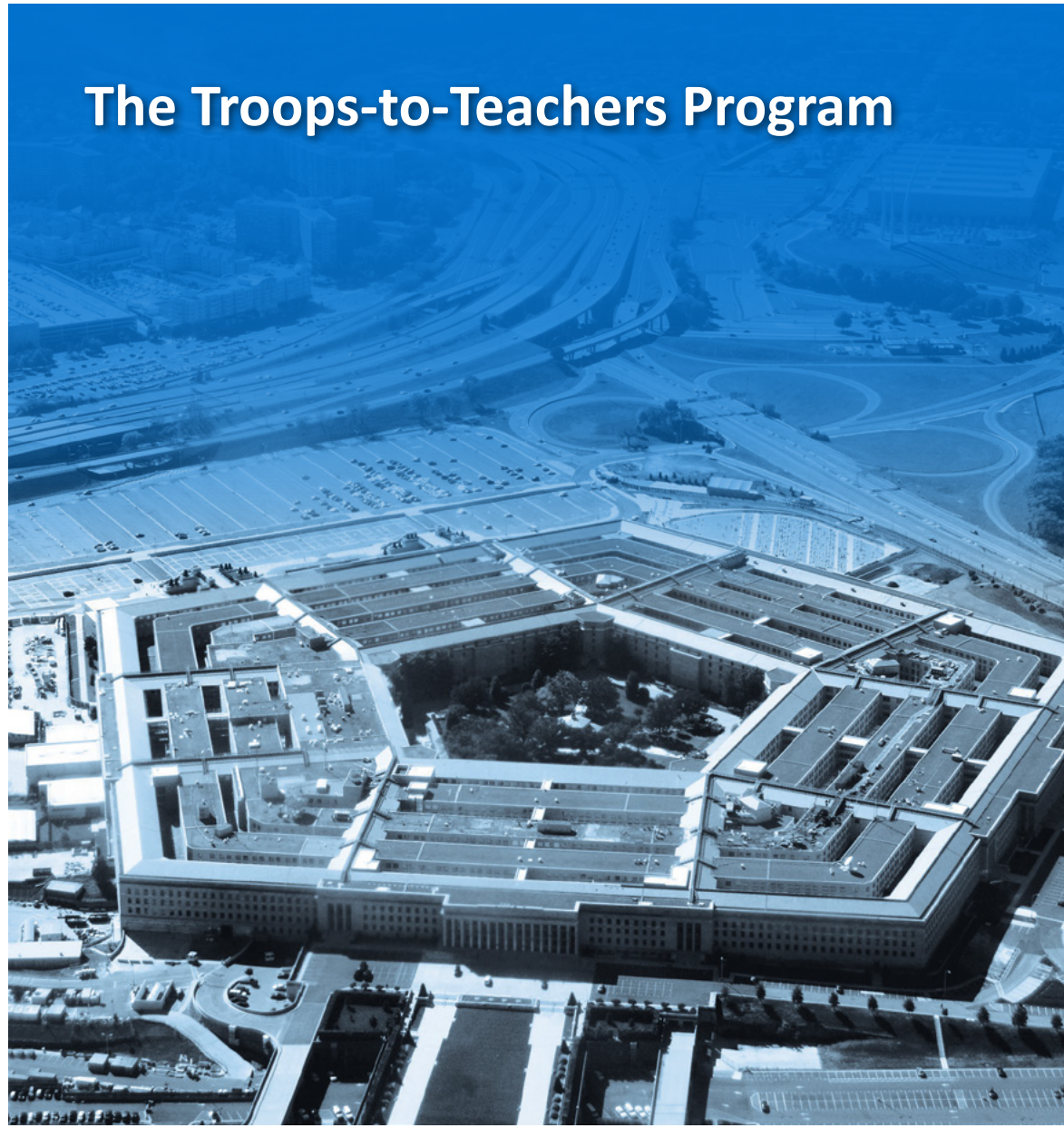




# INSPECTOR GENERAL

*U.S. Department of Defense*

SEPTEMBER 28, 2017



## The Troops-to-Teachers Program

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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# Results in Brief

## *The Troops-to-Teachers Program*

September 28, 2017

### Objective

This audit was conducted in response to a hotline complaint. We determined whether the Troops-to-Teachers (TTT) program properly paid participants, withheld and reported taxes, collected payments from those that failed to meet program requirements, and managed the grant program that provides funding to support the TTT program.

### Background

The TTT program provides assistance to eligible military participants interested in becoming teachers.<sup>1</sup> The program provides counseling and referral services for participants to help them meet education and licensing requirements to teach and subsequently helps them secure teaching positions. In addition, the program provides financial assistance in the form of stipend payments paid to offset the cost of obtaining a teaching certification, as well as bonuses for participants who teach in an eligible or high need school.<sup>2</sup> In 2015,

<sup>1</sup> Military retirees, reservists, or active duty military within one year of retirement may apply to be considered an eligible participant.

<sup>2</sup> According to section 1154 (a)(2), title 10, United States Code (10 U.S.C. §1154 (a)(2) [2015]), eligible schools are defined as public and charter schools in which at least 30 percent of students enrolled in the schools are from families with incomes below 185 percent of poverty level; or at least 13 percent of the students enrolled in the school qualify for assistance under part b of the individuals with disabilities education act; or a bureau-funded school. Additionally, under 10 U.S.C. §1154 (a)(3) [2015], the definition of a high-need school includes an elementary or middle school in which at least 50 percent of the enrolled students are from low-income families or a high school in which at least 40 percent of enrolled students are from low-income families.

### Background (cont'd)

the TTT program paid 1,374 participants \$3.7 million in stipends and bonuses. The Assistant Secretary of Defense for Readiness, through the Office of the Under Secretary of Defense (Personnel and Readiness) (OUSD [P&R]), is responsible for providing policy and funding for the TTT program. The DoD assigned the daily operations of the TTT program to the Defense Activity for Non-Traditional Education Support (DANTES), an activity within the Naval Education and Training Command (NETC). DANTES personnel also manage a grant program that provided \$4.4 million in 2015 to states to support recruiting efforts aimed at prospective participants.

### Finding

The OUSD (P&R), DANTES, and Defense Finance Accounting Service (DFAS) did not manage the TTT program adequately. We nonstatistically sampled 63 stipends and bonuses paid by DANTES personnel, valued at \$212,000, and found that 25 payments, valued at \$87,000, were improperly paid. These payments were improper because DANTES personnel either incorrectly approved participants who did not meet program eligibility requirements or failed to obtain sufficient documentation to determine whether participants met those requirements. Specifically, DANTES improperly paid 14 stipends valued at \$45,000 and 11 bonuses valued at \$42,000. This occurred because OUSD (P&R) did not develop policy to implement 10 U.S.C. § 1154 (2015) (TTT Program Law). In addition, DANTES management operated the program on draft standard operating procedures that were not fully in accordance with the TTT program law and that had not been subject to a legal review. Furthermore, DANTES management did not provide training to personnel on the requirements and procedures for determining applicant eligibility for the TTT program. As a result, there is no assurance that participants were eligible to receive the stipends and bonuses awarded by DANTES personnel.

In addition, DANTES and DFAS personnel reported the TTT stipend and bonus payments as wages to the participants on their Internal Revenue Service (IRS) Forms W-2s but did not withhold Federal income tax from the





# Results in Brief

## *The Troops-to-Teachers Program*

### **Finding (cont'd)**

payments as required by Internal Revenue Code, U.S.C. Title 26. This occurred because DANTES and DFAS systems were not configured with the capability to withhold taxes. In addition, DANTES and DFAS management did not have a memorandum of agreement (MOA) that assigned the organizational roles and responsibilities for implementing Federal income tax withholding requirements. As a result, DFAS may owe penalties for the taxes it failed to withhold.

DANTES personnel also did not establish a debt collection process with DFAS for participants who did not fulfill program requirements. This occurred because there was no mutual understanding or communication between DANTES management and DFAS of their roles and responsibilities for collecting debt. As a result, \$381,000 for stipends and bonuses paid to participants who failed to fulfill program requirements remains uncollected.

Finally, DANTES management did not establish the TTT grant program in accordance with DoD grant regulations and compare the states' expenditures and results to the states' desired goals and objectives. This occurred because DANTES management did not follow laws and regulations when they established the grant program and the OUSD (P&R) did not develop policy to implement, manage, and oversee the TTT grant program. As a result, it is unclear whether the TTT grant program achieved the desired results in assisting transitioning service members with meeting the requirements necessary to become teachers.

### **Recommendations**

We recommend that the Assistant Secretary of Defense for Readiness develop and implement policies to clearly define the TTT program requirements, to include the implementation, management, and oversight of the TTT grant program.

In addition, we recommend that the Commander, Naval Education and Training Command direct TTT management to:

- develop procedures that align with newly developed policy and provide training for all government and contract employees within the TTT program after new policy and procedures are created;
- review standard operating procedures in coordination with management officials and the Office of General Counsel to ensure they are in accordance with TTT program law requirements to determine participant eligibility while new policy is being developed;
- continue to work with DFAS to finalize corrective actions to withhold Federal income taxes on payments, and develop roles and responsibilities for tax withholding and debt collections;
- review all applications for stipends and bonuses submitted between October 1, 2014, and the date of this report, and bring into compliance applications determined to be incomplete and collect payments from participants determined to be ineligible;
- maintain a database of current addresses for participants;
- submit debt collection packages to DFAS for outstanding debt; and
- complete corrective action plans in process for collections and the grant program.



# Results in Brief

## *The Troops-to-Teachers Program*

### Management Comments and Our Response

An official, performing the duties of the Under Secretary of Defense for Personnel and Readiness, agreed to establish an instruction within 24 months that will assign responsibilities and prescribe procedures for determining participant eligibility, and implement, manage, and oversee grants for the TTT program in accordance with 10 U.S.C. § 1154 (2015). Therefore, the recommendations are resolved but will remain open. We will close the recommendations once we verify that the Office of Under Secretary of Defense for Readiness, Force Education and Training, has developed and implemented program policy in accordance with 10 U.S.C. § 1154 (2015).

The Commander, NETC, agreed with aligning procedures with OUSD policy once that policy is developed. Furthermore, DANTEs is actively engaged with the Office of General Counsel to have TTT standard operating procedures reviewed to ensure compliance with the TTT legislation. DANTEs has also trained TTT personnel on processes and procedures that have been reviewed and determined to comply with 10 U.S.C § 1154 (2015). Therefore, these recommendations are resolved but will remain open. We will close the recommendations once we verify that the OUSD developed program policy and TTT procedures align with the policy; the NETC Office of General Counsel has reviewed TTT procedures; the Office of Under Secretary of Defense for Readiness, Force Education and Training has reviewed the procedures; and we reviewed the new contract and verify that personnel have been trained.

The Commander, NETC, while agreeing in principle with the recommendation to correct the tax withholding problem, stated that DANTEs cannot ensure DFAS

will complete the system changes needed. DANTEs implemented a systems change effective March 2017 in its current Financial Management System delineating the tax portion required to be paid to the IRS. The Director, Finance Standards and Customer Services, DFAS, also provided comments on the recommendation to correct system deficiencies for tax withholding. The Director stated that DFAS completed the required system changes and that tax withholding has been implemented for the TTT payments. Additionally, DFAS validated that the tax withholding capability is available in the Defense Agency's Initiative system to support the program migration to the Defense Human Resources Activity (DHRA) in October 2017. Therefore, this recommendation is resolved but will remain open. We will close the recommendation once we verify that tax withholding is automated and occurring in the Automated Disbursing System for current payments and the Defense Agencies Initiative System for payments made after October 1, 2017.

The Commander, NETC, stated that DANTEs conducted a review of TTT participant records to substantiate participant eligibility for stipend and bonuses. He also recommended that DFAS send the required IRS tax forms to participants at the end of the year. He further stated that an MOA was established between DANTEs and DFAS and that DANTEs is working with the DHRA to determine whether updates need to be made to the current MOA. He stated that DANTEs maintained a database of addresses for participants to allow them to review and update their records as required. Furthermore, debt collection packages have been submitted to DFAS for collections. In addition, DANTEs formally established the TTT grant program, and grants have been awarded to participating State Departments of Education. Therefore, these recommendations are resolved but will remain open. We will close these recommendations once we verify that the DFAS tax



# Results in Brief

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## *The Troops-to-Teachers Program*

### ***Comments (cont'd)***

office sent the required IRS forms to participants at the end of the calendar year along with the W-2's; the database is maintaining participant's current addresses; the debt collection packages have been submitted to DFAS, and the TTT grant program has been established and grants have been awarded to participating State Departments of Education.

Please see the Recommendations Table on the next page.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Assistant Secretary of Defense for Readiness	None	1.a and 1.b	None
Commander, Naval Education and Training Command	None	2.a, 2.b, 2.c, 2.d, 2.e, 2.f, 2.g, 2.h, 2.i, and 2.j	None

Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.







**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

September 28, 2017

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS  
NAVAL INSPECTOR GENERAL

SUBJECT: The Troops-to-Teachers Program (Report No. DODIG-2017-123)

We are providing this report for your information and use. The Office of the Under Secretary of Defense for Personnel and Readiness did not effectively oversee, and the Defense Activity for Non Traditional Education and Training Support, and the Defense Finance and Accounting Service did not adequately manage, the Troops-to-Teachers program. We conducted this audit in response to a DoD Hotline allegation in accordance with generally accepted government auditing standards.

We considered comments on the draft of this report when preparing the final report. Comments from the Assistant Secretary of Defense for Readiness and Naval Inspector General conformed to the requirements of DoD Directive 7650.3; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to Edward Blair at (216) 535-3752.

A handwritten signature in cursive script that reads "Lorin T. Venable".

Lorin T. Venable, CPA  
Assistant Inspector General  
Financial Management and Reporting

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# Introduction

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## Objective

This audit was conducted in response to a hotline complaint. We determined whether the Troops-to-Teachers (TTT) program properly paid participants, withheld and reported taxes, collected payments from those that failed to meet program requirements, and managed the grant program that provides funding to support the TTT program.

## Background

The National Defense Authorization Act for Fiscal Year 1993 established the TTT program to assist eligible members of the Armed Forces wishing to transition into a second career as teachers.<sup>3</sup> The TTT program provides assistance to military service members who have left or are preparing to leave the armed services by providing counseling and referral services for participants to help them meet education and licensing requirements to teach and subsequently helps them secure a teaching position.<sup>4</sup> In addition, the program provides financial assistance in the form of stipend and bonus payments as incentives to members to serve as teachers. In 2015, TTT program paid 1,374 participants \$3.7 million in stipends and bonuses. Stipends are paid to eligible participants to offset the cost of obtaining a teaching certification. The TTT program pays bonuses to eligible participants upon becoming employed as an elementary or secondary school teacher, or as a career or technical teacher. In 2015, the TTT program also awarded \$4.4 million in grants to states and regions for recruiting potential applicants. We reviewed the TTT program's participant applications submitted and paid between October 1, 2014 and June 30, 2016.

## ***Oversight History of the TTT Program***

In 1993, Congress provided funds and oversight responsibilities to the DoD to manage the TTT program. In 2000, Congress transferred oversight of the TTT program from the DoD to the Department of Education (DOE). The DOE managed the program from 2000 until 2012, and in 2013, Congress transferred the TTT program back to the DoD. DoD transferred Executive Agent responsibilities of the TTT program to the Department of the Navy (DON) and assigned the daily operations to the Defense Activity for Non-Traditional Education Support

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<sup>3</sup> Public Law 102-484, "National Defense Authorization Act for Fiscal Year 1993," section 4441, "Teacher and Teacher's Aide Placement Program for Separated Members of the Armed Forces," October 23, 1992.

<sup>4</sup> Military retirees, reservists, or active duty military within one year of retirement may apply to be considered an eligible participant.

(DANTES), which is an activity within the Naval Education and Training Command (NETC).<sup>5</sup> Although funding and oversight responsibilities changed agencies several times between 1993 and 2013, DANTES has remained responsible for the daily operations throughout the life of the TTT program.

Four organizations share responsibility for the TTT program.

- Since 2013, the Assistant Secretary of Defense for Readiness, through the Office of the Under Secretary of Defense (Personnel and Readiness) (OUSD [P&R]), has shared responsibilities with DON. The primary responsibility of OUSD (P&R) is to develop policy for the TTT program and provide funding to DON to operate the program.
- The DoD designated the DON as the Executive Agent for the TTT program. The DON delegated the Executive Agent to the Commander, NETC. The DoD also established DANTES and designated it to operate the TTT program. The DANTES office approves participant application packages for stipend and bonus payments. DANTES personnel also manage a grant program that provides funding to states to support recruiting efforts aimed at prospective participants.
- Defense Finance and Accounting Service (DFAS) personnel assist DANTES personnel with making stipend and bonus payments.

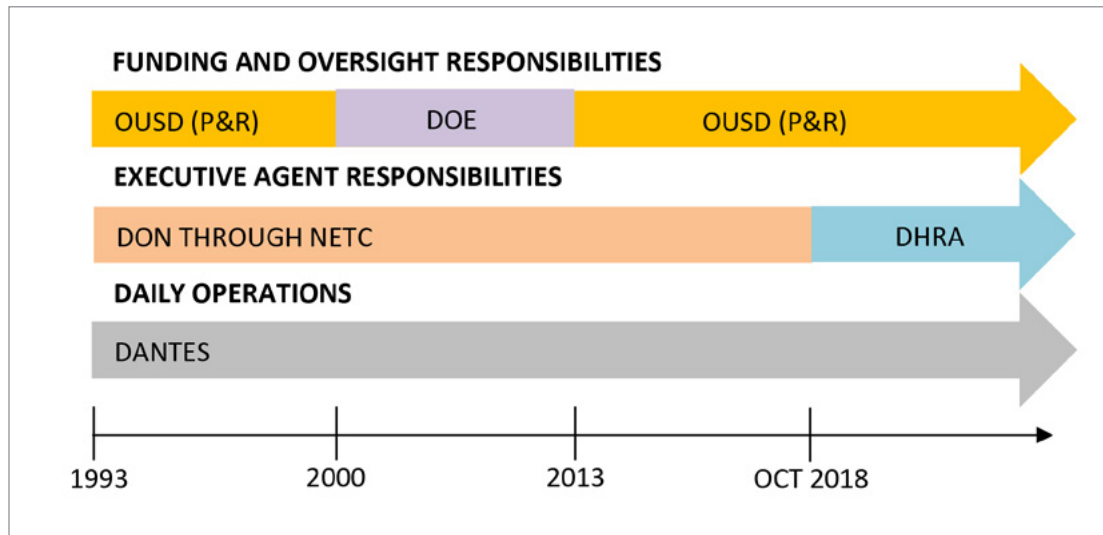
OUSD (P&R) personnel and DANTES management and personnel responsible for the TTT program have been in their positions for about two years. To streamline the program oversight and policy development, in November 2014, the Secretary of the Navy decided to rescind the Executive Agent responsibilities for DANTES. This decision was based on discussions between Office of the Deputy Assistant Secretary of the Navy for Military Manpower and Personnel and the Office of the Deputy Assistant Secretary of Defense for Military Community and Family Policy. Office of the Deputy Assistant Secretary of Defense for Military Community and Family Policy staff established direct lines of operation with DANTES leaving the Navy Secretariat, NETC, and Chief of Navy Personnel out of the entire decision making process, removing the need for DON to continue as the Executive Agent.

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<sup>5</sup> DoD Directive 5101.1 "DoD Executive Agent," defines an executive agent as the head of a DoD Component to whom the Secretary of Defense has assigned specific responsibilities, functions, and authorities to provide support for programs that involve two or more DoD Components.

In August 2015, OUSD (P&R) accepted the responsibilities. As a result, beginning October 1, 2017, and no later than October 1, 2018, DANTES personnel and the TTT program operations will realign from DON to OUSD (P&R) and the Defense Human Resources Activity (DHRA). See Figure 1 for a timeline of the TTT program oversight.

Figure 1. Oversight Timeline



Source: DoD OIG.

### ***Troops-to-Teachers Stipend and Bonus Application Process***

An applicant may apply for two types of financial assistance:

- A stipend, not to exceed \$5,000, for expenses incurred by the participant to obtain the required educational level, certification, or license to become a teacher.
- A bonus, not to exceed \$5,000, for accepting full-time employment at an eligible school, or not to exceed \$10,000 for accepting full-time employment at a high-needs school.<sup>6</sup>

For a participant to receive a stipend or bonus from the TTT program, the current or former military service member must complete an online application. Applicants must also provide supporting documentation with the application showing that they meet the military service and educational requirements. DANTES personnel review the online application package to validate that it is complete and supported.

<sup>6</sup> According to section 1154 (a)(2), title 10, United States Code (10 U.S.C. §1154 (a)(2) [2015]), eligible schools are defined as public and charter schools in which at least 30 percent of students enrolled in the schools are from families with incomes below 185 percent of poverty level; or at least 13 percent of the students enrolled in the school qualify for assistance under part B of the Individuals with Disabilities Education Act; or a bureau-funded school. Additionally, under 10 U.S.C. §1154 (a)(3) [2015], the definition of a high-need school includes an elementary or middle school in which at least 50 percent of the enrolled students are from low-income families or a high school in which at least 40 percent of enrolled students are from low-income families.



To receive a stipend, applicants are required to provide a cost estimate for obtaining a teaching certification. To receive a bonus, DANTES personnel are required to verify whether the applicant met the requirements for employment at an eligible or high-needs school.

Once DANTES personnel verify that the applicant meets the requirements of the TTT program, they send the applicant a memorandum of agreement (MOA) that provides the rules for the program. In addition, DANTES personnel send the applicant a form to self-verify the applicant's current address, school where the applicant is employed, and the subject area he or she is certified to teach. The applicant is required to sign the MOA and the verification form to acknowledge his or her understanding of the program requirements and to receive the TTT funds. According to 10 U.S.C. § 1154 (2015) (TTT Program Law), a participant who receives a stipend is required to obtain full-time employment as a teacher following completion of teacher certification.<sup>7</sup> If the participant receives a stipend or bonus, the participant is required to teach at an eligible school for not less than 3 years. In addition, a participant who receives a bonus is required to submit an annual verification of employment and agree to serve in the Reserves for at least 3 years.<sup>8</sup> When the participant signs the agreement and verification forms, DANTES personnel process the application and authorize the payment to the participant.

### ***Troops-to-Teachers Grant Program***

According to TTT Program Law, DANTES can award up to \$5 million in grants each year to states or regions to recruit eligible members of the armed services for the TTT program.<sup>9</sup> DANTES uses grants to establish a relationship between DANTES and the states and regions to recruit and assist eligible members of the armed services to meet requirements necessary to become teachers in eligible schools. State and regional responsibilities include:

- marketing for the TTT program,
- conducting workshops to help with resume writing and interview skills, and
- building and maintaining relationships with school hiring officials to increase placement opportunities with the schools.

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<sup>7</sup> 10 U.S.C. § 1154 (e) (1) (A) (II) [2015].

<sup>8</sup> According to 10 U.S.C. § 1154 (d)(1)(B)(ii) [2015], participants who are retired or physically disabled are not required to serve in the Reserves for 3 years.

<sup>9</sup> 10 U.S.C. § 1154 (h) (2) (A) and (B) [2015].

## **Information Systems**

DANTES personnel use the following systems to manage the program and process payments.

- The Department of Defense Voluntary Education System (DoDVES) is a database system owned by NETC and used to input, manage, and track the TTT program participants. Data from DoDVES is transmitted to the Standard Accounting and Reporting System (STARS) for accounting and payment processing.
- STARS is the system that records accounting events, such as obligations related to the TTT program. STARS is owned by DFAS.
- One Pay, a module of STARS, and the Automated Disbursing System, owned by DFAS, process payments to participants.
- Once the DHRA begins oversight of the TTT program, DANTES accounting and payment processing will transition from STARS to the Defense Agencies Initiative (DAI) system. The DAI is the Defense Agencies' financial management system.

## **Review of Internal Controls**

DoD Instruction 5010.40, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>10</sup> We identified that OUSD (P&R), DANTES, and DFAS were not effectively managing the TTT program's eligibility determinations, tax withholding, collections, and the grant program. We will provide a copy of the final report to the senior officials responsible for internal controls in the DoD and the DON.

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<sup>10</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

## Finding

### Troops-to-Teachers Program Not Adequately Managed

OUSD (P&R), DANTES and DFAS did not manage the TTT program adequately.

- We nonstatistically sampled 63 stipends and bonuses paid by DANTES personnel, valued at \$212,000, and found that 25 payments, valued at \$87,000, were improperly paid. These payments were improper because DANTES personnel either incorrectly approved participants who did not meet program eligibility requirements or failed to obtain sufficient documentation to determine whether participants met those requirements. Specifically, DANTES improperly paid 14 stipends valued at \$45,000 and 11 bonuses valued at \$42,000. This occurred because OUSD (P&R) did not develop policy to implement, manage, and oversee TTT program stipends and bonuses. In addition, DANTES management operated the program using draft standard operating procedures that were not in agreement with the TTT program law and were not reviewed for legal sufficiency. In addition, they did not provide training to personnel on the requirements and procedures for determining applicant eligibility for the TTT program.
- DANTES and DFAS personnel reported the TTT stipend and bonus payments as wages to the participants on their Internal Revenue Service (IRS) Forms W-2s but did not withhold Federal income tax from the payments made to TTT program participants as required by the Internal Revenue Code, U.S.C. Title 26. This occurred because DANTES and DFAS systems were not configured with the capability to do so. In addition, DANTES and DFAS management did not have an MOA in place that assigned the roles and responsibilities for implementing Federal income tax withholding requirements.
- DANTES personnel did not establish a debt collection process with DFAS for participants who did not fulfill program requirements. This occurred because there was no mutual understanding or communication between DANTES management and DFAS of their roles and responsibilities for collecting debt.
- DANTES personnel did not establish the TTT grant program in accordance with DoD grant regulations and compare the states' expenditures and results to the states' desired goals and objectives. This occurred because DANTES management did not follow laws and regulations to establish a grant program and OUSD (P&R) did not develop policy to implement, manage, and oversee the grant program.

As a result, there is no assurance that participants were eligible to receive the stipends and bonuses awarded by DANTES personnel; the TTT program violated tax laws that may cause the government to owe penalties for the taxes it failed to withhold; DANTES did not collect \$381,000 in stipends and bonuses that were paid to participants who subsequently failed to fulfill program requirements; and it is unclear whether the TTT grant program achieved the desired results in assisting transitioning service members with meeting the requirements necessary to become teachers.

## Inadequate Guidance and Training Led to Improper Stipend and Bonus Payments

We nonstatistically sampled 63 stipends and bonuses paid by DANTES personnel, valued at \$212,000, and found that 25 payments, valued at \$87,000, were improperly paid. Specifically, DANTES improperly paid 14 stipends valued at \$45,000 and 11 bonuses valued at \$42,000. Table 1 shows the total number and value of the stipend and bonus payments we reviewed and number of improper payments made.

*Table 1. Breakdown of Stipend and Bonus Payments*

Payment Type	Number of Proper Payments	Value of Proper Payments	Number of Improper Payments	Value of Improper Payments	Total Number of Payments	Total Value
Stipends	6	\$24,000	14	\$45,000	20	\$69,000
Bonuses	32	101,000	11	42,000	43	143,000
<b>Total</b>	<b>38</b>	<b>\$125,000</b>	<b>25*</b>	<b>\$87,000</b>	<b>63</b>	<b>\$212,000</b>

\*See Appendix B for each of the identified improper payments

DANTES personnel approved application packages that did not include the required supporting documentation to prove that participants met requirements. They also approved application packages for participants who did not meet program eligibility criteria.

According to the DoD Financial Management Regulation (DoD FMR), if an agency's review is unable to determine whether a payment was proper as a result of insufficient or missing documentation, the payment is considered an improper payment.<sup>11</sup> For example, DANTES personnel approved the following application packages for payment.

<sup>11</sup> DoD FMR, volume 4, chapter 14, "Improper Payments," Section 1402.

- A \$5,000 stipend to a participant even though DANTES personnel did not verify whether he was eligible for Post-9/11 Educational Assistance Program benefits.<sup>12</sup> According to TTT Program Law, an applicant is not eligible for a stipend if the applicant is eligible for the Post-9/11 Educational Assistance Program.<sup>13</sup>
- A \$10,000 bonus to a participant even though the full-time employment offer was not signed by the participant. According to the TTT Program Law, an applicant that is eligible to receive a bonus must first accept a full-time employment offer.<sup>14</sup>
- A \$5,000 stipend payment to a participant who separated from active duty on August 8, 2010, but did not apply for the stipend until May 29, 2015. According to TTT Program Law, an application is considered submitted on time if it is submitted within 3 years after the date the participant retired, separated, or was released from active duty.<sup>15</sup> In this situation, the participant applied for the stipend 5 years after he was separated from active duty and was, therefore, ineligible.
- A \$10,000 bonus paid to a participant for teaching in a school that did not meet the criteria for a high-needs school.<sup>16</sup> To receive a \$10,000 bonus, a participant must teach in a high-needs school; DANTES personnel erroneously calculated the percentage of low-income enrollment for the school in which the participant was employed and subsequently incorrectly paid out the bonus.

DANTES personnel improperly authorized stipend and bonus payments because OUSD (P&R) did not develop policy to implement, manage, and oversee TTT program stipends and bonuses. In addition, DANTES management operated the program using draft standard operating procedures that were not in agreement with the TTT program law and were not reviewed for legal sufficiency. In addition, they did not provide training to personnel on the requirements and procedures for determining applicant eligibility for the TTT program.

As a result, there is no assurance that participants were eligible to receive the stipends and bonuses awarded by DANTES personnel. OUSD (P&R) should develop policy to process participant application packages in accordance with TTT Program Law. After the OUSD (P&R) develops policy, DANTES management

<sup>12</sup> The Post-9/11 Educational Assistance Program is an education benefit program for service members and veterans who served on active duty after September 10, 2001, and their spouses and other family members, which provides financial assistance to individuals seeking advanced education or training.

<sup>13</sup> 10 U.S.C. § 1154 (e)(3)(C)(iii) (2015).

<sup>14</sup> 10 U.S.C. § 1154 (e) (1) (A) (ii) (2015).

<sup>15</sup> 10 U.S.C. § 1154 (d)(2)(B) (2015).

<sup>16</sup> 10 U.S.C. § 1154 (a)(3) (2015) states that the definition of a high-need school includes an elementary or middle school in which at least 50 percent of the enrolled students are from low-income families or a high school in which at least 40 percent of enrolled students are from low-income families.



should develop new standard operating procedures for personnel to follow. Until the updated guidance is approved and published, DANTES management should review the draft standard operating procedure and ensure that it agrees with the TTT Program Law by obtaining approval from the Office of General Counsel and OUSD (P&R). After the policies and procedures have been finalized, DANTES management should provide training on the updated procedures so personnel can follow them consistently. DANTES management should review all stipend and bonus applications submitted between October 1, 2014, and the date of this report and bring into compliance applications that are determined to be incomplete and collect payments from participants determined to be ineligible.

## **Wages Were Reported But Taxes Were Not Properly Withheld**

DANTES and DFAS personnel reported the TTT stipend and bonus payments as wages to the participants on their IRS Forms W-2s but did not withhold Federal income tax from the payments as required by Internal Revenue Code, U.S.C. Title 26 (2015).<sup>17</sup> In addition, DANTES personnel did not notify the participants in their financial assistance participation agreement that they were required to include the payments as wages on their tax forms and pay taxes on the payments.

DANTES personnel paid approximately \$3.7 million of stipends and bonuses to 1,374 participants in 2015; however, DANTES and DFAS personnel stated that they did not withhold Federal income tax from those payments. The IRS issued a memorandum to DFAS in 2013 advising that stipend and bonus payments should be reported as wages on the TTT participants' IRS Forms W-2 and stated that the payments are subject to Federal tax withholding.<sup>18</sup> Therefore, the TTT program and DFAS should be reporting wages and withholding Federal income tax for participant stipend and bonus payments and participants should be claiming the payments as wages on their tax returns.

To mitigate the potential impact and assessment from the IRS on the TTT payments, DFAS sent notification letters and IRS Forms 4669, "Statement of Payments Received" to the participants who received payments in 2015. IRS Form 4669 is issued when the payor does not withhold taxes from payments. The payor, in this case DFAS, determines the amount of the payment made and completes the payor portion. The payee, in this case the TTT participant, completes the remaining portion of the form, verifying that he or she included

<sup>17</sup> 26 U.S.C. § 3402, paragraph (a)(1), "Income Tax Collected at Source," (2015).

<sup>18</sup> Department of the Treasury, Internal Revenue Service, July 25, 2013, Memorandum.

the amount as income on his or her individual income tax return and paid the appropriate income tax, if any, that was due. DFAS may be liable for IRS penalties assessed for nonpayment of income taxes, but may be entitled to relief from penalties if it can show that the participant reported the payments and paid the corresponding tax.<sup>19</sup>

As of December 2016, the DFAS tax office mailed out 1,374 W-2s and IRS Forms 4669 to all TTT participants who received payments in 2015. The W-2s show the total amount of the payments received in Box 1, “wages, tips, and other compensation.” Of the 1,374 W-2 and IRS Form 4669 that were mailed, DFAS received 558 signed responses from participants confirming that they included the payments as wages on their Federal tax form for tax year 2015. However, DFAS did not receive responses back from 721 TTT participants, did not have valid addresses for 42 program participants, and are working with 53 participants to correct information on their forms.

DANTES and DFAS personnel did not properly withhold Federal income tax from TTT stipend and bonus payments because their systems were not configured to do so. Neither DoDVES nor the Automated Disbursing System could separate the gross amount from the net amount to be disbursed. Therefore, according to DANTES and DFAS personnel, both systems required system changes to successfully withhold Federal taxes. Also, DANTES and DFAS management did not have an MOA in place that assigned the specific roles and responsibilities for implementing Federal income tax withholding requirements. DFAS was unable to contact 42 participants because DANTES personnel did not provide updated addresses for the participants. Consequently, these participants may be unaware of their requirement to pay taxes on the stipends and bonuses.

When DANTES transitions to DHRA and uses the DAI system to process payments and accounting transactions, comprehensive processes and agreements need to be in place to ensure that tax withholding requirements are met. Furthermore, DANTES needs to clearly communicate to TTT participants the requirement to include bonus and stipend payments as income on Federal tax forms. Without these policies, procedures, and management action, participants may be unaware of the tax requirement for stipend and bonus payments, and DFAS may be responsible for penalties on the taxes it failed to withhold.<sup>20</sup>

Since April 2016, DANTES management has coordinated and developed possible solutions with DFAS personnel to identify needed system changes and to reengineer its process of withholding Federal income taxes from TTT participants.

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<sup>19</sup> 26 U.S.C. § 3402 (d), “Tax Paid by Recipient,” (2015).

<sup>20</sup> 26 U.S.C. § 3402, paragraph (d), “Tax Paid by Recipient,” (2015).

DANTES implemented a change to DoDVES to include the Federal income tax withholding and net amount of the stipend and bonus payments in the file it transmits to the Automated Disbursing System for payment. However, the Automated Disbursing System still requires system changes before DFAS personnel can successfully withhold the taxes from the payments and pay the income tax to the IRS. DANTES personnel also updated the financial assistance participation agreement between the TTT program and the participant stating that the payments are subject to Federal income tax withholding and must be included as wages on their Federal tax forms.

DANTES management should work with DHRA to ensure that the DAI system is capable of withholding Federal income taxes and that roles and responsibilities for reporting and withholding taxes are clearly defined and agreed upon. DANTES management and DFAS should provide IRS Form 4669 to participants who receive stipends and bonuses after 2015 until the systems have the capability to withhold taxes. Additionally, DANTES and DFAS should research whether there would be a benefit of providing IRS Form 4669 to participants that received stipends and bonuses prior to 2015. In addition, DANTES management and DFAS should develop an MOA that documents each of the parties' responsibilities for implementing the Federal income tax withholding requirement. We also recommend DANTES personnel maintain a list of current addresses of the TTT participants and inform DFAS so correspondence can be mailed to the correct addresses.

## **No Process in Place to Collect Improper Bonus and Stipend Payments**

DANTES personnel did not establish a debt collection process with DFAS for participants who did not fulfill program requirements. Participants who do not complete the requirements of the program are required by law, as well as by the terms of their MOA with DANTES, to pay back the awarded stipends and bonuses amount paid to them.<sup>21</sup> Specifically, DANTES personnel did not collect payments made to participants that were improper or when a participant did not fulfill the requirements of the program. DANTES personnel attempted to contact participants that owed money to the program to set up a repayment schedule. DANTES personnel did not establish a process for DFAS involvement if a participant did not respond or repay the debt. Participants who were paid, but did not meet program requirements, were able to keep the money instead of repaying it. In one example, a participant that initially qualified for and received a \$5,000 stipend later notified DANTES personnel that she no longer planned to complete the training certification

<sup>21</sup> 10 U.S.C § 1154 (f)(1) and (2) (2015).

program. DANTES personnel arranged a repayment agreement with the participant to repay the whole stipend amount plus interest, beginning in July 2016. However, as of November 2016, the participant had not made a payment.

According to DFAS personnel, DFAS has processes in place to collect payments, such as wage garnishment, for participants who did not complete program requirements. DANTES personnel stated that they did not send participants payment reminders because it is the responsibility of DFAS to collect the debt. However, there was no communication between DANTES and DFAS on how to process debt collection.

DANTES personnel did not effectively manage debt collection because DANTES management did not establish an MOA with DFAS to develop a debt collection process. Because there was no mutual understanding or communication of the roles and responsibilities for each party, DFAS was unaware of the debt to be collected. For example, in 2016, DANTES personnel identified 154 participants who owed the program \$381,000 for stipends and bonuses because they failed to fulfill program requirements. These funds remain uncollected. When DANTES transitions to DHRA and uses the DAI system to process payments and accounting transactions, DANTES management needs to develop clear processes and agreements with other organizations responsible for collecting outstanding debts.

DANTES management should develop an MOA with DFAS to establish roles and responsibilities for a debt collection process. After completing the MOA, DANTES management should provide debt collection packages for the \$381,000 to DFAS for processing and collection. In addition, because DANTES will realign under DHRA, DANTES management should coordinate with the DHRA to ensure a collections process is in place upon the transition in October 2017.

## **The Troops-to-Teachers Grant Program Was Not Properly Established**

DANTES personnel did not properly establish and manage the TTT grant program that awarded \$4.4 million to 16 states and regions in 2015 and placed a total of 858 teachers in schools. Prior reviews conducted by the Office of the Secretary of Defense, the NETC Office of General Counsel, and internal DANTES personnel found, and we confirmed, the following deficiencies related to the TTT grant program.

- There was no established TTT grant program or identification number in the Catalog of Federal Domestic Assistance as required by the Code of Federal Regulations.<sup>22</sup> The Catalog of Federal Domestic Assistance is a comprehensive, government-wide source of Federal financial assistance

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<sup>22</sup> Title 2 Code of Federal Regulations section 200.202 (a) (2016).

program information produced by the U.S. Government. The Code of Federal Regulations requires that the Federal awarding agency notify the public of Federal programs in the Catalog of Federal Domestic Assistance. The Federal awarding agency may not award Federal financial assistance without assigning it to a program that has been included in the Catalog of Federal Domestic Assistance.

- DANTES personnel used MOAs rather than competitive grant agreements to award grants to 16 states and regions.<sup>23</sup> Federal law governing grants requires agencies to use a grant agreement when the grant recipient will carry out a substantial amount of the work agreed to between the agency and the state.<sup>24</sup>
- DANTES personnel did not capture or validate state expenditure receipts and did not require performance reports as required by Office of Management and Budget Circular A-110.<sup>25</sup>

Some expenditures appeared excessive and could not be easily validated. For instance, in 2015, DANTES awarded a \$167,396 grant to Michigan, but only two teachers were placed in that state that year. The average cost per teacher hired in 2015 for all states and regions was approximately \$5,100; however, the average cost per hire in Michigan that year was \$83,698. DANTES personnel could not determine if this was an appropriate use of program resources because they did not validate state expenditure receipts, performance reports, or reviews. Table 2 shows the amounts awarded to each of the 16 states and regions and the total number of teachers placed in schools.

<sup>23</sup> DoD Directive 3210.06, February 6, 2014, Section 3.b.

<sup>24</sup> 31 U.S.C. § 6304 [2015], "Using Grant Agreements," paragraph (2).

<sup>25</sup> Office of Management and Budget Circular No. A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," revised November 19, 1993, as further amended, September 30, 1999. Paragraphs 51(b) and 51(d).



Table 2. Cost per Hire by State and Region for FY 2015

State/Region	Total Budget	No. of Teachers Placed	Average Cost Per Hire
Michigan	\$167,396	2	\$83,698
Illinois-Indiana Region <sup>1</sup>	147,659	10	14,766
Ohio	68,412	9	7,601
Louisiana-Arkansas Region <sup>2</sup>	124,239	17	7,308
Lewis and Clark Region <sup>3</sup>	533,097	75	7,108
Mountain Pacific Region <sup>4</sup>	1,366,895	204	6,700
Southeast Region <sup>5</sup>	764,948	125	6,120
North Atlantic Region <sup>6</sup>	349,835	62	5,643
Mid-Atlantic Region <sup>7</sup>	78,263	17	4,604
Oklahoma	98,470	24	4,103
Kentucky	77,437	22	3,520
North Carolina	112,118	35	3,203
Virginia	193,538	68	2,846
Florida Region <sup>8</sup>	184,886	70	2,641
Texas	152,221	98	1,553
Central Region <sup>9</sup>	2,279	20	114
<b>Totals</b>	<b>\$4,421,693</b>	<b>858</b>	<b>\$5,153</b>

<sup>1</sup> Includes Illinois and Indiana.

<sup>2</sup> Includes Louisiana and Arkansas.

<sup>3</sup> Includes Idaho, Minnesota, Montana, North Dakota, South Dakota, Wisconsin, and Wyoming.

<sup>4</sup> Includes Colorado, Pacific Islands, Alaska, Arizona, California, Guam, Hawaii, Nevada, New Mexico, Oregon, Utah, and Washington.

<sup>5</sup> Includes Alabama, Georgia, Mississippi, South Carolina, and Tennessee.

<sup>6</sup> Includes Connecticut, Massachusetts, Maine, New Hampshire, New York, Pennsylvania, Rhode Island, Vermont, and West Virginia.

<sup>7</sup> Includes Delaware, Maryland, District of Columbia, and New Jersey.

<sup>8</sup> Includes Florida, Puerto Rico, and Virgin Islands.

<sup>9</sup> Includes Iowa, Kansas, Missouri, and Nebraska.

We determined that DANTEs personnel did not properly manage the TTT grant program because DANTEs management did not follow the applicable laws and regulations when establishing the TTT grant program. According to current DANTEs personnel, former DANTEs management did not require the states to provide quarterly reports so DANTEs personnel could compare the states' accomplishments and expenditures with their established objectives. In addition, OUSD (P&R) personnel did not develop policy for the implementation, management,

and oversight of the TTT grant program. As a result, it is unclear whether the TTT grant program achieved the desired results in assisting transitioning service members with meeting the requirements necessary to become teachers.

Starting in August 2016, DANTEs personnel developed and implemented a corrective action plan to formally establish a compliant grant program. A grants officer has been assigned to work with the TTT program manager, and existing MOAs with the states were terminated and new grants were established in April 2017 for the remainder of FY 2017.

We determined that DANTEs' corrective action plan is a good foundation to bring the TTT grant program into compliance with grant regulations. OUSD (P&R) management should develop policy for the implementation, management, and oversight of the TTT program to ensure that the planned way forward complies with grant regulations. In addition, DANTEs management should continue implementing the grant program as described in the corrective action plan. Finally, DANTEs management should coordinate with DHRA to ensure a smooth transition for the grant program in October 2017.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 1***

**We recommend the Assistant Secretary of Defense for Readiness develop and implement policies to:**

- a. Clearly define the Troops-to-Teachers program requirements for participant eligibility.**
- b. Implement, manage, and oversee the Troops-to-Teachers grant program to ensure the planned way forward complies with regulations.**

### *Under Secretary of Defense for Personnel and Readiness Comments*

An official, performing the duties of the USD (P&R), agreed with the findings and conclusions. OUSD (P&R) have begun drafting a DoD Instruction to establish policy, assign responsibilities, and prescribe procedures for determining participant eligibility, and to implement, manage, and oversee grants for the TTT program in accordance with 10 U.S.C 1154 (2015). The new instruction is expected to be completed in 18-24 months. In the meantime, OUSD (P&R) will issue an interim guidance for implementing the TTT program. The interim guidance will ensure that all parties involved in the processing of financial transactions under the TTT program agree upon the roles and responsibilities for reporting and withholding taxes and that procedures for collecting debts are clearly defined.

### *Our Response*

Comments from the official performing the duties of the USD (P&R) addressed all specifics of the recommendations; therefore, the recommendations are resolved but will remain open. We will close the recommendations once we verify that OUSD has developed and implemented program policy in accordance with 10 U.S.C. § 1154 (2015).

## **Recommendation 2**

**We recommend the Commander, Naval Education and Training Command, direct Troops-to-Teachers management to:**

- a. Develop procedures for reviewing participant applications that align with newly developed Troops-to-Teachers policy.**

### *Naval Education and Training Command Comments*

The Commander, NETC, agreed with the recommendation, stating that DANTEs will align procedures according to OUSD policy once that policy is developed. As an interim measure in the absence of OUSD policy, DANTEs has developed standard operating procedures to provide standardized processes and guidelines for determining TTT program and financial eligibility in compliance with 10 U.S.C. § 1154 (2015).

### *Our Response*

Comments from the Commander, NETC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that OUSD developed program policy and TTT procedures align with the policy.

- b. Review the current standard operating procedures in coordination with management officials and the Office of General Counsel to ensure they fully comply with 10 U.S.C. § 1154 [2015], and finalize the procedures when new policy is developed.**

### *Naval Education and Training Command Comments*

The Commander, NETC, agreed with the recommendation, stating that DANTEs is actively engaged with the NETC Office of General Counsel to have TTT standard operating procedures reviewed to ensure compliance with the TTT legislation. Final procedures will be issued upon receipt of OUSD program policy.

### *Our Response*

Comments from the Commander, NETC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the NETC Office of General Counsel reviewed TTT procedures and interim and final OUSD (P&R) program policy.

- c. Provide training for all government and contract employees working with the Troops-to-Teachers program after new policy and procedures are created.**

### *Naval Education and Training Command Comments*

The Commander, NETC, agreed with the recommendation, stating that TTT personnel have been trained on processes and procedures that have been reviewed and been determined to comply with 10 U.S.C. § 1154 (2015). DANTEC will award a new TTT administrative services contract with the period of performance beginning August 28, 2017, and will ensure both contract and government personnel are adequately trained to execute the TTT mission.

### *Our Response*

Comments from the Commander, NETC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we review the new contract and verify personnel have been trained.

- d. Review all approved stipend and bonus application packages submitted between October 1, 2014 and the date of this report and bring into compliance applications that are determined to be incomplete and collect payments from applicants that are determined to be ineligible.**

### *Naval Education and Training Command Comments*

The Commander, NETC, agreed with the recommendation, stating that the TTT Program Office has conducted a review of TTT participant records to substantiate participant eligibility for stipend and bonuses and all known compliance disconnects have been identified and remedied or are in the process of being remedied.

### *Our Response*

Comments from the Commander, NETC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the TTT program Office has conducted a review of all approved stipend and bonus application package submitted between October 1, 2014 and the date of this report.

- e. **Develop a transition plan with the Defense Human Resources Activity to ensure a seamless transition into the Defense Agencies Initiative system and establish roles and responsibilities for tax withholding, payments of stipends and bonuses, collections, and grant administration and payments. In addition, ensure that the Defense Finance and Accounting Service completes the Automated Disbursing System change to properly withhold the taxes.**

### *Naval Education and Training Command Comments*

The Commander, NETC, agreed in principle with the recommendation, stating that DANTES or the TTT Program Office cannot ensure DFAS will complete the system changes needed. DANTES is currently on target to transition with the DHRA DAI no later than September 30, 2017, for financial management systems incorporating the payment of stipends and bonuses, collections, and grant administration and payments. DANTES implemented a systems change effective March 2017 in its current Financial Management System delineating the tax portion required to be paid to the Internal Revenue Service.

### *Our Response*

Comments from the Commander, NETC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We also received comments on this recommendation from the Director, Finance Standards and Customer Services, DFAS. The Director stated that DFAS completed the required system changes and that tax withholding has been implemented for the TTT payments. Additionally, DFAS personnel verified that the tax withholding capability is available in the DAI system to support the program migration to the DHRA in October 2017. We will close this recommendation once we verify that tax withholding is automated and occurring in the Automated Disbursing System for current payments and the Defense Agencies Initiative System for payments made after October 1, 2017.

- f. **Provide IRS Form 4669 to participants that receive stipends and bonuses after 2015 until the systems have the capability to withhold the taxes and research whether there is a benefit to provide IRS Form 4669 to participants that received stipends and bonuses prior to 2015.**

#### *Naval Education and Training Command Comments*

The Commander, NETC, agreed in principle with the recommendation, recommending that the DFAS tax office send the required IRS forms to participants at the end of the calendar year along with the W-2's.

#### *Our Response*

Comments from the Commander, NETC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we verify that the DFAS tax office sent the required IRS forms to participants at the end of the calendar year along with the W-2's.

- g. **Develop a memorandum of agreement with the Defense Finance and Accounting Service to define roles and responsibilities for income tax withholding and the collections process for the Troops-to-Teachers program.**

#### *Naval Education and Training Command Comments*

The Commander, NETC, agreed with the recommendation, stating that an MOA between DANTEs and DFAS has been established. DANTEs is currently working with the DHRA to determine whether updates need to be made to the current MOA. The Commander, NETC stated the updated MOA between DANTEs and DFAS is in place. However, DANTEs is currently working with the DHRA to determine what updates need to be made to the MOA with an estimated completion date of October 2017.

#### *Our Response*

Comments from the Commander, NETC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we verify an MOA was established between DANTEs and DFAS and updated after DANTEs transition to DHRA.

**h. Maintain a database of current addresses for participants.**

*Naval Education and Training Command Comments*

The Commander, NETC, agreed with the recommendation, stating that a database of addresses for participants is currently maintained with capabilities that allow participants to view and update their records as required.

*Our Response*

Comments from the Commander, NETC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we verify that the database is maintaining participant's current addresses.

**i. Submit debt collection packages to the Defense Finance and Accounting Service for outstanding debt.**

*Naval Education and Training Command Comments*

The Commander, NETC, agreed with the recommendation, stating that debt collection packages have been submitted to DFAS for collections and will continue to be submitted for any future debt. The Commander, NETC started submitting the debt collection packages to DFAS in May 2017.

*Our Response*

Comments from the Commander, NETC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we verify that the debt collection packages have been submitted to DFAS.

**j. Implement the grant program as described in the corrective action plan.**

*Naval Education and Training Command Comments*

The Commander, NETC, agreed with the recommendation, stating that the TTT grant program has been established and grants have been awarded to participating State Departments of Education. The Commander, NETC stated the TTT grant program was established on January 2017 and awarded in April 2017.

*Our Response*

Comments from the Commander, NETC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we verify the TTT grant program has been established and grants have been awarded to participating State Departments of Education.



## Appendix A

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### Scope and Methodology

We conducted this performance audit from November 2016 through July 2017 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit originated from a Defense Hotline complaint. The Defense Hotline requested that the Deputy Inspector General for Audit consider the complaint as a potential audit. After we conducted research, management approved an audit of the program. In November 2016, we interviewed TTT program personnel in Pensacola, Florida. During our site visit, we met with DANTES personnel to discuss eligibility requirements, collections, obligations, taxes, and grants. We conducted meetings with officials from OUSD (P&R), DANTES, and DFAS throughout the audit.

Part of our announced objective was to determine if the TTT program was operating effectively. Because we only determined if participants were properly paid, taxes were withheld, debts were collected, and the grant program was properly managed, we did not conclude whether the TTT program, as a whole, was effective at placing teachers. To answer our specific objectives, we requested a list of TTT program participants who applied for and received payment between October 1, 2014, and June 30, 2016. We reviewed participant applications to determine whether they were properly processed. DANTES personnel provided a universe of 220 participants that received \$732,000 in stipend or bonus payments based on their value. We nonstatistically selected 55 participants including:

- 33 bonuses and stipends valued at \$5,000 and greater,
- 14 bonuses and stipends for each amount less than \$5,000, and
- 8 bonuses and stipends totaling the following amounts; \$1,666.66, \$3,000, \$3,333.32, and \$3,333.33.

We nonstatistically selected 55 participant application packages with a total of 43 bonus and 20 stipend payments, valued at \$212,000 from the universe of 220. We excluded 2 of the 55 sampled participant application packages because DANTES personnel determined they did not meet eligibility criteria and did not receive payments. Therefore, we reviewed supporting documentation and asked follow-up questions for 53 participant application packages that received 43 bonus and 20 stipend payments.

We observed the eligibility process and conducted interviews with DANTEs personnel and contractors during our site visit to get an understanding of the daily operations. We reviewed the tax withholding requirements to determine whether TTT and DFAS were properly withholding Federal income taxes from the payments. We requested tax reporting and withholding information for participants who were paid in 2015. We reviewed all of the collections data on hand and the collections process at the time of our site visit in November 2016. We summarized the findings related to reviews conducted by OUSD and, the NETC Office of General Counsel on the grant program, and we reviewed the corrective action plan that is in place to better understand problems previously identified.

We reviewed the National Defense Authorization Act of 1993; section 1154, title 10, United States Code; sections 3401 and 3402, title 26, United States Code; section 1009, title 37, United States Code; Office of Management and Budget guidance on grants; Financial Management Regulations; Treasury Regulations; and the Code of Federal Regulations.

## **Use of Computer-Processed Data**

To perform the audit, we used computer-processed data. We used bonus and stipend data with payment dates between October 1, 2014, and June 30, 2016, which was extracted from DoDVES and STARS.

To assess the reliability of computer-processed data, the audit team traced the information extracted from DoDVES to the payments processed by One Pay. We also traced payment information, such as the program code and the payments, to the supporting documents provided by DANTEs personnel to ensure that the data was accurate. We determined that the computer-processed data were sufficiently reliable to quantify the value of the stipend and bonus payments made between October 1, 2014, and June 30, 2016.

## **Prior Coverage**

No prior coverage has been conducted on the Troops-to-Teachers program during the last 5 years.

## Appendix B

### Improper Sample Items

Sample ID	Type of Improper Payment	Total Improper Payment	Reason
2	Stipend	\$3,635.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
4	Stipend	3,000.00	Outside 3-year requirement; No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
6	Stipend	1,800.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
8	Stipend	3,000.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
9	Bonus	6,666.66	Contract not signed by participant.
12	Bonus	2,499.99	Employment letter not signed by school official.
15	Bonus	3,470.83	Contract signed after the expiration date.
18	Stipend	3,000.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
20	Bonus	1,666.66	Employment letter not signed by school official.
21	Stipend	3,000.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
22	Stipend	3,950.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
26	Stipend & Bonus	7,666.66	Contract not signed by participant; No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
27	Stipend	5,000.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
28	Bonus	3,333.33	Not a "high-need" school in 2015/16 school year.
31	Bonus	\$8,333.32	Contracts not signed by school official.

*Improper Sample Items (cont'd)*

Sample ID	Type of Improper Payment	Total Improper Payment	Reason
32	Stipend	\$1,971.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
34	Bonus	3,333.33	Did not obtain a voluntary retirement document because the participant was incorrectly categorized during application processing.
35	Bonus	2,499.99	Contract not signed by participant.
36	Stipend	5,000.00	Payment vouchers signed; No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
38	Stipend	3,100.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
42	Bonus	3,333.33	Employment letter not signed by school official.
48	Stipend	5,000.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
49	Stipend	781.00	No documentation showing that a review of Post-9/11 GI Bill benefits was provided.
50	Bonus	1,666.66	Contract not signed by school official.
<b>Total</b>		<b>\$86,707.76</b>	

# Management Comments

## Defense Finance and Accounting Service Comments



**DEFENSE FINANCE AND ACCOUNTING SERVICE**  
8899 EAST 56<sup>TH</sup> STREET  
INDIANAPOLIS, IN 46249-0201

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DoDIG)  
PROGRAM DIRECTOR, FINANCIAL MANAGEMENT AND  
REPORTING

SUBJECT: Management Comments to DoDIG Draft Report, "Audit of the Troops-to-Teachers Program," dated July 12, 2017, Project No. D2017-D000FS-0040.000

**Background:** The above referenced audit (TAB A) was conducted by the DoDIG to determine if the Troops-to-Teachers (TTT) program properly paid participants, withheld, and reported taxes, and verify if payments were collected when the program requirements were not met. Although not required to provide any comments to this audit, the Defense Finance and Accounting Service (DFAS) is requesting the following management comments from the findings be incorporated into the final Audit Report.

**Recommendation 2e.** Develop a transition plan with the Defense Human Resources Activity to ensure a seamless transition into the Defense Agency Initiatives (DAI) system. In addition, ensure the DFAS completes the Automated Disbursing System change to properly withhold the taxes.

**DFAS Management Comments:** DFAS completed the required systems changes and implemented tax withholding for TTT payments in January 2017. Additionally, we validated tax withholding capability is available in the DAI system to support the program migration to Defense Human Resources Activity in October 2017.

The DANTES program is migrating to the (DHRA) in October 2017 so payments will be processed through the DHRA systems DAI. DFAS coordinated with the DAI Project Management Office and validated required tax withholding capability will be available.

My point of contact for this action is [REDACTED]. She may be contacted at [REDACTED], or via e mail at [REDACTED]

Digitally signed by [REDACTED]  
Date: 2017.08.11 13:02:30 -0400

Director, Finance Standards and Customer Services

Attachment:  
As stated

## Assistant Secretary of Defense for Readiness Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
4000 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-4000

AUG 21 2017

MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE

SUBJECT: Department of Defense Inspector General Draft Report, "Audit of the Troops-to-Teachers Program (Project No. D2017-D000FS-0040.000)"

Thank you for the opportunity to review and comment on the Department of Defense Inspector General Draft Report, "Audit of the Troops-to-Teachers Program."

We found no factual errors in the draft report. Further, we concur with the report's findings and conclusions. The Office of the Assistant Secretary of Defense for Readiness, Force Education and Training, Voluntary Education has begun drafting a Department of Defense Instruction to establish policy, assign responsibilities, and prescribe procedures for determining participant eligibility, and to implement, manage, and oversee grants for the Troops To Teachers (TTT) program in accordance with 10 U.S.C. § 1154.

The timeline for the completion of the TTT policy is expected to be extensive due to the numerous and varied requirements for information collections, privacy, forms management, and Federal Register public review. The estimated time to coordinate all of the aforementioned requirements is expected to take 18-24 months. While the TTT policy is under development, the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD(P&R)) will issue interim guidance for implementation of the TTT Program. Interim guidance will also ensure the roles and responsibilities for reporting and withholding taxes, and for collecting debts, are clearly defined and agreed upon with all applicable entities involved in the processing of financial transactions under the TTT program.

My point of contact is [REDACTED] Chief, Voluntary Education Program, who may be reached at [REDACTED]

A handwritten signature in blue ink that reads "A. M. Kurta".

A. M. Kurta  
Performing the Duties of the Under Secretary of  
Defense for Personnel and Readiness

## Naval Education Training Command Comments



DEPARTMENT OF THE NAVY  
 COMMANDER  
 NAVAL EDUCATION AND TRAINING COMMAND  
 250 DALLAS STREET  
 PENSACOLA, FLORIDA 32508-5220

7500  
 Ser N00/233  
 31 Jul 17

From: Commander, Naval Education and Training Command  
 To: Department of Defense Office of Inspector General  
 Via: Assistant Secretary of the Navy (Manpower and Reserve Affairs)

Subj: DEPARTMENT OF DEFENSE INSPECTOR GENERAL DRAFT REPORT ON  
 AUDIT OF THE TROOPS-TO-TEACHERS PROGRAM (PROJECT NO.  
 D2017-D000FS-0040.000) (dated 12 July 2017)

Ref: (a) DoDIG email of 12 Jul 2017 (NOTAL)  
 (b) Subject report  
 (c) DON Tasker 2017-NAVIGAUDITANDCOSTFO-  
 000000073.001.001.001 of 17 Jul 2017 (NOTAL)

Encl: (1) DANTES ltr 7500 Ser N00/0059 of 26 Jul 17

1. Pursuant to references (a) through (c), Defense Activity for Non-Traditional Education Support (DANTES) responses to Recommendation 2 are provided in enclosure (1). The Naval Education and Training Command (NETC) concurs with the DANTES corrective remedies and targeted completion dates provided in enclosure (1).

2. DANTES POC: [REDACTED]

NETC POC: [REDACTED]

  
 K. J. COZAD

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 OUSD (P&R)  
 DFAS  
 DHRA

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## Naval Education Training Command Comments (cont'd)



DEPARTMENT OF THE NAVY  
DEFENSE ACTIVITY FOR NON-TRADITIONAL  
EDUCATION SUPPORT  
6480 SAUFLEY FIELD ROAD  
PENSACOLA, FLORIDA 32509-5243

IN REPLY REFER TO:  
7500  
Ser N00/0059  
26 Jul 17

From: Director, Defense Activity for Non-Traditional Education Support

To: Commander, Naval Education and Training Command

Subj: DEPARTMENT OF DEFENSE INSPECTOR GENERAL DRAFT REPORT ON AUDIT OF THE TROOPS-TO-TEACHERS PROGRAM (PROJECT NO. D2017-D000FS-0040.000, DATED 12 JULY 2017)

Ref: (a) NETC N00G email of 19 Jul 2017  
(b) Subject report

Encl: (1) Defense Activity for Non-Traditional Education Support (DANTES) comments to Department of Defense Inspector General (DoDIG) Draft Report on Audit of the Troops-to-Teachers Program Project No. D2017-D000FS-0040.000 (dated 12 July 2017) - DoDIG audit recommendation with DANTES responses

1. Pursuant to references (a) and (b), the Defense Activity for Non-Traditional Education Support (DANTES) responses to recommendation 2 are provided in enclosure (1). DANTES concurs with the required actions listed under recommendation 2 and has presented the remedies and targeted completion dates in enclosure (1).

2. The Troops to Teachers team is making good progress to resolve the findings in the audit and is on the right path to close out the remaining open recommendations.

3. The DANTES point of contact for the corrective actions provided for recommendation 2 is [REDACTED]

  
J. H. ALLEN

Enclosure (1)

## Naval Education Training Command Comments (cont'd)

**DEFENSE ACTIVITY FOR NON-TRADITIONAL EDUCATION SUPPORT (DANTES)  
COMMENTS TO DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DoDIG)  
DRAFT REPORT ON AUDIT OF THE TROOPS-TO-TEACHERS PROGRAM  
PROJECT NO. D2017-D000FS-0040.000 (DATED 12 JULY 2017)  
DODIG AUDIT RECOMMENDATION WITH DANTES RESPONSES**

**Recommendation 2.**

We recommend the Commander, Naval Education and Training Command (NETC), direct Troops-to-Teachers management to take the below actions associated with Recommendation 2.

Pursuant to the findings of DoDIG Project No. D2017-D000FS-0040.000, NETC hereby directs DANTES to take "For Action" the following Recommendation 2 actions:

- a. Develop procedures for reviewing participant applications that align with newly developed Troops-to-Teachers policy.

**DANTES response.** Concur. Once program policy is received, TTT management will align procedures accordingly. As an interim measure in the absence of OUSD policy, TTT management has developed Standard Operating Procedures (SOPs) to provide standardized processes and guidelines for determining TTT program and financial eligibility in compliance with 10 U.S.C. § 1154.

**Target completion date:** Within reasonable time upon receipt of OUSD policy.

- b. Review the current standard operating procedures in coordination with management officials and the Office of General Counsel to ensure they fully comply with 10 U.S.C. § 1154 [2015], and finalize the procedures when new policy is developed.

**DANTES response.** Concur. DANTES is actively engaged with the NETC Office of General Counsel to have TTT SOPs reviewed to ensure compliance with the TTT legislation. Final procedures will be issued upon receipt of OUSD program policy.

**Target completion date:** August 2017 for TTT current SOPs and a reasonable 180 time for final SOPs after issuance of OUSD policy.

- c. Provide training for all government and contract employees working with the Troops-to-Teachers program after new policy and procedures are created.

**DANTES response.** Concur. Although OUSD policy has not been issued, TTT personnel have been trained on processes and procedures that have been reviewed and determined to comply with

Enclosure (1)

## Naval Education Training Command Comments (cont'd)

**DEFENSE ACTIVITY FOR NON-TRADITIONAL EDUCATION SUPPORT (DANTES)  
COMMENTS TO DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DoDIG)  
DRAFT REPORT ON AUDIT OF THE TROOPS-TO-TEACHERS PROGRAM  
PROJECT NO. D2017-D000FS-0040.000 (DATED 12 JULY 2017)  
DoDIG AUDIT RECOMMENDATION WITH DANTES RESPONSES**

the governing TTT statute. There are nuances to the governing statute that require OUSD policy determinations as has been the case since the 2013 legislation was enacted. DANTES will award a new TTT administrative services contract with the period of performance beginning 28 August 2017 and will ensure both contract and government personnel are adequately trained to execute the TTT mission.

**Target completion date:** September 2017. Additional training will be provided after program policy is issued by OUSD.

d. Review all approved stipend and bonus application packages submitted between October 1, 2014 and the date of this report and bring into compliance applications that are determined to be incomplete and collect payments from applicants that are determined to be ineligible.

**DANTES response.** Concur. The TTT Program Office has conducted a review of TTT participant records to substantiate participant eligibility for stipend and/or bonuses and all known compliance disconnects have been identified and remedied or are in the process of being remedied.

**Target completion date:** September 2017.

e. Develop a transition plan with the Defense Human Resources Activity to ensure a seamless transition into the Defense Agencies Initiative system and establish roles and responsibilities for tax withholding, payments of stipends and bonuses, collections, and grant administration and payments. In addition, ensure that the Defense Finance and Accounting Service completes the Automated Disbursing System change to properly withhold the taxes.

**DANTES response.** Concur-in-principle, as DANTES/TTT Program Office cannot ensure DFAS will complete the systems changes needed. DANTES is currently on target to transition with the Defense Human Resource Activity (DHRA) Defense Agencies Initiative (DAI) NLT 30 Sep 2017 for Financial Management systems incorporating the payment of stipends and bonuses, collections, and grant administration and payments. Currently, DAT does not have a solution in place for the tax withholding, but has elevated this to the Defense Logistics Agency Program.

Enclosure (1)

## Naval Education Training Command Comments (cont'd)

**DEFENSE ACTIVITY FOR NON-TRADITIONAL EDUCATION SUPPORT (DANTES)  
COMMENTS TO DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DODIG)  
DRAFT REPORT ON AUDIT OF THE TROOPS-TO-TEACHERS PROGRAM  
PROJECT NO. D2017-D000FS-0040.000 (DATED 12 JULY 2017)  
DODIG AUDIT RECOMMENDATION WITH DANTES RESPONSES**

Management Office. DANTES implemented a systems change effective March 2017 in its current Financial Management System delineating the tax portion required to be paid to the IRS. The DFAS tax office is currently performing a manual reconciliation and payment process as an interim solution until the tax withholding process can be automated on their end.

**Target completion date:** September 2017 for all financial components with the exception of tax withholding (TBD by DFAS).

f. Provide IRS Form 4669 to participants that receive stipends and bonuses after 2015 until the systems have the capability to withhold the taxes and research whether there is a benefit to provide IRS Form 4669 to participants that received stipends and bonuses prior to 2015.

**DANTES response.** Concur-in-principle. Recommend the DFAS tax office send the required IRS forms to participants at the end of the calendar year along with the W-2s. Additionally, recommend the DFAS tax professionals research strategies to address any prior year concerns. The TTF Program Office does not possess the knowledge, skills, and/or abilities to address tax issues.

**Target completion date:** TBD by DFAS.

g. Develop a memorandum of understanding with the Defense Finance and Accounting Service to define roles and responsibilities for income tax withholding and the collections process for the Troops-to-Teachers program.

**DANTES response.** Concur. A Memorandum of Agreement (MOA) between DANTES and DFAS is currently in place. DANTES is currently working with our gaining Command (DIRA) to determine what updates need to be made, if any, to the current MOA.

**Target completion date:** Completed.

h. Maintain a database of current addresses for participants.

**DANTES response.** Concur. A database of addresses for participants is currently maintained with enhanced capabilities that allow participants to view and update their records as required.

Enclosure (1)

## Naval Education Training Command Comments (cont'd)

DEFENSE ACTIVITY FOR NON-TRADITIONAL EDUCATION SUPPORT (DANTES)  
COMMENTS TO DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DoDIG)  
DRAFT REPORT ON AUDIT OF THE TROOPS-TO-TEACHERS PROGRAM  
PROJECT NO. D2017-D000FS-0040.000 (DATED 12 JULY 2017)  
DODIG AUDIT RECOMMENDATION WITH DANTE'S RESPONSES

**Target completion date:** Completed.

i. Submit debt collection packages to the Defense Finance and Accounting Service for outstanding debt.

**DANTE'S response.** Concur. Debt collection packages have been submitted to DFAS for collections and will continue to be submitted for any future debt.

**Target completion date:** Completed/on-going.

j. Implement the grant program as described in the corrective action plan.

**DANTE'S response.** Concur. Grant program has been established and grants have been awarded to participating State Departments of Education.

**Target completion date:** Completed.

Enclosure (1)

## Acronyms and Abbreviations

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<b>DAI</b>	Defense Agencies Initiative
<b>DANTES</b>	Defense Activity for Non-Traditional Education Support
<b>DFAS</b>	Defense Finance and Accounting Service
<b>DHRA</b>	Defense Human Resources Activity
<b>DoD FMR</b>	DoD Financial Management Regulation
<b>DoDVES</b>	Department of Defense Voluntary Education System
<b>IRS</b>	Internal Revenue Service
<b>MOA</b>	Memorandum of Agreement
<b>OUSD (P&amp;R)</b>	Office of the Under Secretary of Defense for Personnel and Readiness
<b>STARS</b>	Standard Accounting and Reporting System
<b>TTT</b>	Troops-to-Teachers
<b>U.S.C.</b>	United States Code

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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