5
FY 2022	3/15/2022	5/14/2022	8/3/2022	81
FY 2023	12/29/2022	2/27/2023	3/22/2023	23
FY 2024	3/23/2024	5/7/2024	5/16/2024	9

FSA provided subsequent quarterly updates for FY 2021 through FY 2024, except for FY 2023, Quarter 2. FSA's quarterly update for FY 2024, Quarter 4, was submitted late. Specifically, FSA's Quarter 4 spend plan was submitted on August 27, 2024, which was 67 days after the required submission date of June 21, 2024 (10 days prior to the start of the quarter).

Spend Plan Information

The Explanatory Statements accompanying the FY 2023 and FY 2024 appropriations bill, along with Senate Report 118-84 for FY 2024, provided additional details on what the spend plans should include. Specifically, they directed that the spend plans should include, but not be limited to, detailed breakouts by baseline operations and development efforts, and servicing, student aid core systems, IT activities, and other FSA activities. Senate Report 118-84 added that for FY 2024, the spend plans should also include details on major activities, including implementation of the Unified Servicing and Data Solution, FAFSA Simplification Act, and other activities as appropriate. The Department's Office of Budget Service (Budget Service) officials noted that changes in the directives for the spend plans across fiscal years were based on conversations between FSA, Budget Service, and Congressional appropriations committees, and included direct consultation on what information was most helpful to the appropriations committees.

We found that the FAFSA Simplification initiative is included in the FY 2023 and FY 2024 spend plans. Information reported consisted of line-item totals for O&M and DME under the Student Aid and Borrower Eligibility Reform initiative.

The FY 2023 and FY 2024 spend plans do not include cost data easily identifiable or specifically attributable to student loan forgiveness initiatives such as the Administration's August 2022 debt relief plan, the Department's April 2024 Student Debt Relief loan discharge program, or the August 2023 SAVE Plan even though such activities would appear to be major activities and thus subject to reporting in the spend plan. In written comments provided after the conclusion of our fieldwork, FSA officials noted that some cost data for the SAVE Plan was included in the Income Driven Repayment Administrative Updates DME for FYs 2023 and 2024 but acknowledged that costs related to student loan initiatives are not defined in the manner as requested by us.

Providing spend plans without activities that appear to be major initiatives lacks transparency and may limit the ability for Congress and the public to receive full information on costs and resources. In written comments provided after the conclusion of our fieldwork, the Department noted that it has worked with Congressional staff to ensure reports are meeting their requested needs and stated that Budget Service has

received positive feedback from Congressional staff on the information provided in the spend plans.

Recommendations

We recommend the FSA Chief Operating Officer, in coordination with the Department of Education's Budget Director—

- 2.1 Ensure that spend plans and quarterly updates are submitted timely and comply with requirements.

FSA Comments

FSA did not explicitly agree or disagree with the finding and it generally agreed with our recommendation. FSA stated that its Finance Directorate will work with its counterparts in Budget Service at the Department to evaluate the current reporting process. FSA stated that this evaluation will include determining required reviews and the lead time to complete. FSA stated that it will use this information to modify its reporting procedure to increase the likelihood required data is generated and submitted to the Department in sufficient time to allow for required reviews.

OIG Response

FSA's proposed corrective actions, if implemented as described, are responsive to our recommendation.

Appendix A. Scope and Methodology

To answer our objectives, we reviewed the FAFSA Simplification Act and FY 2021 through 2024 appropriations laws, as well as applicable Office of Management and Budget guidance and Federal Financial Accounting Standards. We reviewed documentation FSA provided regarding its accounting of funds for the FAFSA simplification and student loan forgiveness initiatives, including Summary Status of Funds reports, Budget Change Request reports, and spend plans. We held discussions with Department and FSA officials knowledgeable about how the Department accounts for costs. Our review covered October 1, 2020, to September 30, 2024.

We performed the work for this review from July 2024 through October 2024. We discussed the results of our review with Department and FSA officials on October 28, 2024.

Compliance with Standards

We conducted our work in accordance with the Council of the Inspectors General on Integrity and Efficiency “Quality Standards for Inspection and Evaluation.” Those standards require that we plan and perform our work to obtain a reasonable basis for our conclusions. We believe that the evidence obtained provides a reasonable basis for our conclusions.

Appendix B. Acronyms and Abbreviations

Acting CFO	Acting Chief Financial Officer
Budget Service	Office of Budget Service
Department	U.S. Department of Education
DME	Development, Modernization, and Enhancement
FAFSA	Free Application for Federal Student Aid
FSA	Federal Student Aid
FY	fiscal year
GAO	Government Accountability Office
IT	information technology
O&M	Operations and Maintenance
PSLF	Public Service Loan Forgiveness
SAVE	Saving on a Valuable Education

FSA Comments



January 24, 2025

TO: Michele Weaver-Dugan
Regional Inspector General for Audit, Internal Operations
Philadelphia Audit Region
Office of Inspector General
U.S. Department of Education

Sean Dawson
Assistant Inspector General for Audit
Office of Inspector General
U.S. Department of Education

FROM: Rhonda Shaffer
Deputy Chief Operating Officer for Finance
Federal Student Aid

SUBJECT: Draft Audit Report, “FAFSA Simplification Act and Student Loan Forgiveness Initiatives Accounting”, Control Number D-OIG/I24DC0194

Dear Mrs. Weaver-Dugan:

Thank you for the opportunity to review and comment on the statements and recommendations made in the Office of Inspector General (“OIG”) Draft Report, FAFSA Simplification Act and Student Loan Forgiveness Initiatives Accounting (I24DC0194), dated January 15, 2025.

As indicated in our responses that follow, Federal Student Aid (FSA) generally agrees with all three OIG recommendations. Following established procedures, FSA will develop and implement a corrective action plan for each recommendation.

Finding #1: FSA Does Not Have Readily Available Full Accountings of the FAFSA Simplification Act and Student Loan Forgiveness Initiatives

Recommendation 1.1:

Assess the feasibility and appropriateness of implementing a managerial cost accounting system in consultation with relevant Department officials, the Office of Management and Budget, and other Federal agencies, such as those highlighted in the report referenced above.

Federal Student Aid
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FSA's Response to Recommendation 1.1:

FSA agrees with this recommendation. FSA will evaluate the feasibility and appropriateness of implementing a managerial cost accounting system. This evaluation will include identifying possible objectives of such a system and outputs required, obtaining input from relevant stakeholders, determining resources and technology required to implement, and identifying possible opportunities to align efforts with other planned activities such as a review of staffing levels. If FSA determines a cost accounting system is feasible and appropriate, implementation will be dependent on the availability of the required human and financial resources.

Recommendation 1.2:

Evaluate the financial information requirements for FSA's initiatives and projects and determine if FSA's existing information systems support the reporting of financial information consistent with the expectations of external stakeholders.

FSA's Response to Recommendation 1.2:

FSA generally agrees with this recommendation. FSA will evaluate current financial reports and consider expanding the data collected and reported by its systems as it identifies additional information requirements. FSA will determine if there are opportunities to better leverage technology. For example, FSA is currently investigating options to modernize its budget processes by leveraging new technology in an effort to provide more transparency of financial information and greater visibility of the total resources required for a project or initiative. FSA's ability to implement such improvements will be dependent upon the availability of both human and financial resources.

Finding #2: FSA's Spend Plans Were Not Provided Timely and Did Not Provide Details Specific to the FAFSA Simplification Act and Student Loan Forgiveness Initiatives

Recommendation 2.1:

Ensure that spend plans and quarterly updates are submitted timely and comply with requirements.

FSA's Response to Recommendation 2.1:

FSA generally agrees with this recommendation. FSA's Finance Directorate will work with their counterparts in Budget Service at the Department to evaluate the current reporting process. This evaluation will include determining required reviews and the lead time to complete. FSA will use this information to modify its reporting procedure to increase the likelihood required data is generated and submitted to the Department in sufficient time to allow for required reviews.

Thank you for the opportunity to respond to the recommendations outlined in this OIG draft report. We appreciate the time and the effort auditing this issue, as well as the opportunity to comment.

Sincerely,

RHONDA
SHAFFER



Digitally signed by RHONDA
SHAFFER
Date: 2025.01.29 14:38:27 -05'00'

Rhonda Shaffer
Deputy Chief Operating Officer for Finance
Federal Student Aid