



FISCAL YEAR 2026

MANAGEMENT CHALLENGES

Facing the
U.S. Department
of Education

Office of Inspector General

February 2026

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INTRODUCTION

What are Management Challenges?

The Government Performance and Results Modernization Act of 2010 defines major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement, and where a failure to perform well could seriously affect the ability of the U.S. Department of Education (Department) to achieve its mission or goals. In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) reports annually on the most serious management and performance challenges the Department faces, its progress in addressing those challenges, and further actions that it could take to enhance its effectiveness.

What We Did

To identify management challenges, we examined audit, inspection, flash review, and investigative work that was completed or part of a body of work that was completed between October 1, 2022, and September 30, 2025; reviewed corrective actions that the Department has not completed; assessed ongoing audit, inspection, flash review, and investigative work to identify significant vulnerabilities; and analyzed new programs and activities that could pose significant challenges.

What We Found

For fiscal year (FY) 2026, we identified five management challenges the Department faces as it continues its efforts to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access to education. These challenges are (1) change management, (2) oversight and monitoring of grantees, (3) oversight and monitoring of student financial assistance programs, (4) data quality and reporting, and (5) information technology (IT) security.

Progress in Addressing Challenges

In response to a draft of this report, the Department stated that it has continued to advance efforts aligned with these challenge areas while carrying out its statutory responsibilities. The Department stated that it implemented numerous changes to deliver the earliest-ever release of the Free Application for Federal Student Aid, strengthened program integrity controls for how institutions of higher education (IHE) deliver student aid that prevented approximately \$1 billion in improper disbursements, continued to strengthen its enterprise information security capabilities, and took steps to improve the reliability of student loan subsidy cost estimates. We recognize the significance of some of these actions and encourage the Department to continue assessing and mitigating related risks and monitoring the effectiveness of its controls.



Management Challenge 1

CHANGE MANAGEMENT

On February 11, 2025, the President signed Executive Order 14210, "Implementing the President's 'Department of Government Efficiency' Workforce Optimization Initiative," with the stated goal of commencing a critical transformation of the Federal bureaucracy to restore accountability to the American public and a requirement that agencies develop agency reorganization plans and identify opportunities for consolidation or elimination. Two weeks later, on February 26, 2025, the President signed Executive Order 14219, "Implementing the President's 'Department of Government Efficiency' Cost Efficiency Initiative," with a focus on transforming Federal spending on contracts, grants, and loans to ensure transparency in government spending and accountability for government employees. Less than one month after this, and a little over a week after the initiation of a large-scale reduction in force (RIF) at the Department, the President signed Executive Order 14242, "Improving Education Outcomes by Empowering Parents, States, and Communities," directing the Secretary of Education (Secretary) to take all necessary steps to facilitate the closure of the Department, to the maximum extent appropriate and permitted by law, and to return authority over education to the States and local communities while ensuring the effective and uninterrupted delivery of services, programs, and benefits on which Americans rely.

The Department has many statutorily required responsibilities, which, in part, include managing and overseeing a student loan portfolio of more than \$1.6 trillion; awarding and administering over \$76 billion in discretionary program funds to a wide range of eligible recipients, including

local educational agencies (LEA), State educational agencies (SEA), IHEs, individuals, nonprofits, and other organizations; and monitoring such recipients' use of funds and progress in meeting project and program objectives. At the beginning of FY 2025, the Department had an administrative budget of about \$2.8 billion and around 4,100 employees, along with contractors that provide outsourced business operations, to perform these and its other functions. During FY 2025, in response to the President's executive orders and policy direction, the Department revised many of its priorities and made changes to its organizational structure, staffing, and operations to reflect those new priorities.

In FY 2026 and beyond, it is critical that the Department strategically plan for and effectively manage these and other major operational changes that it may decide to undertake. Significant changes that the Department has already made, in part, include

- consolidating or eliminating dozens of principal and program office subcomponents—including many that were performing statutory or other oversight functions—as well as several regional offices;
- substantially reducing its workforce—by about 50 percent thus far, from around 4,100 to just over 2,000 employees—through RIFs, the deferred resignation program, voluntary early retirement authority, and the voluntary separation incentive program;
- partnering with other Federal agencies, including the U.S. Departments of Labor, Interior, Health and Human Services, and State, to obtain services supporting the administration of Department grant programs—including nearly all of the approximately \$35 billion in formula and discretionary grant program funding currently administered by the Office of Elementary and Secondary Education (OESE) and the Office of Postsecondary Education (OPE)—and for performing certain other required activities;
- terminating billions of dollars in grants and contracts—most notably, for teacher training grants administered by OESE and large-scale research studies administered by the Institute of Education Sciences (IES); and
- shifting more of its administrative and oversight responsibilities for Federal programs to the States when awarding new discretionary grants.

The Department will also need to effectively manage changes in how it administers the Federal student assistance programs resulting from enactment of the One Big Beautiful Bill



Act (OBBBA). The OBBBA made significant changes to Federal student assistance programs, with many of those changes becoming effective July 1, 2026. Accordingly, the Department will need to quickly implement or oversee the implementation of many programmatic changes by modifying or drafting new regulations, revising its operational processes, or both. Those programmatic changes include

- introducing a new Workforce Pell program,
- creating new accountability measures for IHEs,
- eliminating Direct PLUS Loans for graduate and professional students,
- introducing new annual and aggregate loan limits for student and parent borrowers,
- prorating Direct Loan amounts based on a student’s enrollment status,
- introducing the Repayment Assistance Plan, and
- phasing out most of the existing repayment plans.

Why This is a Challenge

The Department is currently in a state of significant transition, with several major changes underway relating to its organizational structure, staffing, operations, and priorities. Change of this magnitude can result in challenges associated with employee resistance, fatigue, and uncertainty—such as decreased productivity, operational disruption, and lost efficiency—and have an impact on the organization’s ability to respond to stakeholder questions and concerns.

The Department has historically faced challenges related to its oversight and monitoring of grantees and the student financial assistance programs. Reduced staffing and resources and other significant organizational changes may make it much more difficult for the Department to effectively meet those challenges and continue to perform its statutory and mission-critical activities, especially if it does not have in place a robust process for managing these changes and plans for building and maintaining institutional knowledge that may have been lost when key staff departed. It is critical that the Department effectively articulate and communicate to employees planned changes and their rationale, employees’ roles and responsibilities in helping to implement them, and how these changes will better enable the Department to achieve its mission and support America’s students. The Department should also establish key performance measures to gauge the success of its efforts and provide transparency and accountability for its actions.



Management Challenge 2

OVERSIGHT AND MONITORING OF GRANTEES

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

The Department administers programs that touch every area and level of education, serving students from early learning through adult education. Its grant programs annually serve more than 17,000 public school districts and more than 55 million students attending more than 98,000 public and 30,000 private schools. One of the key programs that the Department administers is Title I, Part A (20 U.S.C. sections 6311–6339), which provides financial assistance to LEAs and schools with high numbers or high percentages of children from low-income families, to help ensure that all children meet challenging State academic standards.

In FY 2025, this program provided about \$18.4 billion to serve an estimated 26 million students in nearly 90 percent of school districts and about 60 percent of all public schools. Another key program is the Individuals with Disabilities Education Act, Part B Grants to States (20 U.S.C. sections 1411–1419), which provided about \$14.2 billion in FY 2025 to help States and school districts meet the special educational needs of an estimated 7.5 million students with disabilities.

Why This is a Challenge

Effective monitoring and oversight are essential to ensure that grantees meet grant requirements and achieve program goals and objectives. Our recent audits related to various grant programs identified weaknesses in grantee oversight and monitoring that included concerns with SEA and LEA controls and Department oversight processes. For example, in our audits of several States' implementation of their Department-approved statewide accountability systems, we found that States were not always identifying schools that should have been identified for support and improvement and provided with additional funds and services in accordance with their approved plans, and were sometimes identifying schools that should not have been identified for and provided with the same.¹ Our audit of another State's administration of the pandemic-related Emergency Assistance to Nonpublic Schools program found that it used \$20 million to provide services and assistance to ineligible nonpublic schools.² At the Department, we found that staff did not screen School-Based Mental Health Services program grant applications to ensure that they met all application requirements before entering them into the peer review process and did not always implement post-award activities as designed, including program monitoring plans and reviews of grantees' annual performance reports.³

Going forward, the Department may face challenges in the following areas as relates to its oversight and monitoring of grantees.

- **Oversight of Activities Performed by Grantees with Department-Approved Waivers.** With some restrictions, the Elementary and Secondary Education Act (ESEA) (section 8401(a)(1)) authorizes the Secretary to waive any statutory or regulatory requirement related to the administration of the ESEA. In July 2025, OESE issued a dear colleague

1 [Mississippi Department of Education's Implementation of Selected Components of Mississippi's Statewide Accountability System](#) (ED-OIG/A22IL0091, issued March 2024), [Oregon Department of Education's Implementation of Selected Components of Oregon's Statewide Accountability System](#) (ED-OIG/A23IL0142, issued September 2024), [Connecticut State Department of Education's Implementation of Selected Components of Connecticut's Statewide Accountability System](#) (ED-OIG/A24IL0199, issued September 2025), and [West Virginia Department of Education's Implementation of Selected Components of West Virginia's Statewide Accountability System](#) (ED-OIG/A24IL0200, issued September 2025).

2 [Wisconsin Department of Public Instruction's Administration and Oversight of Emergency Assistance to Nonpublic Schools Grant Funds](#) (ED-OIG/A24NY0195, issued September 2025).

3 [OESE's Processes for Awarding School-Based Mental Health Services Grant Program Grants and Monitoring Grantee Performance](#) (ED-OIG/A24IL0156, issued March 2025).

letter inviting SEAs, LEAs, schools, and Tribal leaders to seek creative and effective waivers for improving student academic achievement and maximizing the impact of Federal funds. The Department encouraged State and local leaders to think creatively about how Federal funds may be best leveraged to respond to parents' concerns about the quality of education delivered in America's public schools and outlined existing areas of flexibility under the ESEA and the waiver process.

Creative and non-traditional approaches to implementing activities under the ESEA could potentially lead to improved student academic achievement at the State and local levels, if designed and implemented properly. However, increased flexibility and alternative ways for grantees to implement ESEA activities could result in less funding and support for disadvantaged and vulnerable groups of students. It could also result in a significant increase in Department resources—time, money, staffing—needed to effectively oversee and monitor those activities. Department oversight and monitoring of the grant funds and activities impacted by those waivers could be challenging because Department program reviewers will need to evaluate grantee compliance against criteria that are likely to differ by grantee and that may also be new and unfamiliar to the reviewers.

- **Oversight of Grant Program Services Obtained Through Interagency Agreements.** In May 2025, the Department executed an interagency agreement (IAA) with the U.S. Department of Labor to obtain services for administration and management activities for the adult education and family literacy programs and career and technical education programs that were previously performed by the Department's Office of Career, Technical, and Adult Education. In November 2025, the Department announced that it executed six additional IAAs with four Federal agencies (Labor, Health and Human Services, Interior, and State) to obtain services for a significant portion of the K–12 and postsecondary education programs work historically performed by the Department—namely, OESE and OPE. Under these agreements, the receiving agencies will provide grant administration services to the Department in managing and overseeing Department programs, including conducting monitoring activities to ensure program compliance and providing technical assistance to grantees. However, the Department will maintain all statutory responsibilities and continue overseeing the education programs subject to the IAAs, including coordinating audit resolution and closure, monitoring internal controls and risk assessments for impacted programs, and reviewing grantees' annual performance and fiscal reports.

In executing these partnerships, the Department has described its goals as streamlining Federal education activities, reducing administrative burdens, and refocusing programs and activities to better serve students and grantees. The OIG has consistently made recommendations aimed at improving program efficiency and effectiveness and is supportive of such efforts. However, this substantial change in operations, whereby two partner agencies will now be responsible for carrying out and coordinating on activities related to grantee oversight and monitoring that were previously performed by just one agency—coupled with the significant loss of staff at the Department over the past year and

the elimination of certain subcomponents that provided program offices with monitoring and technical assistance support—is likely to present its own set of challenges. It will be critically important for the Department to ensure that program expertise is transferred and that there is continuous communication between the agencies to avoid any gaps in grantee oversight and monitoring or duplication of effort.





Management Challenge 3

OVERSIGHT AND MONITORING OF STUDENT FINANCIAL ASSISTANCE PROGRAMS

Within the Department, Federal Student Aid (FSA) administers Federal student assistance programs and OPE develops Federal postsecondary education policy and regulations for these programs. OPE also administers the review process for accrediting agencies to ensure that the Department recognizes only agencies that are reliable authorities for evaluating the quality of education and training that postsecondary institutions offer.

FSA oversees the delivery of more than \$120 billion annually in Federal student assistance, in the form of loans, grants, and Federal work study, to more than 9.9 million postsecondary students and their families. FSA directly manages or oversees a loan portfolio of more than \$1.6 trillion, representing about 217 million student loans to more than 45 million borrowers. FSA also oversees approximately 5,400 postsecondary institutions that participate in Federal student assistance programs. In FY 2025, FSA performed these functions with an administrative budget of about \$2.1 billion (\$1.7 billion of which is for contracts as noted below) and less than 900 employees—approximately 40 percent fewer staff than it had in FY 2024—along with contractors that provide outsourced business operations.



Why This is a Challenge

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

The following are some examples of challenges that the Department faces regarding oversight and monitoring of the Federal student assistance programs.

- **Implementation of Provisions in the OBBBA.** As noted under Management Challenge 1, the OBBBA made significant changes to Federal student assistance programs. Many of these changes are effective July 1, 2026. The Department will need to implement these programmatic changes through regulations or changes to its operations and FSA will need to oversee and monitor program participants' implementation of these changes. These changes include
 - the creation of the Workforce Pell program, making students enrolled in short-term programs eligible for Pell grants;
 - the creation of accountability measures for institutions, specifically programs that result in low earning outcomes for students will not be eligible to participate in the Direct Loan program;

- the elimination of Direct PLUS Loans for graduate and professional students,
 - the introduction of annual and aggregate limits for Direct loans for graduate and professional students;
 - the introduction of annual and aggregate limits for parent borrowers of Direct PLUS Loans, lifetime maximum aggregate limits for student borrowers, and institutionally determined loan limits for a program;
 - the proration of Direct Loan amounts for a student enrolled on a less than full-time basis; and
 - the creation of the Repayment Assistance Plan, a new income-based repayment plan for borrowers, the phase out of existing repayment plans, and a requirement that student loan borrowers repay their loans under either a standard repayment plan or the Repayment Assistance Plan.
- **Oversight of Institutional and Program Eligibility.** Under the Higher Education Act (HEA), FSA is responsible for assessing the eligibility of institutions and programs to participate in Federal student assistance programs and assessing the administrative capability and financial responsibility of institutions by conducting program reviews. Our work has identified weaknesses in FSA’s oversight of institutions participating in Federal student assistance programs—weaknesses that could be exacerbated by the significant loss of staff across FSA’s eight School Participation Divisions.⁴
 - **Contract Oversight.** More than \$1.7 billion of FSA’s annual administrative budget is devoted to contracting for loan servicing, systems, and other activities to support Federal student assistance programs. Department policy requires every contract be monitored to provide assurance that the contractor performs the work called for in the contract and to develop a clear record of accountability for performance. Our work and the work of the Government Accountability Office has identified weaknesses in FSA’s oversight of its contractors.
 - **Student Eligibility and Fraud.** FSA and participating institutions implement controls to assess student eligibility for Federal student assistance. Despite such controls over student eligibility, fraud rings consisting of large, loosely affiliated groups of criminals continue to fraudulently obtain Federal student aid. We have found that FSA could strengthen its preventive controls to better protect Federal student aid funds and the public from fraudulent activity—for example, in 2024, making recommendations for FSA to take additional actions related to the verification of user identities when granting access to FSA systems, including online submissions of the Free Application for Federal Student Aid.⁵

4 [The Importance of Strengthening Internal Controls in FSA: FYs 2019-2024](#) (issued December 2024).

5 [FSA’s Actions to Mitigate Risks Associated with the FSA ID Account Creation Process](#) (ED-OIG/F23IT0138, issued July 2024).



Management Challenge 4

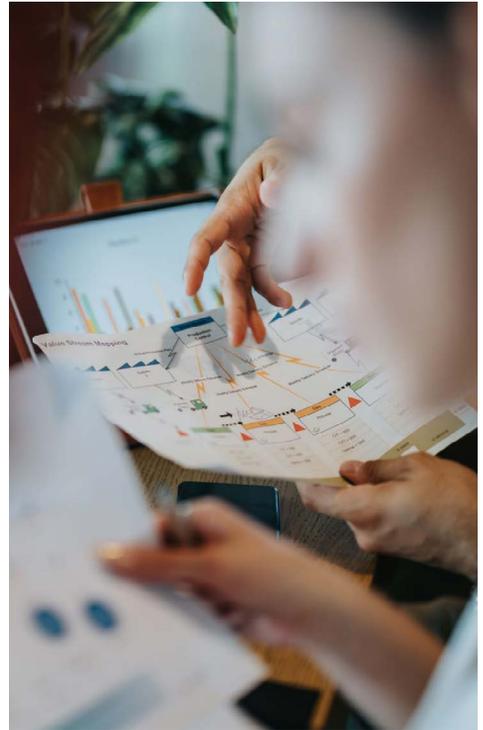
DATA QUALITY AND REPORTING

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

In addition, the Department and FSA issue annual reports to inform Congress, the President, other external stakeholders, and the American people on how these organizations used Federal resources. These annual reports enable stakeholders to assess the organizations’ performance relative to their missions and to determine whether the organizations’ have been accountable for the resources entrusted to them.

Why This is a Challenge

The Department, its grantees, and its subrecipients must have effective controls to ensure that reported data are accurate and complete. The Department relies on program data to evaluate program performance and inform management decisions. Quality and reliable data are critical and necessary when monitoring grantees' performance, which is one of the Department's key responsibilities. Within the Department, IES compiles a wide range of statistics and develops products to ensure that educational programs conform to high standards of quality, integrity, and accuracy. In FY 2025, however, IES reduced its workforce by nearly 90 percent. Further, under the IAAs, other agencies will be taking on increasing responsibilities for collecting and assessing grantee performance and fiscal data as part of their monitoring efforts, and, with proper oversight by the Department, will need to ensure that systems and controls are in place to assure the reliability of these data.



We have identified findings and made recommendations regarding data quality and reporting in several recent reports. For example, in our audits of the overall effectiveness of the Department's Charter School Program grants and its oversight of Grants to Charter Management Organizations, we found that the Charter School Program office's processes did not result in grantees reporting clear, reliable, and timely information needed by the Department to assess grantees' individual performance and evaluate the overall effectiveness of the program.⁶ Our inspection of Section 117 of the HEA (foreign gift) reporting requirements found that FSA did not have any monitoring plans, policies, or procedures in place for its oversight of Section 117 reporting, and that although it was accurately posting the data it received from IHEs through its reporting portal onto its public-facing website, it could improve the reporting portal to assist in identifying and reducing data input errors.⁷

The following are some other examples of challenges that the Department faces regarding data quality and reporting.

- **Reliability of Loan Program Subsidy Data.** The design and implementation of controls over the reliability of the underlying data used in the Federal student loan programs' subsidy re-estimates has been identified as a material weakness in each annual financial

6 [Effectiveness of Charter School Programs in Increasing the Number of Charter Schools](#) (ED-OIG/A21IL0034, issued September 2022) and [Department's Processes for Overseeing Charter School Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools](#) (ED-OIG/A18IL0009, issued August 2023).

7 [FSA's Oversight of Section 117 Reporting Requirements](#) (ED-OIG/I24DC0166, issued February 2025).

statement audit since FY 2018. In addition, the Department and FSA have received disclaimers of opinion on their financial statements in each of their annual financial statement audits since FY 2022.⁸ The basis for the disclaimers were errors identified in the underlying data used in the subsidy re-estimates calculation for Federal student loan programs. Subsidy re-estimates are periodic revisions of the estimated costs to the government of extending or guaranteeing Federal student loans. Subsidy re-estimates are important for transparency and accountability in Federal student loan programs, helping to manage financial risks and ensure the efficient use of funds.

- **Reliability of Postsecondary Institution Data.** The Department’s publicly available postsecondary institution data (College Scorecard, College Navigator, and Integrated Postsecondary Education Data System (IPEDS) Data Center) are used to analyze trends in postsecondary education and help students attending postsecondary schools, prospective students, and their parents compare postsecondary schools and make informed school enrollment decisions. Our recent work on the quality of data reported through the Department’s IPEDS surveys found that some schools did not always report verifiable data on students’ cost of attendance and financial aid and the schools’ graduation rates to the Department.⁹ As a result, prospective students and their parents might make enrollment decisions based on such unreliable information.

8 [FY 2022 Department Financial Statement Audit](#) (ED-OIG/A22FS0064, issued January 2023), [FY 2023 Department Financial Statement Audit](#) (ED-OIG/A23FS0127, issued November 2023), and [FY 2024 Department Financial Statement Audit](#) (ED-OIG/A24FS0168, issued November 2024).

9 [Quality of Data Reported through the Department’s IPEDS Surveys by NUC University](#) (ED-OIG/I24IL0174, issued April 2025) and [Quality of Data Reported through the Department’s IPEDS Surveys by Joliet Junior College](#) (ED-OIG/I24IL0210, issued September 2025).



Management Challenge 5

INFORMATION TECHNOLOGY SECURITY

The Federal Information Security Modernization Act (FISMA) requires the OIG to assess the effectiveness of the Department's information security program. FISMA mandates that this evaluation include (1) testing the effectiveness of information security policies, procedures, and practices of a representative subset of the agency's information systems; and (2) an assessment of the effectiveness of the information security policies, procedures, and practices of the agency. The Department's Office of the Chief Information Officer (OCIO) monitors and evaluates contractor-provided IT services through a service-level agreement framework and develops and maintains common business solutions required by multiple program offices. In addition to OCIO, FSA has its own chief information officer, whose primary responsibility is to promote the effective use of technology to achieve FSA's strategic objectives through sound technology planning and investments, integrated technology architectures and standards, effective systems development, and production support.

Since FY 2023, we have assessed the Department's overall IT security program and practices as effective, with nearly all FISMA domains meeting the requirements needed to operate at a

Level 4 (Managed and Measurable) or Level 5 (Optimized) maturity rating.¹⁰ The Department has taken several actions in recent years aimed at improving IT security and expanding related operational capabilities. For instance, it has placed an emphasis on strengthening its management of value added technologies and evolving its cybersecurity capabilities and on the strategic use of information management resources to support its mission. Its goals include strengthening the Department’s ability to protect and safeguard data housed within its systems; optimizing its risk posture; and maturing its ability to identify, protect, detect, respond, and recover from cybersecurity threats. The Department further identified implementation of a full Zero-Trust Architecture—a security model based on the principle of least privilege for users and devices—as a priority corrective action in response to previous management challenges reports, working to ensure that it remains on the forefront of emerging information security strategies and solutions and that controls are continually integrated into its security program.

Why This is a Challenge

The Department has made significant progress in strengthening its IT security program, but it could see this progress halted and possibly even reversed because of the substantial loss of staff within OCIO specifically and across the Department more generally. From early discussions regarding our FY 2026 FISMA audit, the OIG understands that OCIO personnel are down around 70 percent from FY 2025. This is in stark contrast to a priority corrective action that the Department identified in its response to this same challenge last year—specifically, that it planned to establish and protect dedicated lines of funding and personnel for its enterprise cyber and IT program. If the Department is unable to hire qualified individuals to fill key positions in its security program, there is increased risk that processes and controls that have been put in place to protect the security of the Department’s resources will diminish. This could increase the susceptibility of the Department’s operations to fraud, waste, abuse, and cyber threats and result in more findings and recommendations in its annual security audits and inspections.

Further, the Department may lack the capacity to implement corrective actions for existing findings and recommendations, thereby exposing it to continuing information security weaknesses. While the Department’s overall IT security program and practices were assessed to be effective in FYs 2023, 2024, and 2025 based on review of the required FISMA metrics, recommendations were made in several areas where the Department could strengthen IT controls. Until the Department improves in these areas, it cannot ensure that its overall information security program adequately protects its systems and resources from compromise and loss. In addition, the Department’s technology environment is constantly evolving, bringing new threats and cybersecurity requirements. As technology environments

¹⁰ [FY 2023 Department FISMA Audit](#) (ED-OIG/A23IT0118, issued September 2023), [FY 2024 Department FISMA Audit](#) (ED-OIG/A24IT0153, issued August 2024), and [FY 2025 Department FISMA Audit](#) (ED-OIG/A25IT0212, issued July 2025).

evolve, it is important that the Department continues to ensure that it implements the respective security controls to protect its information and resources.

The Department's systems house millions of sensitive records on students, parents, and others, and are used to process billions of dollars in education funding. These systems are primarily operated and maintained by contractors and are accessed by thousands of authorized people (including Department employees, contractor employees, and other third parties such as school financial aid administrators). Given the notable increase in occurrences of high-profile data breaches (both in the public and private sectors) and advanced cybersecurity attacks, the importance of safeguarding the Department's information and information systems cannot be overstated. Protecting this complex IT infrastructure from constantly evolving cyber threats is an enormous responsibility and challenge. Without adequate management and operational and technical security controls, the Department's IT systems and information are vulnerable to attacks, both internal and external. Unauthorized access could result in lost data confidentiality and integrity, limited system availability, and reduced system reliability.



ACRONYMS AND ABBREVIATIONS

Acronym	Definition
Department	U.S. Department of Education
ESEA	Elementary and Secondary Education Act
FISMA	Federal Information Security Modernization Act
FSA	Federal Student Aid
FY	fiscal year
HEA	Higher Education Act
IAA	Interagency Agreement
IES	Institute of Education Sciences
IHE	institution of higher education
IPEDS	Integrated Postsecondary Education Data System
IT	information technology
LEA	local educational agency
OBBBA	One Big Beautiful Bill Act
OCIO	Office of the Chief Information Officer
OESE	Office of Elementary and Secondary Education
OIG	Office of Inspector General
OPE	Office of Postsecondary Education
RIF	reduction in force
SEA	State educational agency
Secretary	Secretary of Education



DEPARTMENT COMMENTS



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF FINANCE AND OPERATIONS

January 16, 2026

TO: Mark Priebe
Acting Inspector General
U.S. Department of Education

FROM: Jacqueline Clay 
Principal Deputy Assistant Secretary
Delegated the Duties of the Assistant Secretary
Office of Finance and Operations

SUBJECT: Response to Office of Inspector General Draft Report,
“Fiscal Year 2026 Management Challenges Facing the U.S. Department of Education”

The Department appreciates the opportunity to provide comments on the Office of Inspector General’s (OIG) draft report, *Fiscal Year 2026 Management Challenges Facing the U.S. Department of Education*, and thanks OIG for its communication during FY 2025.

OIG’s perspective on risks and vulnerabilities affecting Department programs and operations is valued. The challenges identified in the draft report are generally consistent with the Department’s understanding of key risk areas. OIG’s identification of *Change Management* as a challenge area, based on observations related to transition issues and operational impacts, is also acknowledged.

Over the past year, the Department has continued to advance efforts aligned with these challenge areas while carrying out its statutory responsibilities. For example, in the area of change management, the Department implemented numerous changes to deliver the earliest-ever release of the Free Application for Federal Student Aid (FAFSA). With respect to oversight, the Department strengthened program integrity controls for how institutions of higher education deliver student aid that prevented approximately \$1 billion in improper disbursements. In addition, the Department has continued to strengthen enterprise information security capabilities, and OIG has assessed the Department’s overall IT security program and practices as effective in recent years, with nearly all Federal Information Security Modernization Act domains meeting Level 4 (Managed and Measurable) or Level 5 (Optimized) maturity ratings. In the area of data quality, the Department has taken steps to improve the reliability of student loan subsidy cost estimates, an area identified by OIG as a longstanding risk, with progress expected to be reflected in forthcoming audit results.

In prior years, efforts were undertaken to address OIG-identified management challenges, including identifying corrective actions and monitoring progress. Over the past year, the Department has continued to invest resources in solidifying and strengthening program monitoring, and has improved its communications with the OIG, proactively identifying and raising cases of potential waste, fraud, and abuse seen in the programs, and working cooperatively with OIG and other state-level resources to address them, as needed. Approaches to coordination have varied over time, and OIG observations are readily considered within the Department’s approaches to its broader management and oversight activities.

OIG’s work in highlighting management challenges and providing an independent perspective on risks affecting Department programs and operations is recognized.

400 MARYLAND AVE., S.W., WASHINGTON, DC 20202
www.ed.gov

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

