FY 2017 Management Challenges
October 2016

Please Note:

The Inspector General's FY 2017 Management Challenges is available on the ED OIG Web site at http://www2.ed.gov/about/offices/list/oig/managementchallenges.html.

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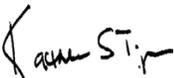
UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

The Inspector General

October 14, 2016

TO: The Honorable John B. King Jr.
            Secretary of Education

FROM: Kathleen S. Tighe
            Inspector General

SUBJECT: Management Challenges for Fiscal Year 2017

The Reports Consolidation Act of 2000 requires the U.S. Department of Education (Department) Office of Inspector General to identify and report annually on the most serious management challenges the Department faces. The Government Performance and Results Modernization Act of 2010 requires the Department to include in its agency performance plan information on its planned actions, including performance goals, indicators, and milestones, to address these challenges. To identify management challenges, we routinely examine past audit, inspection, and investigative work, as well as issued reports where corrective actions have yet to be taken; assess ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyze new programs and activities that could post significant challenges because of their breadth and complexity.

Last year, we presented five management challenges: improper payments, information technology security, oversight and monitoring, data quality and reporting, and information technology system development and implementation. While the Department remains committed to addressing these areas and has taken or plans action to correct many of their underlying causes, each remains as a management challenge for fiscal year (FY) 2017.

The FY 2017 management challenges are:

1. Improper Payments,

2. Information Technology Security,

3. Oversight and Monitoring,

4. Data Quality and Reporting, and

5. Information Technology System Development and Implementation.

We provided our draft challenges report to Department officials and considered all comments received. We look forward to working with the Department to address the FY 2017 management challenges in the coming year. If you have any questions or would like to discuss these issues, please contact me at (202) 245-6900.

Contents

Executive Summary

The Office of Inspector General (OIG) works to promote efficiency, effectiveness, and integrity in the programs and operations of the U.S. Department of Education (Department). Through our audits, inspections, investigations, and other reviews, we continue to identify areas of concern within the Department's programs and operations and recommend actions the Department should take to address these weaknesses. The Reports Consolidation Act of 2000 requires the OIG to identify and report annually on the most serious management challenges the Department faces. The Government Performance and Results Modernization Act of 2010 requires the Department to include in its agency performance plan information on its planned actions, including performance goals, indicators, and milestones, to address these challenges.

Last year, we presented five management challenges: improper payments, information technology security, oversight and monitoring, data quality and reporting, and information technology system development and implementation. On September 22, 2016, the Office of the Deputy Secretary announced an initiative to review the identified management challenges, assigned senior managers to be accountable for each, and assembled a workgroup of other senior managers throughout the Department to address the noted challenges. The Department noted that this effort is intended to help identify systemic root causes and ensure that the Department's actions are impactful and produce results. We consider this initiative to be a positive step towards addressing long-standing management challenges and encourage the Department to continue to explore approaches that result in targeted focus within each of these

areas. Although the Department made some progress in addressing these areas, each remains as a management challenge for fiscal year (FY) 2017.

The FY 2017 management challenges are:

1. Improper Payments,

2. Information Technology Security,

3. Oversight and Monitoring,

4. Data Quality and Reporting, and

5. Information Technology System Development and Implementation.

These challenges reflect continuing vulnerabilities and emerging issues faced by the Department as identified through recent OIG audit, inspection, and investigative work. A summary of each management challenge area follows. This FY 2017 Management Challenges Report is available at http://www2.ed.gov/about/offices/list/oig/managementchallenges.html.

Management Challenge 1: Improper Payments

Why This Is a Challenge

The Department must be able to ensure that the billions of dollars entrusted to it are reaching the intended recipients. The Department identified the Federal Pell Grant (Pell) and the William D. Ford Federal Direct Loan (Direct Loan) programs as susceptible to significant improper payments. In addition, the Office of Management and Budget (OMB) has designated these programs as high-priority programs, which are subject to greater levels of oversight.

Our recent work has demonstrated that the Department remains challenged to meet required improper payment reduction targets and to intensify its efforts to successfully prevent and identify improper payments. We have identified concerns in numerous areas relating to improper payments, including the completeness, accuracy, and reliability of improper payment estimates and methodologies.

In May 2016, we reported that the Department's reported improper payment estimates for both the Pell and Direct Loan programs were inaccurate and unreliable because it used incorrect formulas in performing calculations and deviated from OMB-approved methodologies. We concluded that the Department did not comply with IPERA because it did not meet the annual reduction target for the Direct Loan program. The Department's recalculated FY 2015 improper payment rate (2.63 percent) for the Direct Loan program to correct for formula execution errors we identified did not meet its reduction target (1.49 percent).

Our semiannual reports to Congress from April 1, 2013, through March 31, 2016, included more than $2.3 million in questioned or unsupported costs from audit reports and more than $59 million in restitution payments from our investigative activity.

Progress in Meeting the Challenge

The Department stated that it had developed internal controls that are intended to prevent, detect, and recover improper payments. The Department stated that it strives to provide timely and accurate payments to grant recipients and students while ensuring that the related controls are not too costly or burdensome to fund recipients. The Department further noted that it also relies on controls established by fund recipients who make payments on behalf of the Department.

In response to OIG recommendations, the Department stated that it developed and implemented corrective actions to improve the accuracy and completeness of its 2016 improper payment estimates. This included the establishment of a working group with OIG and OMB participation to review changes to the Department's alternative improper payment estimation methodology to resolve identified risks. The Department also convened a senior-level working group to identify and evaluate estimation methodology options for 2017 that would ensure IPERA compliance going forward. The Department added that it had revised its 2016 estimation methodology to decrease the volatility of the estimate and to address the other issues noted by the OIG.

The Department reported that it continues to assess and enhance its controls over student aid payments. The Department stated that it routinely analyzes application and payment data and considers other factors, such as program reviews and audit reports, to inform control enhancements and to devise ways to further reduce the risk of improper payments. The Department added that it has implemented an internal control framework intended to prevent or detect improper payments and has established processes to annually assess the design and operating effectiveness of these controls. The Department also stated that when it identifies weaknesses, it identifies root causes and establishes corrective action plans.

What Needs to Be Done

The Department's effort to revise its estimation methodology is a good step forward to better identifying improper payments so that corrective actions can be developed and tracked. The OIG will continue to review the Department's efforts, with a focus on assessing how the new methodology is functioning to identify potential sources of improper payments. Ultimately, the ability of the Department to address this management challenge hinges on its ability to identify root causes, develop corrective actions, and demonstrate that its efforts have resulted in reductions in improper payments. While the Department correctly acknowledges that it relies on the internal controls of fund recipients who make payments on behalf of the Department, it is important that the Department's efforts to reduce improper payments includes processes to identify high-risk recipients and ensure that those recipients have effective systems of internal control.

Management Challenge 2: Information Technology Security

Why This Is a Challenge

The OIG has identified repeated problems in information technology (IT) security and noted increasing threats and vulnerabilities to Department systems and data. Department systems contain or protect an enormous amount of sensitive information such as personal records, financial information, and other personally identifiable information. Without adequate management, operational, and technical security controls in place, the Department's systems and information are vulnerable to attacks. Unauthorized access could result in losing data confidentiality and integrity, limiting system availability, and reducing system reliability.

Over the last several years, IT security audits have identified controls that need improvement to adequately protect the Department's systems and data. This included weaknesses in configuration management, identity and access management, incident response and reporting, risk management, remote access management, and contingency planning.

Progress in Meeting the Challenge

The Department stated that it has taken a number of steps to strengthen the cybersecurity posture of the Department's networks and systems over the past fiscal year, including the following:

- working to identify and protect high-value information and assets that resulted in a better understanding of the potential impact from a cyber incident and helped to ensure that physical and cybersecurity protections were in place for the Department's high-value assets,

- strengthening its capability to respond to cybersecurity incidents and identifying a plan for future action to establish a mature incident response capability,

- establishing daily integrated Security Operations Center calls to communicate events or requirements with all necessary stakeholders,

- deploying enhanced capabilities for the detection of cyber vulnerabilities and protection from cyber threats, and

- strengthening its partnership with the Department of Homeland Security to accelerate the deployment of continuous diagnostics and mitigation capabilities.

The Department expected that recent actions would sustain and improve the advances seen over the past fiscal year. The Department stated that it had completed a significant step toward improving overall cybersecurity by requiring all privileged users use hardware-based Personal Identity Verification cards or alternative forms of strong authentication. The Department added that other significant activities included leveraging existing capabilities to perform independent verification and validation of contractor-submitted data, reviewing

contractual requirements and assessments for contractor abilities to provide infrastructure services and malware detection, continuing employee awareness training, and developing IT security staff skills and competencies.

What Needs to Be Done

The Department reported significant progress towards addressing long-standing IT security weaknesses in the past fiscal year. However, we continue to identify significant weaknesses in our annual FISMA audits despite the Department's reported corrective actions to address our prior recommendations. While we commend the Department for placing a priority on addressing these weaknesses, it needs to continue its efforts to develop and implement an effective system of IT security controls. Our FISMA audits will continue to assess the Department's efforts and this will remain a management challenge until our work corroborates that the Department's system of controls achieves expected outcomes.

Management Challenge 3: Oversight and Monitoring

Effective oversight and monitoring of the Department's programs and operations are critical to ensure that funds are used for the purposes intended and programs are achieving goals and objectives. This is a significant responsibility for the Department given the numbers of different entities and programs requiring monitoring and oversight, the amount of funding that flows through the Department, and the impact that ineffective monitoring could have on stakeholders. Two subareas are included in this management challenge—Student Financial Assistance (SFA) program participants and grantees.[1]

Oversight and Monitoring—SFA Program Participants

Why This Is a Challenge

The Department must provide effective oversight and monitoring of participants in the SFA programs under Title IV of the Higher Education Act of 1965, as amended, to ensure that the programs are not subject to fraud, waste, and abuse. The Department's FY 2017 budget request includes $139.7 billion in new grants, loans, and work study assistance to help an estimated 12.1 million students and their families pay for college.

The growth of distance education has added to the complexity of the Department's oversight of SFA program participants. The management of distance education programs presents challenges to the Department and school officials because little or no in-person interaction between the school officials and the student

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[1] This area includes two changes from our previous Management Challenges report. In FY 2016, we included Distance Education as a distinct management challenge; however it is included as an element of Oversight and Monitoring—SFA Program Participants in this report. We made this change in response to the Department's feedback on our prior report. Our FY 2016 report also included Oversight and Monitoring—Contractors as a subpart to this section. We removed that element because our current body of work does not support its continued reporting as a challenge to the Department.

presents difficulties in verifying the student's identity and academic attendance. The overall growth and oversight challenges associated with distance learning increases the risk of school noncompliance with the Federal student aid laws and regulations and creates new opportunities for fraud, abuse, and waste in the SFA programs. Our investigative work has identified numerous instances of fraud involving the exploitation of vulnerabilities in distance education programs to obtain Federal student aid.

Our audits and inspections, along with work conducted by the Government Accountability Office, continue to identify weaknesses in Federal Student Aid's (FSA) oversight and monitoring of SFA program participants. Our audits of individual SFA program participants frequently identified noncompliance and waste and abuse of SFA program funds.

Progress in Meeting the Challenge

The Department reported that FSA remains committed to use more innovative and efficient methods to bolster its oversight and compliance efforts. This included efforts intended to expand the Department's ability to perform these activities in a more proactive and preemptive fashion. The Department reported that it focused on three priority areas in its efforts to improve the oversight and monitoring of SFA program participants during FY 2016: (1) bolstering capacity to provide adequate Title IV enforcement; (2) enhancing oversight of contracts, loan servicing activities, and schools; and (3) expanding Clery Act and borrower defense work.

As part of this effort, the Department created the Enforcement Office within FSA to respond more quickly and efficiently to allegations of illegal actions by higher education institutions. FSA also noted accomplishments in enhancing its oversight activities made by its multiregional review team, Program Compliance unit, and Clery team.

With respect to the challenges presented by distance education, the Department stated that FSA's Program Compliance unit enhanced the Recipient Data Sheet that is used to determine which students are receiving a portion or all of their education via distance education. The Department added that in FY 2016, Program Compliance developed and delivered a training program for program reviewers on the process to evaluate distance education. The training program included three components: a lecture on distance education requirements, case studies, and a question-answer session. In addition, a recommended work tool was created to assist reviewers in evaluating distance education courses. The Department believed that enhanced outcomes were evidenced in subsequent reviews of distance education programs. FSA plans to conduct continuous training to current and new reviewers to reinforce distance education review requirements and plans to monitor program reviews for distance education outcomes. The Program Compliance team also plans to work with other parts of FSA to offer training to institutions on distance education requirements through conference sessions, webinars, and other trainings.

What Needs to Be Done

The Department identified several important accomplishments that are intended to collectively improve its ability to provide effective oversight. We recognize the progress being made and the need to balance controls with both cost and

the ability to effectively provide necessary services. However, our audits and investigations involving SFA programs continue to identify numerous instances of noncompliance and fraud.

Overall, the Department needs to ensure that the activities of its Program Compliance office result in effective processes to monitor SFA program participants and reduce risk. It also should work to ensure that its program review processes are designed and implemented to effectively verify that high-risk schools meet requirements for institutional eligibility, financial responsibility, and administrative capability. The Department further needs to ensure that development and implementation of its Enforcement Office effectively provides the intended additional protections to students and taxpayers. Finally, the Department could enhance its oversight of SFA programs by developing and implementing improved methods to prevent and detect fraud. This includes methods to limit the effectiveness of organized activities involving distance fraud rings.

Oversight and Monitoring—Grantees

Why This Is a Challenge
Effective monitoring and oversight are essential for ensuring that grantees meet grant requirements and achieve program goals and objectives. The Department's early learning, elementary, and secondary education programs annually serve nearly 18,200 public school districts and 50 million students attending more than 98,000 public schools and 32,000 private schools. Key programs administered by the Department include Title I of the Elementary and Secondary Education Act, which under the President's 2017 request would deliver $15.4 billion to help more than 24 million students in high-poverty schools make progress toward State academic standards. Another key program is the Individuals with Disabilities Education Act, Part B Grants to States, which would provide about $11.9 billion to help States and school districts meet the special educational needs of 6.7 million students with disabilities.

OIG work has identified a number of weaknesses in grantee oversight and monitoring. These involve local educational agency (LEA) fiscal control issues, State educational agency (SEA) control issues, fraud perpetrated by LEA and charter school officials, and internal control weaknesses in the Department's oversight processes.

Progress in Meeting the Challenge
To further improve monitoring and promote effective grant oversight, the Department has issued guidance to offices that manage formula and discretionary grant programs, provided training for staff, and engaged in technical assistance to both staff and external stakeholders to enhance business operations in the area of grant award monitoring and oversight. In addition, some program offices have piloted new processes to improve coverage, efficiency, and consistency in fiscal monitoring across programs.

What Needs to Be Done
The Department's issuance of new grant management guidance to its program offices should provide an improved basis for their monitoring activities. However, the Department still needs to ensure that its program offices are consistently providing effective risk-based oversight of grant recipients across applicable

Federal education programs. We acknowledge that the Department has worked to enhance the knowledge and capabilities of its existing employees. However, given the Department's generally limited staffing in relation to the amount of Federal funding it oversees, it is important for the Department to explore ways to more effectively leverage the resources of other entities that have roles in grantee oversight. This could include methods to use the single audit process and updates to the OMB 2 C.F.R. 200, Subpart F—Compliance Supplement as ways to improve its monitoring efforts and help mitigate fraud and abuse in its programs.

Management Challenge 4: Data Quality and Reporting

Why This Is a Challenge

The Department, its grantees, and its subrecipients must have effective controls to ensure that reported data are accurate and reliable. The Department uses data to make certain funding decisions, evaluate program performance, and support a number of management decisions. Our work has identified a variety of weaknesses in the quality of reported data and recommended improvements at the Department, SEA, and LEA level. This included weaknesses in controls over the accuracy and reliability of program performance and academic assessment data.

Progress in Meeting the Challenge

The Department stated that it continues to work to promote SEA controls over data, improve its own controls over data submitted by grantees, and ensure the transparency of data quality. The Department's efforts to improve the data that it collects, publishes, and uses to inform grant management are coordinated by senior officials who are members of the Department's Data Strategy Team and the ED*Facts* Governing Board. The Department also reported that in the past year it had taken steps to promote grantee awareness of data quality issues and strengthen its review of grantee data.

The Department further stated that it has multiple initiatives underway to improve data quality and help strengthen the accuracy and reliability of data reported by the Department. These included (1) strengthening the procedures for tracking issues with grantee data, (2) communicating the importance of grantee internal controls over data quality in monitoring, (3) strengthening the language in the certifications that grantees sign when submitting data to the Department, (4) improving the process for following up and resolving questions about grantee data submitted to ED*Facts*, and (5) supporting State agencies in improving their own data quality procedures.

The Department added that it continues to include information about data limitations when reporting data in the Annual Performance Report and other publications and was implementing a corrective action plan in response to the OIG's recommendation that the Department improve its data quality through monitoring efforts.

What Needs to Be Done

The Department continues to complete significant work that is intended to improve the overall quality of data that it collects and reports. This work should remain a priority, as data quality contributes to effective program management and helps ensure the credibility of information published by the Department. While the Department has made progress in strengthening both grantees' data quality processes and its own internal reviews of grantee data, this area is an ongoing challenge.

Our recent audits have found weaknesses in grantees' internal controls over the accuracy and reliability of program performance data and student testing data. Overall, the Department needs to ensure that is providing effective oversight and monitoring to grantees regarding their controls over data quality. Of note, the Department's efforts to strengthen its procedures for tracking issues with grantee data could serve as a basis for sharing information across its program offices and identify entities for enhanced monitoring and support. The Department should also continue its efforts to provide appropriate technical assistance to grantees as necessary. Overall, the Department must continue to work to implement effective controls at all applicable levels to of the data collection and review processes to ensure that accurate and reliable data are reported.

Management Challenge 5: Information Technology System Development and Implementation

Why This Is a Challenge

The President's budget for FY 2017 stated that ensuring the efficiency, effectiveness, and security of Federal IT has never been more central to how Americans are served by their Government. It further notes that the current Administration has focused on driving efficiencies in the way the government buys, builds, and delivers IT solutions to provide improved services to citizens. It adds that with the ongoing evolution of technology, the Federal Government has an unprecedented opportunity to accelerate the quality and timeliness of services delivered to the American people.

The Department faces an ongoing challenge of efficiently providing services to growing numbers of program participants and managing additional administrative requirements with declining staffing levels. The Department reported that it has the smallest staff but the third largest discretionary budget among the 15 Cabinet agencies. The Department further reported that from 2005 through 2015, it experienced a 6-percent decrease in full-time equivalent usage. This makes effective information systems development and implementation and the greater efficiencies such investments can provide critical to the success of the Department's activities and the achievement of its mission.

The Department's current IT investments include systems that support business processes such as student application processing and eligibility determination for Federal student financial assistance; grant and loan award processing;

procurement and acquisition; and the collection, storage, and reporting on Title IV aid disbursements and aid recipients. According to data from the Federal IT Dashboard, the Department's total IT spending for FY 2015 was $689 million, with FSA's IT spending accounting for more than $458 million of the total.

Our recent work has identified weaknesses in the Department's processes to oversee and monitor systems development that have negatively impacted operations and may have resulted in improper payments.

Progress in Meeting the Challenge

The Department reported that it had made progress in the overall program management and oversight of IT systems. This included developing a Lifecycle Management Methodology at FSA, conducting Independent Validation and Verification of a high-risk system, and establishing a formal contract monitoring plan. The Department stated that it planned to continue its progress within this area by further educating project owners of lifecycle processes, enhancing program management oversight capabilities, and providing additional guidance to new IT system contracts.

In addition, the Department stated that it continues to execute its Federal Information Technology Acquisition Reform Act (FITARA) implementation plan and at the time of this report was on track to meet internal Chief Information Officer and external OMB commitments in the FITARA areas of budget formulation and planning, acquisition planning, acquisition execution, and organization and workforce. The Department reported that of the 44 baseline tasks, 33 have been completed and 11 are in progress and scheduled for completion by December 31, 2016. Finally, the Department stated that its FITARA working group continues to meet and address challenges that include improving planning and execution processes.

What Needs to Be Done

The Department needs to continue to monitor contractor performance to ensure that system deficiencies are corrected and that system performance fully supports the Department's financial reporting and operations. The Department further needs to enhance its management and oversight of system modifications and enhancements and ensure that appropriate expertise to manage system contracts is in place. While Lifecycle Management Methodology was established in FSA, management needs to ensure it is implemented and followed.

Looking forward, the Department also needs to continue implementing the requirements of the Federal Information Technology Acquisition Reform Act and the revised OMB Circular A-130, "Managing Information as a Strategic Resource."

Improper Payments

"Improper payments" occur when funds go to the wrong recipient, the right recipient receives the incorrect amount of funds (including overpayments and underpayments), documentation is not available to support a payment, or the recipient uses funds in an improper manner. The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 requires agencies to annually report information on improper payments to the President and Congress, focusing on risk assessments, statistical estimates of improper payments, and corrective actions.

Although not all improper payments are fraud and not all improper payments represent a loss to the Government, all improper payments degrade the integrity of Government programs and compromise citizens' trust in Government. Under the direction of the Office of Management and Budget (OMB), agencies have identified the programs that are susceptible to significant improper payments and measured, or have put into place plans to measure, the estimated amount of improper payments.

The U.S. Department of Education (Department) performed a risk assessment for all Federal Student Aid (FSA)-managed programs during fiscal year (FY) 2014 and 2015 and determined that the Federal Pell Grant (Pell) and William D. Ford Direct Loan (Direct Loan) programs were susceptible to risk of significant improper payments.

During FY 2013 and FY 2014, the Department performed risk assessments of contract payments, administrative payments, and all non-FSA grant programs and determined that these payments and programs were not susceptible to significant improper payments.

The Department, as well as other agencies, must be able to ensure that the billions of dollars entrusted to it are reaching the intended recipients. Overall, the Department remains challenged to intensify its efforts to successfully estimate, prevent, and identify improper payments.

Our work in this area has identified concerns with the accuracy, completeness, and reliability of the Department's improper payment estimates and estimation methodologies for the Pell and Direct Loan programs as part of its compliance with IPERA. Our audit work also identified concerns with the Department's ability to effectively address root causes of improper payments and assess progress over time because of the estimation methodology it uses. We have recommended potential enhancements to the Department's compliance with OMB guidance and alerted the Department to serious fraud vulnerability in distance education programs. Additionally, our audit and investigative work identified improper payments in the Student Financial Assistance (SFA) programs and by State educational agencies (SEAs) and local educational agencies (LEAs).

Background

IPERA and OMB guidance require Federal agencies to implement plans to reduce improper payments. It further requires the Department to annually report on its progress in reducing improper payments and the Office of Inspector General (OIG) to review the Department's report and offer recommendations for improvement.

The Department's FY 2015 Agency Financial Report stated that the Department's FY 2015 gross outlays totaled about $303 billion, consisting of appropriated budgetary resources of $103.8 billion and nonbudgetary credit program funding of $199.5 billion. The Department further stated that internal controls designed to prevent, detect, and collect improper payments are an essential part of its internal control framework. The Department added that key controls related to improper payments include preaward risk assessments, use of independent data sources (such as Internal Revenue Service data retrieval) to ensure accurate award amounts, automated system controls to detect and prevent payment errors, and award and payment monitoring.

As of September 2016, OMB had designated 16 Federal programs as "high-error," including the Department's Pell and Direct Loan programs. The "high-error" programs are those that reported roughly $750 million or more in improper payments in a given year, did not report an error amount in the current reporting year but previously reported an error amount over the threshold, or have not yet established a program error rate and have measured components that were above the threshold. The Department's FY 2015 Agency Financial Report stated that OMB designated Pell a high-priority program because estimated FY 2010 Pell improper payments of $1.0 billion exceeded the high-priority program threshold of $750 million. The Department also reported that OMB designated the Direct Loan program as a high-priority program during February 2015 as estimated improper payments of $1.53 billion in FY 2014 exceeded the $750 million threshold. The Department also conducts an assessment of the risk of improper payments in

each program at least once every 3 years and under this process identified the Pell and Direct Loan programs as susceptible to significant improper payments. Significant improper payments are defined as those in any particular program that exceed both 1.5 percent of program payments and $10 million annually or that exceed $100 million. OMB guidance requires agencies to report the annual amount of estimated improper payments and corrective actions taken or planned for all programs identified as susceptible to significant improper payments.

The Department obtained approval from OMB in September 2014 to use an alternative methodology for estimating improper payments for the Pell and Direct Loan programs. The alternative methodology was intended to leverage data collected through FSA Program Reviews, which assess a variety of compliance requirements. The Department believed that the alternative methodology, although it does not use statistical sampling techniques, provided for a more efficient allocation of resources by integrating the estimation methodology into core FSA monitoring functions.

In June 2015, the Department submitted updates to the alternative estimation methodology and sampling plan to OMB for approval in response to findings from the OIG's FY 2014 IPERA compliance audit report. Revisions included clarification of sample sizes; updates to formulas, citations, and references; and inclusion of justification for use of the alternative methodology. OMB approved the Department's updates to the alternative estimation methodology and sampling plan in October 2015.

In June 2016, the Department submitted additional updates to the alternative estimation methodology and sampling plan to OMB for approval in response to findings from the OIG's FY 2014 and FY 2015 IPERA compliance audit reports. Revisions included adding a second year of program review reports, including location and program level improper payments, and including results of the Free Application for Federal Student Aid/Internal Revenue Service Data Statistical Study in its calculations. The Department conducted discussions with OMB regarding edits to the revised estimation methodology in August 2016; however, OMB had not provided its approval as of September 2016.

The Pell program provides need-based grants to low-income undergraduate and certain postbaccalaureate students to promote access to postsecondary education. In its FY 2015 Agency Financial Report, the Department reported a FY 2015 improper payment rate estimate for the Pell program of 1.88 percent with an estimated improper payment value of $562 million.

Under the Direct Loan program, the Department provides low-interest loans for students and parents to help pay for the cost of a student's education after high school. The Direct Loan program includes Direct Subsidized and Unsubsidized Loans for students, PLUS Loans for parents and graduate or professional students, and Direct Consolidation Loans for both students and parents. The Department's payment rate calculation estimated an overall Direct Loan improper payment rate of 1.30 percent, or $1.28 billion for FY 2015.[2]

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[2] In FY 2015, Federal agencies reported a Government-wide improper payment rate of 4.39 percent, a decrease from the high-water mark of 5.42 percent reported in FY 2009. Improper payments totaled about $137 billion in FY 2015.

The Department also identified more than $34 million in improper payments in its quarterly high-dollar overpayment reports from June 30, 2011, through June 30, 2016. However, only about $568,000 of these overpayments were from the Department's most recent 2 years of reporting, and seven of its last eight quarterly reports identified no high dollar overpayments.

Results of Work Performed

OIG work related to improper payments has evolved and increased over the years to include (1) conducting reviews required under statute and guidance and (2) reviewing, auditing, and investigating major recipients of Federal funds. The results of this work are presented in the corresponding sections below.

Required Reviews Found Issues With the Completeness, Accuracy, and Reliability of Improper Payment Estimates and Methodologies

In May 2016, we issued an audit report on the Department's compliance with improper payment requirements for FY 2015. We found that the Department's reported improper payment estimates for both the Pell and Direct Loan programs were inaccurate and unreliable because it used incorrect formulas in performing calculations and deviated from OMB-approved methodologies. We concluded that the Department did not comply with IPERA because it did not meet the annual reduction target for the Direct Loan program. The Department's recalculated FY 2015 improper payment rate of 2.63 percent for the Direct Loan program to correct for formula execution errors we identified was higher than the originally reported rate of 1.30 percent and did not meet its reduction target of 1.49 percent.

We also reported that the Department's improper payment methodologies for the Pell and Direct Loan programs were flawed because the estimation methodologies (1) did not include all program reviews that could identify improper payments, (2) resulted in volatile improper payment estimates that could be significantly influenced by a single program review, and (3) did not include all improper payments from ineligible programs or locations identified in program reviews. As a result, we could not conclude whether the Department actually met its reduction target for the Pell program or whether the Department reduced or increased improper payments.

Finally, we reported that the Department's ability to address the root causes of improper payments is limited because it relies on program reviews. These reviews lead to root causes that vary from year to year and as a result, the Department is limited in its ability to assess progress over time.

In May 2015, we reported that the Department did not comply with IPERA because it did not meet the annual reduction target for the Direct Loan program. The Department reported a FY 2014 improper payment rate for the Direct Loan program (1.50 percent) that did not meet its reduction target (1.03 percent). The Department met the FY 2014 reduction targets for the Pell and Federal Family Education Loan (FFEL) programs. We also found that the improper payment methodologies and estimates in the Department's FY 2014 Agency Financial

Report for both the Pell and Direct Loan programs were inaccurate, incomplete, and unreliable.

Our September 2014 audit report on the Department's compliance with Executive Order 13520, "Reducing Improper Payments," for FYs 2012 and 2013 found that the Department complied with Executive Order 13520, adequately addressed improper payment risks, and described an adequate level of oversight to reduce and recapture improper payments. However, we noted that the Department had not addressed monitoring and oversight of the most significant root cause of potential improper payments for Pell program applicants who (1) do not use the Internal Revenue Service Data Retrieval Tool when completing their Free Application for Federal Student Aid (FAFSA) and (2) are not selected for verification of self-reported income.

In April 2014, we issued an audit report on the Department's compliance with IPERA for FY 2013. We found that the Department complied with IPERA for FY 2013, but improvements were needed regarding improper payment rate estimation methodologies for Pell and Direct Loan programs. We noted the Department's (1) Pell program estimation methodology did not consider all potential sources of improper payments; (2) Agency Financial Report did not report a summary of its progress in completing the IPERA reporting requirements, as required by OMB; and (3) Agency Financial Report reported reduction targets for each of its programs that were equal to the improper payment rate estimate reported in the current year. Therefore, meeting these targets would not actually result in a reduction in improper payments.

Audits and Investigations of Recipients of Federal Funds Identified Improper Payments

OIG audit and investigative work continues to identify various improper payments in the SFA programs and by SEAs and LEAs. Overall, our semiannual reports to Congress from April 1, 2013, through March 31, 2016, included more than $2.3 million in questioned or unsupported costs from audit reports and more than $59 million in restitution payments from our investigative activity.

Several of our reviews of FSA programs have disclosed improper payments. Our audits and investigations of postsecondary institutions routinely disclose improper payments resulting from ineligible students, ineligible programs, or other noncompliance.

Our September 2015 audit of SOLEX College's administration of selected aspects of the Title IV programs found that SOLEX College's two English as a second language programs were not Title IV-eligible. This was because SOLEX College did not limit enrollment in these programs to students who needed English as a second language instruction to use their already existing knowledge, training, or skills for gainful employment and did not document its determinations that the students needed the English as a second language instruction for such purposes. We found that SOLEX College disbursed $1,795,500 in Pell funds to 413 students who were enrolled in one or both of the ineligible English as a second language programs during award years 2012–2013 and 2013–2014.

In February 2014, we completed an audit to determine whether the Department adapted requirements and guidance for Title IV programs to mitigate risks inherent

in the distance education environment. Overall, we found that the Department has not been collecting data and other information that could help it identify additional risks unique to distance education. We determined that the 8 schools that participated in our audit disbursed nearly $222 million in Title IV funds to more than 42,000 distance education students who did not earn any credits during a payment period. Students who do not earn any credits during a payment period are at a higher risk for improper disbursements because they might not have attended school, and the school should have returned all Title IV funds to the Department. In addition, students who do not earn any credits might not have attended all the courses for which they registered during the payment period or stopped attending school during the payment period, which could affect the amount of Title IV funds for which they are eligible.

In addition to work in the SFA programs, we have performed work identifying fiscal issues at SEAs and LEAs. In March 2016, we completed an audit of the Tennessee Department of Education's administration of a Race to the Top grant. We found that the Tennessee Department of Education did not ensure that the Achievement School District developed and implemented adequate internal control activities over retaining documentation, contracting, approving purchases, using credit cards, recording adjusting journal entries, and classifying expenditures. In addition, we found that the Tennessee Department of Education and the Achievement School District did not spend Race to the Top funds only on allowable items and activities and in accordance with program requirements and the approved grant application. Our review identified more than $100,000 in Race to the Top funds that were spent on unallowable items and activities.

Our March 2016 audit report on State and district monitoring of School Improvement Grants contractors in California found that the California Department of Education did not adequately monitor the LEAs in our review to ensure that the LEAs had sufficient fiscal controls for obligating and paying Federal funds to School Improvement Grants contractors. Our review further identified more than $121,000 in unsupported costs and more than $142,000 paid for services provided before contracts or purchase orders were approved.

Our July 2015 audit report on the North Carolina Department of Public Instruction's Administration of its Race to the Top Grant determined that North Carolina generally spent Race to the Top funds on allowable activities and in accordance with program requirements and its approved grant application. However, we identified more than $47,000 in expenses that were not adequately documented or used for unallowable activities.

OIG work continues in this area as we will perform our annual review of the Department's compliance with the improper payment reporting requirements and its performance in reducing and recapturing improper payments. We will also complete a required risk assessment of the Department's purchase card program and, if deemed necessary, conduct an audit of Department purchase card transactions.

Department Actions and Plans

The Department stated that it has developed internal controls that are intended to prevent, detect, and recover improper payments. The Department stated that it

strives to provide timely and accurate payments to grant recipients and students while ensuring that the related controls are not too costly or burdensome to fund recipients. The Department further noted that it relies on controls established by fund recipients who make payments on behalf of the Department.

The Department stated that it was not compliant with IPERA because the estimated improper payment rates for Direct Loan program in 2014 and 2015 exceeded the reduction targets published in the prior year Agency Financial Reports. The Department stated that the alternative estimation methodology approach that was used leveraged the investment in and available data from FSA's existing internal control framework, specifically program reviews. The Department stated that this allowed for the calculation of estimates at a much lower cost and without additional burden on schools and students than if these were developed under a separate effort. However, the Department believed that the alternative methodology did not provide the precision level that could be achieved using a statistical sampling methodology, increasing the risk that FSA may fail to achieve its annual reduction targets.

The Department reported that it convened two working groups to address the issue of IPERA noncompliance resulting from a failure to achieve targets. The first working group included OIG and OMB (both acting in an advisory capacity) to address the challenges noted regarding the 2016 estimation methodology. This group reviewed and incorporated a number of changes to the 2016 estimation methodology to improve the accuracy and completeness of the estimates. The second working group was formed to evaluate various estimation alternatives for 2017 and beyond. The Department stated that, based on a cost estimate analysis, it decided that it was more cost effective to continue using the alternative estimation methodology while working on ways to improve its precision interval.

The Department noted that it had implemented an internal control framework that included 328 controls to prevent or detect improper payments and had established processes to annually assess the design and operating effectiveness of these controls. The Department's reported that its improper payment related controls include the following:

- computer matches against 15–20 external sources performed in FSA systems during the aid delivery process, such as the death file match preaward, Social Security number validation, and use of excluded parties list database;

- promotion of the Internal Revenue Service Data Retrieval Tool, which encourages about half of applicants to use Internal Revenue Service income data when completing the FAFSA;

- requirements for school verification of student FAFSA data assessed annually;

- unusual enrollment history flags on the Institutional Student Information Record;

- annual program risk assessments and reviews of program participants:. including schools, lenders, guaranty agencies, and contractors; and

- establishment of a Fraud Group to intake and analyze instances of potential fraud.

The Department stated that root causes are identified for any deficiencies and corrective action plans established.

Finally, the Department reported that it was committed to leveraging the audit follow-up process to help identify and recover improper payments made by non-Federal organizations and to assist them in strengthening their internal controls to minimize future improper payments.

Further Actions Needed to Address the Challenge

The Department needs to continue to explore additional opportunities for preventing improper payments. This includes effectively addressing root causes of improper payments that span multiple years of improper payment reporting. As noted earlier, our audit reports continue to identify weaknesses in the Department's estimation methodologies for its programs designated as susceptible to significant improper payments. Overall, the Department needs to develop estimation methodologies that are accurate, complete, and reliable and adequately address recommendations made in our audit work.

The Department needs to effectively monitor SFA program recipients, SEAs, and LEAs to ensure they properly spend and account for Federal education funds. The Department further needs to effectively resolve our audits of its program fund recipients to recapture identified improper payments. The OIG issued five audits that identified questioned or unsupported costs between April 1, 2013, and March 31, 2016. As of September 30, 2016, two of the five audits (40 percent) were reported as unresolved within the Department's audit tracking system. As noted below, each of these audits was overdue for resolution with respect to the OMB A-50 requirement that audits are resolved within 6 months of final report issuance.

Audit Report	Issue Date	Resolution Due Date (Per OMB A-50 Requirements)	Questioned Costs
State and District Monitoring of School Improvement Grant Contractors in California	March 17, 2016	September 16, 2016	$263,410
The Tennessee Department of Education's Administration of a Race to the Top Grant	March 30, 2016	September 30, 2016	$242,816

During FY 2016, the Department made progress in completing the resolution process for several older audits with complex subject matter. This included "Follow up Audit of Saint Louis University's Use of Professional Judgment," issued February 2005, and "Saint Mary-of-the-Woods College's Administration of the Title IV Programs," issued March 2012. Those audits identified more than $43 million in recommended recoveries and questioned costs. However, some other older audits remain unresolved. These include "Capella University's Compliance with Selected Provisions of the Higher Education Act of 1965 and Corresponding Regulations," issued March 2008, and "Metropolitan Community College's Administration of the Title IV Programs," issued May 2012. Those audits included more than $821,000 in recommended recoveries.

Information Technology Security

The Department's systems contain and protect an enormous amount of sensitive information such as personal records, financial information, and other personally identifiable information. Without adequate management, operational, and technical security controls in place, the Department's systems and information are vulnerable to attacks. Unauthorized access could result in losing data confidentiality and integrity, limiting system availability, and reducing system reliability.

The OIG has identified repeated problems in information technology (IT) security and noted increasing threats and vulnerabilities to the Department's systems and data. For the last several years, IT security audits performed by the OIG with contractor assistance and financial statement audits performed by an independent public accountant with OIG oversight have identified security controls that need improvement to adequately protect the Department's systems and data. The Department provided corrective action plans and completed actions in response to OIG audit recommendations. However, the Department needs to effectively address all IT security deficiencies, provide mitigating controls for vulnerabilities, and implement planned actions to correct system weaknesses.

In light of high-profile data breaches at other Federal agencies, the importance of safeguarding the Department's information and information systems cannot be understated. The Department's systems house millions of sensitive records on

students, their parents, and others, and facilitate the processing of 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). Protecting this complex IT infrastructure from constantly changing cyber threats is an enormous responsibility and challenge. While the Department and FSA have both made progress and taken steps to address past problems that we have identified, our work demonstrates that they remain vulnerable to attacks and that there are key areas where immediate action and attention are needed.

Background

The IT infrastructure for the Department is provided through the Education Department Utility for Communications, Applications, and Technology Environment contract. Services such as email, network infrastructure, desktop support, security, and printers are provided under this contract. Additionally, the Department has a large Virtual Data Center contract that provides IT support for FSA data processing. Specifically, the Virtual Data Center serves as the host facility for FSA business systems that process student financial aid applications (grants, loans, and work-study), provides schools with eligibility determinations, and supports payments to and from lenders.

Most of FSA's major business applications are located at the Virtual Data Center, except for the Common Origination Database. The production support and processing for this application is located at another Department contractor facility. The Common Origination Database application and database initiates and tracks disbursements to eligible students and schools for SFA programs.

The Department has experienced sophisticated attacks to its IT systems, including browser hijacking and phishing campaigns resulting in malware infections, as well as unauthorized accesses accomplished by stealing credentials from employees or external business partners. Many of the computers that are compromised are not Department systems but the home or work computers of its students, contractors, and program participants such as schools, lenders, guaranty agencies, and servicers. Although the Department can specify security controls for its contractors, it has little authority in the malware detection practices of these other parties.

Results of Work Performed

Projects relating to this area include IT security audits performed by the OIG with contractor assistance, OIG investigative work, and audits performed by the Department's independent public accountant for its financial statement audits. Overall, this work has continued to identify control weaknesses, many of them repeat findings, within IT security and systems that need to be addressed. The results of this work are presented in the corresponding sections below.

OIG IT Security Related Audit Work Found Recurring IT Control Weaknesses

In November 2015, the OIG issued an audit report on the Department's compliance with the Federal Information Security Modernization Act of 2014 (FISMA) for FY 2015. The FISMA revisions required the OIGs to evaluate the effectiveness of their agency's security program and practices for the first time. As set forth in National Institute of Standards and Technology guidance, "effectiveness" addresses the extent to which security controls are implemented correctly, operate as intended, and produce the desired outcome. We found that while the Department and FSA made progress in strengthening its information security programs, weaknesses remained and the Department-wide information systems continued to be vulnerable to security threats. Specifically, we found the following.

- The Department was not generally effective in four of the reporting metrics that we reviewed—continuous monitoring, configuration management, incident response and reporting, and remote access management.

- The Department's and FSA's information technology security programs were generally effective in key aspects of three other metric areas (risk management, security training, and contingency planning); however, improvements were still needed in these areas.

- The Department and FSA's plan of action and milestones process should be effective if implemented as intended.

- The Department's identity and access management programs and practices would be generally effective if implemented properly, but the Department's controls over access to FSA's mainframe environment need improvement. For example, our vulnerability and penetration testing revealed a key weakness in the Department's ability to detect unauthorized activity inside its computer network. We also noted a significant issue related to third-party access to a contractor-operated critical business system, specifically the Department's and FSA's ability to adequately oversee its contractors and ensure that only people with appropriate permission have access to the Department's data.

The eight metric areas in which we had findings contained repeat findings from the following OIG reports issued from FYs 2011 through 2014.

In the FY 2014 FISMA report, we identified findings in 6 of the 11 reporting metrics or control areas, including configuration management, identity and access management, incident response and reporting, risk management, remote access management, and contingency planning. Findings in five of the six reporting metrics contained repeat or modified repeat findings from OIG reports issued within the prior 3 years.

Our management information report issued in September 2014 found that FSA was not effectively overseeing and monitoring private collection agency and guaranty agency security controls. We specifically noted that FSA did not process private collection agency system reauthorizations before their 3-year expiration, resolve findings of security control deficiencies timely, or collect and validate private collection agency training certificates. We further found that FSA has

inadequate assurance that guaranty agency information system security complies with FISMA requirements. The issues noted could result in increased vulnerability of the private collection agencies' and Department's systems to attack and limit the assurance of guaranty agency's information security and data integrity.

In November 2013, the OIG issued an audit report on the Department's compliance with FISMA for FY 2013. The audit report identified findings in 7 of the 11 reporting metrics or control areas, including configuration management, identity and access management, incident response and reporting, risk management, security training, remote access management, and contingency planning. Findings in the seven reporting metrics contained repeat or modified repeat findings from OIG reports issued during the prior 3 years.

OIG IT Security Related Investigative Work Identified Weaknesses

In September 2016, we issued a management information report that informed the Department of our concerns regarding how the FSA ID and the Personal Authentication Service were being misused by commercial third parties to take over borrower accounts. Our report noted recurring issues with PIN security vulnerabilities that included (1) loan consolidation companies gaining access to PIN accounts to consolidate loans or enroll borrowers in debt forgiveness or reduction programs, (2) students sharing their PINs with a company providing loan-related services so that the company could log in and obtain information on the students' behalf, and (3) a defunct loan consolidation company controlling over 800 PIN user accounts.

We further reported that FSA could improve proactive monitoring of the Personal Authentication Service audit logs to identify suspicious activities and report those activities to the Department's Computer Incident Response Capability and the OIG.

Financial Statement Audits Performed by an Independent Public Accountant with OIG Oversight Continue to Highlight the Need to Improve Information System Controls

The audit of the Department's FY 2015 financial statements identified the need to mitigate persistent IT control deficiencies as a significant deficiency. The independent public accountant identified weaknesses in areas that included security management, personnel security, access controls, and configuration management. The independent public accountant further reported that these deficiencies can increase the risk of unauthorized access to the Department and FSA's system used to capture, process, and report financial transactions and balances, affecting the reliability and security of the data and information.

OIG work continues in this area and our primary area of focus is completing work to assess the Department's compliance with FISMA.

Department Actions and Plans

In its response to our draft FY 2017 Management Challenges report, the Department identified numerous completed actions within this area, including the following.

- The Department stated that its FY 2016 efforts included addressing the recommendations and actions highlighted in OMB's "Federal Government's Cybersecurity Strategy and Implementation Plan (CSIP) for the Federal Civilian Government."[3] This included work to identify and protect high-value information and assets that resulted in a better understanding of the potential impact from a cyber incident and helped to ensure that physical and cybersecurity protections were in place for the Department's high-value assets.

- The Department reported that it had made significant improvement in the deployment of two-factor authentication, requiring Personal Identity Verification cards or alternative forms of strong authentication for all of its of privileged users. The Department also noted that it had implemented two-factor authentication for more than 40,000 users of its grants management system.

- The Department stated that it hired a new Chief Information Security Officer with an extensive cybersecurity and incident response background. The new Chief Information Security Officer was tasked with providing a strategic vision for the Department's information security program.

- The Department stated that it had made a concentrated effort to strengthen its capability to respond to cybersecurity incidents and has identified a plan for future action to establish a mature incident response capability. This included a series of incident response exercises, evaluation of vendor contracts to identify necessary amendments to the security clauses, and development of technical and procedural protocols to guide decision-making in the event of a breach.

- The Department reported that it had established daily integrated Security Operations Center calls to communicate events or requirements with all necessary stakeholders, including FSA. The Department's Security Operations Center works closely with the US CERT to address any issues or indicators identified by the Department of Homeland Security.

- The Department stated that it has fully deployed the Einstein capabilities to enhance its capabilities in the detection of cyber vulnerabilities and protection from cyber threats.

- The Department noted that it continued to strengthen its partnership with the Department of Homeland Security to accelerate the deployment of continuous diagnostics and mitigation capabilities.

The Department added that other significant activities included leveraging existing capabilities to perform independent verification and validation of contractor submitted data, reviewing contractual requirements and assessments

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[3] OMB M-16-04, issued October 30, 2015.

for contractor abilities to provide infrastructure services and malware detection, continuing employee awareness training, and developing IT security staff skills and competencies. The Department also identified numerous planned activities that are intended to strengthen its overall IT security. These included the following items.

- The Department stated that it plans to consolidate and update its cybersecurity program enhancement efforts by producing a Department of Education Cybersecurity Strategy and Implementation Plan. The plan will emphasize the need for an approach that relies on layering people, processes, technologies, and operations to achieve more secure Department information systems.

- The Department stated that it efforts to enhance authentication will continue. This included plans to (1) provide requirements for monitoring privileged users in updated guidance; (2) develop and implement an integrated continuous monitoring solution to provide Department-wide visibility of authentication solutions and two-factor authentication enforcement; (3) acquire contractor support for Identity, Credential, and Access Management subject matter expertise; (4) publish an assessment of two-factor authentication solutions for citizen-facing information systems; and (5) complete an independent analysis and assessment of the level of assurance requirements for all information systems.

- The Department reported that it plans to publish updates to its guidance for the handling of a variety of incidents, to include reporting and documentation requirements.

- The Department stated that it plans to continue to purchase new tools for improved identification of potential incidents and threats, increase in-house capabilities, and contract for forensic surge capability.

- Finally, the Department reported that it intends to define and implement actions to further enhance the cybersecurity awareness and training of its workforce. This will include steps and actions to further enhance the recruitment and retention of the most highly qualified cybersecurity workforce talent.

Further Actions Needed to Address the Challenge

The Department is reporting significant progress towards addressing longstanding IT security weaknesses. However, we continue to identify significant weaknesses in our annual FISMA audits—despite the Department's reported corrective actions to address our prior recommendations. As noted in the "Results of Work Performed" section above, our most recent FISMA work reported that that the Department's information systems continued to be vulnerable to security threats and noted that the eight metric areas in which we had findings contained repeat findings from prior OIG reports.

While we commend the Department for placing a priority on addressing these weaknesses, it needs to continue its efforts to develop and implement an effective system of IT security controls. For example, the Department needs to develop more effective capabilities to respond to potential IT security incidents. The current response process generally does not attempt to identify other systems impacted by an incident nor does it attempt to identify the damage done to the Department. Although the Department and FSA have begun to implement their own incident response teams and establish Security Operations Centers, this capability is still being developed.

The Department further needs to (1) address vulnerabilities that continue to exist in the programs intended to identify and protect critical systems and sensitive data; (2) strive towards a robust capability to identify and respond to malware installations or intruder activity because antivirus detection software often lags behind the most sophisticated malware and malware code can be rapidly changed to prevent identification; (3) continue its process of implementing and enforcing the use of two-factor authentication for all Federal employees, contractors, and other authorized users; and (4) improve its capabilities in the areas of root cause analysis and damage assessment.

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

Oversight and Monitoring

Student Financial Assistance Program Participants

The Department must provide effective oversight and monitoring of participants in the SFA programs under the Higher Education Act of 1965, as amended, to ensure that the programs are not subject to fraud, waste, abuse, and mismanagement. The Department's FY 2017 budget request for postsecondary student aid includes $139.7 billion in new grants, loans, and work-study assistance to help an estimated 12.1 million students and their families pay for college.

FSA reported that during FY 2015, it operated on an annual administrative budget of approximately $1.4 billion and was staffed by 1,291 full-time employees that were augmented by contractors who provided outsourced business operations. The Department's FY 2017 budget request included 84 additional staff to (1) bolster FSA's capacity to provide adequate Title IV enforcement; (2) enhance its oversight of contracts, loan servicing activities, and schools; and (3) expand its Clery Act and Borrower Defense work.

Participants in the SFA programs include postsecondary institutions, lenders, guaranty agencies, and third-party servicers. Our work has identified weaknesses in

the Department's oversight and monitoring of these participants. The Department has taken corrective actions to address many of the recommendations contained in our prior reports. However, the Department needs to continue to assess and improve its oversight and monitoring of program participants and take effective actions when problems are identified.

The growth of distance education has added to the complexity of the Department's oversight of SFA program participants. The management of distance education programs presents challenges to the Department and school officials because of little or no in-person interaction between the school officials and the student presents difficulties in verifying the student's identity and academic attendance. The overall growth and oversight challenges associated with distance learning increases the risk of school noncompliance with the Federal student aid law and regulations and creates new opportunities for fraud, abuse, and waste in the Title IV programs. Our investigative work has identified numerous instances of fraud involving the exploitation of vulnerabilities in distance education programs to fraudulently obtain Federal student aid.

For students to receive Federal student aid from the Department for postsecondary study, the institution or program must be accredited by an accrediting agency recognized by the Department. The goal of accreditation is to ensure that institutions of higher education meet acceptable levels of quality. Accreditors, which are private educational associations of regional or national scope, develop evaluation criteria and conduct peer evaluations to assess whether or not those criteria are met. Institutions and programs that request an accreditor's evaluation and that meet an accreditor's criteria are then "accredited."

Background

FSA performs a vital service within the system of funding postsecondary education in the United States by ensuring that all eligible Americans have access to Federal financial assistance for education or training beyond high school. FSA is responsible for implementing and managing Federal student financial assistance programs authorized under the Higher Education Act of 1965, as amended. These programs provide grants, loans, and work-study funds to students attending colleges or career schools to assist with expenses such as tuition and fees, room and board, books and supplies, and transportation.

Stakeholders in the student aid delivery system include students and parents, lenders, guaranty agencies, postsecondary institutions, contracted servicers, and collection agencies. One of FSA's responsibilities is to coordinate and monitor the activity of the large number of 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.

The Department is not directly involved in the institutional or programmatic accrediting process. Under the Higher Education Act of 1965, as amended, the Department "recognizes" (approves) accreditors that the Secretary of Education determines to be reliable authorities as to the quality of education or training provided by institutions of higher education. The act requires accrediting agencies to meet certain statutory recognition criteria and have certain operating

procedures in order to be recognized by the Secretary. The Accreditation Group within the Department's Office of Postsecondary Education has been established to address matters involving accreditation. This group's responsibilities include administering initial and renewed accreditor recognition processes; reviewing standards, policies, procedures relevant to the Department's accreditation responsibilities; and serving as Department's liaison with accreditors.

The Federal SFA programs collectively represent the nation's largest source of Federal financial aid for postsecondary students. To help ensure that students and their families benefit from its programs, FSA performs functions that include informing students and families of the availability of the Federal student aid programs and of the process of applying for and receiving aid from those programs; developing the FAFSA and processing FAFSA submissions; offering free assistance to students, parents, and borrowers throughout the entire financial aid process; and providing oversight and monitoring of all program participants—schools, financial entities, and students—to ensure compliance with the laws, regulations, and policies governing the Federal student aid programs. In FY 2015, FSA processed more than 19.9 million FAFSAs, resulting in the delivery of $128.7 billion in Title IV aid to almost 11.9 million postsecondary students and their families. These students attend more than 6,000 active institutions of postsecondary education that participate in student aid programs and are accredited by dozens of agencies.

In fulfilling its program responsibilities, FSA directly manages or oversees more than $1.2 trillion in outstanding loans—representing more than 193 million student loans to approximately 42 million borrowers. These loans were made primarily through the Direct Loan and FFEL programs.

- Under the Direct Loan program, the Federal Government provides funding through postsecondary institutions. Public and private entities under contract with the Department handle loan origination and servicing. As of September 30, 2015, FSA's portfolio of Direct Loans included $880.6 billion in outstanding loans.

- The Student Aid and Fiscal Responsibility Act of 2010 ended the origination of new FFEL program loans after June 30, 2010. However, lenders, guaranty agencies, and their third-party servicers continue to service FFEL program loans. FSA, FFEL lenders, and guaranty agencies held a FFEL program loan portfolio of about $363.6 billion as of September 30, 2015.

Both the total student debt level and payment delinquency rate continue to generally trend upward. The Federal Reserve Bank of New York reported that outstanding student loan balances, including data from banks, credit unions, other financial institutions, and Federal and State Governments, were $1.26 trillion as of June 2016. This represents an increase of more than $410 billion since the first quarter of 2011. In February 2015, the Federal Reserve reported that larger numbers of borrowers and balances per borrower have contributed to the overall expansion in student loan debt. This has been driven by factors that include more people pursuing postsecondary education, students staying in school longer, higher educational costs, and repayment programs that reduce required payments and lengthen loan terms. The Federal Reserve noted that between 2004 and 2014, the number of borrowers increased 92 percent and average student loan balances increased 74 percent. It further reported that more than

4 percent of borrowers, about 1.8 million people, have more than $100,000 in student loan debt.

The Federal Reserve Bank's data showed that while many forms of consumer debt declined or increased slightly over the past 5 years, including mortgage (-1.8 percent), home equity (-23.5 percent), and credit card (5.0 percent) debt, student loan debt had increased by 47.9 percent. As of the second quarter of 2016, student loans made up 10.2 percent of aggregate consumer debt, compared to 7.3 percent in the first quarter of 2011. The Federal Reserve Bank also reported that 11.1 percent of student loan balances were 90 or more days delinquent as of the second quarter of 2016. While the delinquency rate has declined from its 2013 peak, it remains 23.1 percent higher than in the first quarter of 2011.

In June 2016, the Department reported that total enrollment in its four income-driven repayment options for borrowers continued to increase. Under an income-driven repayment, a borrower's monthly payment is a percentage of their discretionary income, with the actual percentage differing depending on the plan. Under all four plans, any remaining loan balance is forgiven if the borrower's Federal student loans are not fully repaid at the end of the repayment period. The Department reported that as of March 2016, nearly 4.9 million Direct Loan borrowers were enrolled in income-driven repayment plans, a 40 percent increase from March 2015 and a 117 percent increase from March 2014. In terms of dollars, nearly 41 percent of the Direct Loan repayment plan universe is in an income-driven repayment plan.

Overall the rise in student loan debt and increasing percentage of borrowers participating in income-driven repayment options present significant financial risks to the Department. The amount of time it takes to repay loans may increase, borrowers may use more deferments and forbearances, and the Department may write off increasing loan balances associated with income-driven repayment options in the future. These changes may also increase the administrative and subsidy cost of operating the loan programs.

Results of Work Performed

OIG work within this area includes activities relating to (1) audits and inspections of FSA's oversight and monitoring of SFA program participants, (2) audits and investigations of SFA program participants, (3) audits and investigations involving distance education programs, and (4) audits involving accrediting agencies. The results of our recent work are presented is in the sections below.

Audits and Inspections Found That FSA's Oversight and Monitoring of SFA Program Participants Could be Improved

Our audits and inspections continue to identify weaknesses in FSA's oversight and monitoring of SFA program participants.

In February 2016, we issued a letter in response to a Congressional request for an independent examination of the adequacy and accuracy of the Department's review of student loan servicers' compliance with the Servicemembers Civil Relief Act. The Congressional request raised specific concerns about the Department's

May 2015 press release that concluded that borrowers were incorrectly denied a required interest rate cap less than 1 percent of the time. Our work identified flaws in the Department's sampling design that resulted in the Department testing few borrowers eligible for the Servicemembers Civil Relief Act benefit, errors in the program reviews it conducted, and inconsistent and inadequate corrective actions for errors it identified. We concluded that the sampling designs were not adequate to project the extent of Servicemembers Civil Relief Act compliance or noncompliance, and we could not render an opinion on the accuracy of the Department program reviews due to errors we identified. Additionally, the Department's press release was not supported by the work the Department performed and was inaccurate. In response to our work, the Department designed new procedures that, if properly implemented, should provide for all eligible borrowers to receive the Servicemembers Civil Relief Act benefit as of July 2014.

Our September 2015 report on FSA's oversight of schools participating in the Title IV programs found weaknesses in FSA's processes for performing program reviews and selecting schools for program reviews. We specifically noted that FSA's program review specialists did not always conduct program reviews in accordance with established procedures and that FSA's Program Compliance division managers did not consider high annual dropout rates when prioritizing schools for program reviews as required by the Higher Education Act of 1965, as amended. As a result of these weaknesses, FSA has limited assurance that program reviews are appropriately identifying and reporting all instances of noncompliance.

In March 2015, we issued an audit report on FSA's oversight of schools' compliance with the incentive compensation ban. We identified weaknesses in FSA's oversight that included monitoring, enforcement actions, and resolution of related findings. We noted that FSA's program review files contained insufficient evidence to show that institutional review specialists completed all required incentive compensation related testing procedures. We also found FSA had not developed effective procedures and guidance regarding the determination of appropriate enforcement action for incentive compensation violations. Finally, we found that FSA did not properly resolve incentive compensation ban findings. As a result of these weaknesses, FSA was less likely to detect incentive compensation violations and cannot ensure it took appropriate and consistent enforcement actions and corrective actions.

In December 2014, we issued an audit report on the Department's administration of student loan debt and repayment. We concluded that the Department does not have a comprehensive plan or strategy to prevent student loan defaults and thus cannot ensure that efforts by various offices involved in default prevention activities are coordinated and consistent. We further noted that the roles and responsibilities of the key offices and personnel tasked with preventing defaults or managing key default-related activities and performance measures to assess the effectiveness of the various default prevention activities are not well-defined. Without a coordinated plan or strategy, Department management may not be in a position to make strategic, informed decisions about the effectiveness of default prevention initiatives and activities. The Department may have missed opportunities to communicate and coordinate across offices, identify and rank risks, streamline activities, communicate with servicers, use data to manage and innovate, respond to changes, and provide greater transparency.

In September 2014, we issued an audit report on FSA's oversight of guaranty agencies during the phase-out of the FFEL program. We determined that the methodology FSA used to calculate a guaranty agency's current reserve ratio was not in compliance with applicable requirements resulting in the overstatement of the financial position of the guaranty agencies. We also found that while FSA monitored the guaranty agencies' ability to perform their duties, FSA did not establish criteria for them to use in developing financial projections and did not document the procedures for actions it should have taken on guaranty agency-reported information that identified conditions of possible financial stress.

Our September 2014 report on direct assessment programs[4] found that the Department did not adequately address the risks that schools offering direct assessment programs pose to the Title IV programs and did not establish sufficient processes to ensure that only programs meeting Federal regulatory requirements are approved as Title IV-eligible. Not adequately addressing risks increases the likelihood that schools might create direct assessment programs that are not Title IV-eligible, such as those that are really correspondence programs. Not establishing sufficient processes increases the risk that the Department will not obtain enough information to sufficiently evaluate the merits of all direct assessment program applications. During our audit, we also identified two instances where the Department could have obtained additional information from the school or the accrediting agency before making decisions about whether the programs were Title IV-eligible direct assessment programs.

In February 2014, we issued an inspection report on FSA's plans for school closures by a for-profit entity. We found that some of FSA's risk mitigation strategy action items have not been fully incorporated into its work processes and implemented. We also noted that information posted to FSA's public Web site is difficult to find and not as comprehensive as it could be. Additionally, we found that procedures developed for handling school closures did not provide clear guidance on how student outreach should be performed or provide a process that should be followed in the event of a precipitous school closure.

In August 2015, the Government Accountability Office (GAO) issued a report titled "Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options." GAO found that many eligible borrowers do not participate in the Department's Income-Based Repayment and Pay As You Earn repayment plans for Direct Loans, and has not provided information about the plans to all borrowers in repayment. Additionally, few borrowers who may be employed in the public service have had their employment and loans certified for the Public Service Loan Forgiveness program.

Audits and Investigations of SFA Program Participants' Activities Identify Noncompliance and Fraud

Our external audits and investigations of individual SFA program participants frequently identified noncompliance, waste, and abuse of SFA program funds. While not the subject of these reviews, FSA's Program Compliance office is

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[4] According to 34 Code of Federal Regulations (C.F.R.) § 668.10, direct assessment is a measure—such as a paper, exam, or portfolio—that shows what a student knows and can do and provides evidence that a student has command of a specific subject, content area, or skill.

responsible for administering a program of monitoring and oversight of the institutions (schools, guarantors, lenders, and servicers) participating in the Department's Federal student aid programs. The office establishes and maintains systems and procedures to support the eligibility, certification, and oversight of program participants. More effective monitoring and oversight by groups within the Program Compliance office could limit occurrences of noncompliance and fraud, while strengthening the accountability, success, and value of SFA programs.

As mentioned in the Improper Payments section, our September 2015 report on SOLEX College's administration of selected aspects of the Title IV programs found that SOLEX College did not disburse Title IV funds only to eligible students enrolled in Title IV-eligible programs. We found that SOLEX College's two English as a second language programs were not Title IV-eligible programs because SOLEX College did not admit only students who needed English as second language instruction to use their already existing knowledge, training, or skills for gainful employment and did not document its determinations that the students needed the instruction for such purposes. For award years 2012–2013 and 2013–2014, SOLEX College disbursed $1,795,500 in Pell funds to students who were enrolled in ineligible English as second language programs.

In March 2014, we completed a management information report on third-party servicer use of debit cards to deliver Title IV funds, in response to an inquiry from Congress. The audit reported that the Department should take action to better ensure that student interests are served when schools use servicers to deliver credit balances. We determined that three of four schools that outsourced credit balance delivery did not routinely monitor all servicer activities, including compliance with all Title IV regulations and student complaints. These schools also did not prevent their servicers from persuading students to select their debit card, which could include fees that were unique or higher than those of alternative financial service providers. Additionally, three of four schools had financial incentives in their contracts with servicers that created the potential for conflicts of interest. Finally, three of four schools provided student information that was not needed to deliver credit balances and did not monitor servicer activities for compliance with Federal requirements for handling personally identifiable information.

In February 2014, GAO issued a report, "College Debit Cards: Actions Needed to Address ATM Access, Student Choice, and Transparency," relating to this area. GAO reported that college debit cards can be convenient for students and provide cost savings and efficiency for schools but identified a number of related concerns. These included certain providers charging fees not typically charged by mainstream debit cards, the lack of a specific definition of "convenient access" to fee-free ATMs, and the appearance that some schools or card providers encouraged students to enroll in a college card without providing information about all payment options.

OIG investigations have identified many instances where Federal SFA program participants fraudulently obtained Federal funds. This included instances where schools falsified documentation to enroll ineligible students who then received Federal student aid or implemented schemes to falsely remain eligibility to participate in the Federal SFA programs.

Schools Falsified Documentation to Enroll Ineligible Students Who Then Received Federal Student Financial Assistance

- In May 2016, a Federal jury convicted the owner of FastTrain College for conspiracy to steal Government money and theft of Government funds. The owner was sentenced to 97 months incarceration and 3 years' probation and was ordered to pay a $15,000 fine and a $1,300 special assessment fee. FastTrain was a for-profit institution that operated seven campuses across Florida. The OIG investigation determined that the owner and others recruited ineligible students who did not have a high school diploma or its equivalent to submit more than 1,300 allegedly fraudulent FAFSAs. The total loss amount exceeded $4.1 million.

- In April 2016, the former owner of Masters of Cosmetology pled guilty to one count of student financial aid fraud for failing to return $300,000 that was deposited into an investment fund. In addition, the former owner signed a civil consent decree agreeing to pay the Government more than $5.4 million resulting from fraudulently obtained Federal student loans. The owner and others obtained loans for ineligible students by providing falsified periods of enrollment, not determining students' eligibility for financial aid, exceeding loan amounts, forging student signatures, making misleading statements to students regarding financial aid repayment, and using financial aid funds for purposes other than specified in the regulations.

- In March 2015, the cofounders of Carnegie College were sentenced for conspiracy to commit mail fraud, wire fraud, and conspiracy to launder money. They were sentenced to prison time and to pay more than $2.3 million in restitution. From August 2007 through May 2012, the cofounders recruited students who had not earned a high school diploma or its equivalent to attend Carnegie College and then obtained fraudulent high school diplomas and Federal student aid for these students.

Schools Implemented Schemes to Falsely Remain Eligible to Participate in Federal Student Financial Assistance Programs

- In April 2016, a former manager for the Loan Management Department for a for-profit school located in New York City pled guilty of conspiracy to commit Federal student financial aid fraud and making false statements. The former manager and others prepared and submitted fraudulent applications for deferment or forbearance of student loans to fraudulently lower the cohort default rate of the school so that the school would continue to be eligible to receive Federal student aid. The school received about $93 million in SFA program disbursements from 2010 to 2014.

- In October 2014, American Commercial Colleges, Inc., and the school's president were sentenced in U.S. District Court for convictions related to a Title IV fraud scheme. American Commercial Colleges was ordered to pay more than $970,000 in restitution and a $1.2 million fine, and the school's president was sentenced to 24 months imprisonment and ordered to pay more than $970,000 in restitution. Our investigation found that the school fraudulently increased its non-Federal revenue by forcing students to obtain private loans only to repay them with Title IV

funds. The school reported the fraudulent non-Federal revenue figures to the Department so it could maintain its Title IV eligibility.

Our investigative work has also resulted in numerous settlements in response to allegations of improper activities by Federal SFA program participants. This included the following examples.

- In March 2016, Bard College agreed to pay $4 million to resolve allegations that it received funds under the Teacher Quality Partnership Program despite failing to comply with the conditions of the grant and that it awarded, disbursed, and received Federal student aid funds at campus locations before such locations were accredited or before notifying the Department, which violated regulations as well as the school's Program Participation Agreement.

- In November 2015, the U.S. Department of Justice reached a settlement with Education Management Corporation, the second largest for-profit educational company in the country. The $95 million settlement resolved allegations that Education Management Corporation unlawfully paid admissions personnel based on the number of students they recruited, in violation of the incentive compensation ban. The settlement also resolved three other False Claims Act claims filed against the corporation and a consumer fraud complaint filed by 40 State Attorneys General involving deceptive and misleading recruiting practices.

- In June 2015, Education Affiliates, Inc., a for-profit education company that operates 50 campuses under various names throughout the United States, agreed to pay $13 million to address civil false claims allegations. The Government alleged that employees at the company altered admissions test results to admit unqualified students, created false or fraudulent high school diplomas, and falsified students' Federal aid applications.

Audits and Investigations Identify Weaknesses in Oversight and Fraud Involving Distance Education Programs

The unique characteristics and growth of distance education pose significant challenges to the Department. OIG work within this area includes an audit that identified issues in the Department's oversight of distance education programs and investigative work that identified significant instances of individuals fraudulently obtaining Federal funds.

As mentioned in the Improper Payments section, our February 2014 audit on whether the Department adapted requirements and guidance for Title IV programs to mitigate risks inherent in the distance education environment determined that the oversight provided by the Department, accrediting agencies, and States has not been adequate to mitigate the risk of schools not complying with the requirements that are unique to the distance education environment. The Department issued regulations and provided guidance to accrediting agencies and schools to address distance education issues associated with verification of student identity, attendance, and fraud. However, the regulations and guidance as they relate to verifying the identity of distance education students and the

definition of attendance do not sufficiently mitigate the risks of fraud, abuse, and noncompliance. Additional requirements are needed to ensure that schools verify a student's identity as part of the enrollment process, define attendance applicable to the distance education environment, and to ensure that cost of attendance budgets reflect the costs associated with each student's actual educational needs.

The OIG investigated 122 distance education fraud rings from FY 2011 through FY 2016, and these cases resulted in more than $16.7 million restitution, fines, forfeitures, and civil settlements. All aspects of distance education—admission, student financial aid, and course instruction—may take place through the Internet, so students may not be required to present themselves in person at any point. Because institutions offering distance education are not required to verify all prospective and enrolled students' identities, fraud ringleaders use the identities of others (with or without their consent) to target distance education programs. These fraud rings mainly target lower cost institutions because the Federal student aid awards are sufficient to satisfy institutional charges and result in disbursement of the balance of an award to the student for other educational expenses. Recent examples of our investigative work in this area include the following.

- In June 2016, a man was sentenced to serve to 12 months of home confinement and 60 months of probation and was ordered to pay more than $17,400 in restitution for student aid fraud. The OIG investigation found that the man orchestrated a student aid fraud ring that targeted online courses and Federal student aid at San Diego City College. He recruited people to act as "straw students" and completed and submitted admissions forms and student aid applications on their behalf while knowing that they had no intention of attending classes.

- In June 2016, a man pled guilty for his role in a $105,000 student aid fraud ring. The OIG investigation found that the man conspired with a fraud ringleader to profit from fraudulently applying for admission to and obtaining Federal student loans and grants from Jefferson College and several online universities. The individuals recruited people to act as "straw students," knowing that they had no intention of attending classes, for the sole purpose of obtaining student aid.

- In April 2015, a woman pled guilty to mail fraud for her involvement in a distance education fraud scheme. The ringleader solicited personal information from willing participants, a majority of whom did not possess a high school diploma or its equivalent. The ringleader allegedly enrolled these participants as students in online courses at multiple institutions, even though they did not qualify for Federal student aid and did not intend to attend college. The ringleader completed online coursework until Federal student credit balances were disbursed to the "straw students," who then paid the ringleader once they received their Federal student aid overages. This fraudulent activity resulted in ineligible students receiving more than $400,000 of Federal student aid.

Audits Found Weaknesses in Accrediting Agencies' Evaluations of Nontraditional Educational Programs

Our audits identified concerns in accrediting agencies' processes to provide assurance that schools' classifications of delivery methods and measurements of student learning for competency-based education programs were sufficient and appropriate. A competency-based education program organizes academic content according to what a student knows and can do. These programs can be delivered on campuses, through distance education, or by correspondence and may measure student learning by clock hours, credit hours, or direct assessment. The delivery and learning measurement options present challenges in determining the Title IV eligibility of competency-based education programs.

In August 2016, we issued a report on the Western Association of Schools and Colleges Senior College and University Commission's processes for reviewing schools' proposed competency-based education programs. We found that the Commission's control activities did not provide reasonable assurance that schools properly classified the methods of delivery for competency-based education programs. As a result, the Commission's evaluations of the schools' classifications of the methods of delivery will not help the Department ensure that proposed competency-based education programs are properly classified for Title IV purposes. We specifically noted that the Commission did not evaluate whether proposed competency-based education programs were designed to ensure faculty-initiated, regular, and substantive interaction between faculty and students. Additionally, the Commission did not always ensure that the credit hours assigned to the programs from which schools derived competency-based education programs met the Federal definition of a credit hour. Finally, the Commission did not always follow its own policy relevant to the review of credit hours.

In September 2015, we issued a report on the Higher Learning Commission's evaluation of competency-based education programs. We concluded that the Higher Learning Commission did not establish a system of internal control that provided reasonable assurance that schools' classifications of delivery methods and measurements of student learning for competency-based education programs were sufficient and appropriate. We further reported that the Higher Learning Commission did not consistently apply its standards for reviewing competency-based education programs because its policies and procedures for substantive change applications needed strengthening. As a result of these weaknesses, the Department might not receive sufficient information about a school's proposed competency-based education programs to make fully informed decisions about the Title IV eligibility of the programs.

In December 2014, GAO issued a report titled "Education Should Strengthen Oversight of Schools and Accreditors" in response to a Congressional request. As part of this effort, GAO reported that the Department does not consistently use accreditor sanction information for oversight, to include reviewing accreditor sanction information and recording responses to the sanctions. GAO further determined that the Department does not systematically use sanction information to prioritize schools for in-depth review, as required by law, or make consistent use of the accreditor sanction information when deciding whether to rerecognize accreditors. GAO concluded that consistent use of accreditor sanction information could help the Department determine whether schools are complying with Federal financial aid requirements and oversee accreditors effectively.

OIG work continues in this area, and our investigative activity continues to pursue instances of fraud in distance education programs. Our ongoing audit work includes reviews of the effectiveness of FSA's enterprise risk management program, the Department's oversight of at-risk schools, the Department's monitoring of the total and permanent disability loan discharge process, due diligence in servicing Department loans, and the Department's evaluation and oversight of school's participation in the experimental sites initiative. Additional planned work for FY 2017 includes projects relating to FSA's controls over the FAFSA verification process, the Department's recognition and oversight of accrediting agencies, FSA's use of heightened cash monitoring, and selected school's implementation of the Career Pathways Program.

Department Actions and Plans

Overall, the Department reported that FSA remains committed to use more innovative and efficient methods to bolster its oversight and compliance efforts. This included efforts intended to expand the Department's ability to perform these activities in a more proactive and preemptive fashion. The Department reported that it focused on three priority areas in its efforts to improve the oversight and monitoring of SFA program participants during FY 2016: (1) bolstering capacity to provide adequate Title IV enforcement; (2) enhancing oversight of contracts, loan servicing activities, and schools; and (3) expanding Clery Act and borrower defense work.

As part of this effort, the Department created the Enforcement Office within FSA to respond more quickly and efficiently to allegations of illegal actions by higher education institutions. The Enforcement Office was created with four specialized divisions that include (1) Investigations, (2) Borrower Defense, (3) Administrative Actions and Appeals, and (4) Clery Group. The Department stated that its staffing efforts for the Enforcement Office included hiring 2 senior managers and 18 new enforcement employees, as well as reassigning 38 existing employees to this function.

The Department noted that the Enforcement Office's early work focused on establishing initial organizational processes and initiating work to address the large portfolio of borrower defense claims from students who were adversely impacted by school closings. It reported that during FY 2016, more than 3,700 borrower defense claims had been approved and more than 7,600 closed school discharges had been processed. The Department further noted that the Enforcement Office collaborated with more than 46 State Attorneys General offices on outreach to former students (and borrowers) of Corinthian Colleges, Inc., a large for-profit corporate entity that abruptly closed its schools in April 2015.

The Department reported other activities that included the following.

- FSA's multiregional review team provided oversight of 325 main schools from 45 for-profit school groups. These schools collectively enrolled about 1.3 million aid recipients who received $10 billion in Title IV Aid annually. As of September 2016, the multiregional review team had completed about 40 program reviews of schools they monitor.

- FSA's Program Compliance unit continued to develop and implement enforcement and compliance strategies. For example, Program Compliance established groups for review that contained schools with similar characteristics to allow for exploration of performance trends and risk identifications. The Program Compliance unit also reviewed more than 28,800 programs attended by 1.3 million students at nearly 3,700 schools.

- FSA's Program Compliance unit developed and implemented a methodology for preparing closure management plans to address the potential of closure of schools that may lose accreditation and eligibility to participate in the Title IV programs.

- The Clery team completed a Handbook for Campus Safety and Security Reporting, and redesigned the Campus Safety and Security Data Analysis Cutting Tool, a necessary precursor to any specific enforcement of the Violence Against Women Act.

With respect to the challenges presented by distance education, the Department stated that FSA's Program Compliance unit enhanced the Recipient Data Sheet that is used to determine which students are receiving a portion or all of their education via distance education. The Department added that in FY 2016, Program Compliance developed and delivered a training program for program reviewers on the process to evaluate distance education. The training program included three components: a lecture on distance education requirements, case studies, and a question-answer session. In addition a recommended work tool was created to assist reviewers in evaluating distance education courses. The Department believed that enhanced outcomes were evidenced in subsequent reviews of distance education programs. FSA plans to conduct continuous training to current and new reviewers to reinforce distance education review requirements and plans to monitor program reviews for distance education outcomes. The Program Compliance team also plans to work with other parts of FSA to offer training to institutions on distance education requirements through conference session, webinars, and other trainings.

The Department believed that FSA had been more proactive in its oversight in numerous other areas during 2016, specifically reporting that it increased surety demands at higher percentages from schools at risk; conducted simultaneous reviews of large corporate school entities; denied recertifications of eligibility where risks or evidence suggest the need; and developed a segmentation strategy that helped produce a consolidated risk assessment for each school group.

Further Actions Needed to Address the Challenge

The Department identified several important accomplishments that are intended to collectively improve its ability to provide effective oversight. We recognize the progress being made and the need to balance controls with both cost and the ability to effectively provide necessary services. However, our audits and investigations involving SFA programs continue to identify numerous instances of noncompliance and fraud.

Overall, the Department needs to ensure that the activities of its Program Compliance office result in effective processes to monitor SFA program participants and reduce risk. It also should work to ensure that its program review processes are designed and implemented to effectively verify that high-risk schools meet requirements for institutional eligibility, financial responsibility, and administrative capability. The Department further needs to ensure that development and implementation of its Enforcement Office effectively provides the intended additional protections to students and taxpayers. Finally, the Department could enhance its oversight of SFA program by developing and implementing improved methods to prevent and detect fraud. This includes methods to limit the effectiveness of organized activities involving distance fraud rings.

Grantees

Effective monitoring and oversight are essential for ensuring that grantees meet grant requirements and achieve program goals and objectives. Our work on numerous grant programs has identified a number of weaknesses in grantee oversight and monitoring. Our audits identified concerns with LEA fiscal controls, SEA controls, and the Department's oversight processes. In addition, our investigative work has identified fraud by officials at SEA, LEA, and charter schools.

The Department is responsible for monitoring the activities of grantees to ensure compliance with applicable Federal requirements and that performance goals are being achieved. The Department has taken corrective actions or overseen corrective actions by grantees to address many of the recommendations contained in our reports. However, the Department needs to continue to assess and improve its oversight and monitoring of grantees and take effective actions when issues are identified.

Background

The Department is responsible for administering education programs authorized by Congress and signed into law by the President. This responsibility involves developing regulations and policy guidance that determine exactly how programs are operated, determining how program funds are awarded to recipients, ensuring that programs are operated fairly and 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 Department is responsible for administering, overseeing, and monitoring about 120 programs. The Department's early learning, elementary, and secondary education programs annually serve nearly 18,200 public school districts and 50 million students attending more than 98,000 public schools and 32,000 private schools. Key programs administered by the Department include the Title I program, which under the President's FY 2017 budget request would deliver $15.4 billion to help nearly 24 million students through local programs that provide extra academic support to help raise the achievement of students at risk of educational failure or, in the case of schoolwide programs, to help all students in high-poverty

schools meet challenging State academic standards. Another key program is the Individuals with Disabilities Education Act, Part B Grants to States, which would provide about $11.9 billion to help States and school districts meet the special educational needs of 6.7 million students with disabilities.

The Department is responsible for ensuring that grants are executed in compliance with requirements and that grantees are meeting program objectives. The funding for many grant programs flows through primary recipients, such as SEAs, to subrecipients, such as LEAs or other entities. The primary recipients are responsible for overseeing and monitoring the subrecipients' activities to ensure compliance with Federal requirements.

Results of Work Performed

OIG work has identified a number of weaknesses that could be limited through more effective oversight and monitoring. These involve SEA control issues; fraud relating to Supplemental Educational Services; and fraud perpetrated by officials at SEAs, LEAs, and charter schools. We also noted internal control weaknesses with the Department's oversight processes through our audits.

SEA Control Issues

Our recent work at the SEA level has focused on reviews of efforts to (1) protect personally identifiable information, (2) oversee LEA single audit resolution, (3) monitor School Improvement Grants contractors, and (4) administer Race to the Top grants. We identified control issues within each of these areas that could impact effectiveness of the entities reviewed and their ability to achieve intended programmatic results.

Protection of Personally Identifiable Information

During FY 2106, we issued audit reports on the Oregon and Virginia Departments of Education's protection of personally identifiable information in their respective Statewide Longitudinal Data Systems.[5]

In September 2016, we reported that the Oregon Department of Education's lack of documented internal controls increased the risk that it would be unable to prevent or detect unauthorized access and disclosure of personally identifiable information. We also found that the Oregon Department of Education did not ensure that this system met the minimum State security requirements to include developing and implementing an Information Security Plan, conducting annual risk assessments, and classifying security levels.

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[5] The Statewide Longitudinal Data Systems grant program is intended to assist States in the successful design, development, implementation, and expansion of early learning through the workforce longitudinal data systems. These systems are intended to enhance the ability of States to efficiently and accurately manage, analyze, and use education data, including individual student records. The systems should help States, districts, schools, educators, and other stakeholders to make data-informed decisions to improve student learning and outcomes and facilitate research to increase student achievement and close achievement gaps.

In July 2016, we identified internal control weaknesses that increased the risk that the Virginia Department of Education would be unable to prevent or detect unauthorized access and disclosure of personally identifiable information. We noted that although the Virginia Department of Education classified a related system as sensitive, it did not ensure that the system met the minimum requirements identified in Virginia's Information Technology Resource Management Standards.

Single Audit Resolution

During FY 2106, we issued audit reports on the North Carolina Department of Public Instruction's and the Massachusetts Department of Elementary and Secondary Education's oversight of LEA single audit resolution.

In August 2016, we reported that the North Carolina Department of Public Instruction improved its oversight of LEA single audit resolution during the period covered by our review and noted that several aspects of its oversight were effective. However, we also identified specific aspects of the North Carolina Department of Public Instruction's oversight that could be improved to correct control weaknesses and ensure compliance with regulatory requirements. We found that the North Carolina Department of Public Instruction did not have adequate written policies and procedures that described all aspects of its oversight of the LEA audit resolution process, an adequate system for tracking LEA findings across audit periods or across the State, or a quality assurance process for its oversight of LEA audit resolution. Finally, we noted that management decisions for LEA audit findings did not meet all Federal content requirements.

In January 2016, we noted that the Massachusetts Department of Elementary and Secondary Education's oversight of LEA single audit resolution was not sufficient to ensure that LEAs took timely and appropriate corrective action. We found that in many cases the Massachusetts Department of Elementary and Secondary Education did not identify and require appropriate corrective actions for LEAs to take to adequately resolve their findings. Additionally, the Massachusetts Department of Elementary and Secondary Education did not have a tracking process for individual LEA findings and did not follow up on the status of corrective actions for many of the repeat findings covered by our review. We also noted that the Massachusetts Department of Elementary and Secondary Education generally did not communicate effectively with LEA officials regarding audit resolution, and none of the Massachusetts Department of Elementary and Secondary Education's management decision letters that were reviewed met all Federal requirements for content.

School Improvement Grants Contractor Monitoring

In March 2016, our audit of State and district monitoring of School Improvement Grants contractors found that California did not adequately monitor LEAs to ensure that they had sufficient fiscal controls for obligating and paying Federal funds to contractors. California's monitoring instrument did not specify the extent of testing that monitoring personnel should perform to ensure the LEAs spent School Improvement Grants funds properly, did not specify the types of documents that its monitoring personnel should review, and did not sufficiently describe the procedures that monitoring personnel should perform to determine whether LEAs have implemented appropriate fiscal control activities. We also found that the three LEAs included in our review did not have sufficient written

policies and procedures for reviewing and approving certain fiscal documents, two of the LEAs did not adequately monitor fiscal transactions involving School Improvement Grants contractors, and one LEA did not provide evidence that it routinely monitored its contractors' performance.

Administration of Race to the Top Grants
From FY 2014 through FY 2016, we issued audit reports on the administration of Race to the Top grants by the Tennessee Department of Education, North Carolina Department of Public Instruction, and Ohio Department of Education.

In March 2016, we reported that the Tennessee Department of Education did not ensure that the Achievement School District developed and implemented adequate internal control activities over retaining documentation, contracting, approving purchases, using credit cards, recording adjusting journal entries, and classifying expenditures. In addition, we found that the Tennessee Department of Education and the Achievement School District did not spend Race to the Top funds only on allowable items and activities and in accordance with program requirements and the approved grant application.

In July 2015, we found that the North Carolina Department of Public Instruction generally spent Race to the Top funds on allowable activities and in accordance with program requirements and its approved grant application. However, we noted that some expenses were not adequately documented and some grant funds were used for unallowable activities. We also found that North Carolina made payments to a contract without sufficiently documenting all required approvals.

In September 2014, we noted that the Ohio Department of Education did not accurately report grant performance data for the two areas reviewed on its 2011–2012 annual performance report. In addition, we found that Ohio did not regularly monitor LEAs' Race to the Top fiscal activity, and as a result, did not ensure that the two LEAs reviewed spent grant funds only on allowable activities and in accordance with program requirements and the approved application.

Fraud Involving Supplemental Educational Services
In FY 2014, we issued a management information report to alert the Department's Office of Elementary and Secondary Education to serious fraud and corruption in Title I-funded tutoring programs. The report stated that the OIG has experienced a significant increase in cases of fraud and corruption involving Supplemental Educational Services providers. These investigations had uncovered cases of falsification of billing and attendance records, corruption by public officials, conflicts of interest related to recruiting students, conflicts of interest related to public school officials who are employed by an Supplemental Educational Services provider in noninstructional positions, and the use of improper financial incentives to enroll students. The report made recommendations designed to help reduce the incidence of fraud and corruption and improve the ability of the OIG and others to identify and prosecute violators.

Since the issuance of the management information report, OIG investigations have continued to identify instances of fraud involving Supplemental Educational Services providers, including the following.

- In December 2015 and January 2016, former employees for a Supplemental Educational Service provider were each sentenced to 3 years probation and ordered to pay more than $2 million in restitution. The employees conspired with others to submit false attendance records for tutoring that had not been provided. Our investigation also resulted in a $10 million settlement between the Supplemental Educational Service provider and the Federal Government in December 2012.

- In April 2015, two Dallas-area tutoring company owners were sentenced to 60 months incarceration and ordered to pay more than $1.6 million in restitution. The investigation found that the two owners and their employees falsified student sign-in sheets and invoices and improperly billed several Texas school districts for tutoring services that they did not provide. The companies also mass enrolled thousands of students for Supplemental Educational Services using several different Internet protocol addresses originating in Kenya and wired thousands of dollars overseas.

Fraud by SEA and LEA Officials

Since FY 2011, we have opened 49 investigations of either SEA or LEA officials related to allegations of fraud and corruption in Department programs. More effective internal control systems at the SEAs and LEAs could have mitigated the risk of these fraud schemes. These investigations have identified fraud schemes that included improper activities to (1) steer contracts, (2) increase standardized test scores, (3) issue false checks, (4) misuse procurement credit cards, and (5) falsify records to receive payment for work not performed. Examples of our work include the following items.

- In June 2016, a former associate superintendent and a former director of priority schools at the El Paso Independent School District pled guilty for their roles in a scheme to provide false, fictitious, and fraudulent data to the Texas Education Agency and the Department. Our investigation found that the individuals conspired with others to manipulate State and federally mandated annual reporting statistics to make it appear that the school district was meeting or exceeding its adequate yearly progress standards under the No Child left Behind Act.

- In June 2016, two former Beaumont Independent School District employees were sentenced for their roles in a conspiracy to submit false statements concerning standardized test scores. One employee, the former assistant superintendent, was also sentenced for fraud upon programs receiving Federal funds. She was sentenced to 40 months of incarceration and 3 years of supervised release and ordered to pay $500,000 in restitution. The other employee, a former teacher, was sentenced to 3 years of probation and 300 hours of community service. The investigation found that former assistant superintendent conspired with the former teacher and other employees to increase standardized test scores by providing teachers with test answer keys and by changing answers on student test booklets. In addition, the investigation found that the former assistant superintendent devised a scheme in which she embezzled more than

$63,000 from a booster club fund and improperly steered contracts worth more than $480,000 to a family member.

- In January 2015, the former director of Federal programs for the Alabama State Department of Education and her husband were sentenced to 2 years in prison, and each was ordered to pay a $10,000 fine for ethics violations involving the award of Federal grants. An OIG review and investigation found that the former director, with her husband's assistance, diverted more than $24 million in Federal education funds to LEAs doing business with her husband's employer.

Fraud by Charter School Officials

Charter schools generally operate as independent entities that fall under oversight of a LEA or charter authorizing agency. Our investigations have found that LEAs or chartering agencies often fail to provide adequate oversight to ensure that Federal funds are properly used and accounted for. The OIG has opened 19 charter school investigations since 2011. To date these investigations have resulted in 32 indictments and 24 convictions of charter school officials and returned more than $7.1 million in restitution, fines, forfeitures, and civil settlements.

The type of fraud identified generally involved some form of embezzlement of funds from the school by school officials, such as the following examples.

- In February 2016, a former charter school administrator and a former charter school business manager were sentenced for obstructing justice in a Federal investigation. The individuals were previously indicted for their roles in a scheme to defraud several Pennsylvania charter schools of more than $5.6 million. The former charter school administrator admitted to fabricating documents and financial records that were submitted to Federal investigators.

- In August 2015, a former charter school director was sentenced to 42 months imprisonment and ordered to pay more than $1.5 million in restitution for embezzling government funds. Evidence presented during the trial and asset forfeiture phase of the case established that the former director embezzled more than a million dollars in Federal funds that were intended to be used for the charter school over 7 years.

Internal Control Weaknesses in the Department's Oversight Processes

In September 2016, we issued an audit report on our review of charter and education management organizations. Overall, we determined that that charter school relationships with charter management organizations posed a significant risk to Department program objectives. Specifically, we found that 22 of the 33 charter schools in our review had 36 examples of internal control weaknesses related to the charter schools' relationships with their charter management organizations. These included instances of financial risk, lack of accountability over Federal funds, and performance risk. We also found that that the Department did not have effective internal controls to evaluate and mitigate the risk that charter school relationships with charter management organizations posed to Department program objectives.

In September 2016, we issued a report on the Department's oversight of the Rural Education Achievement Program. We found that improvements were needed in the Department's monitoring of Rural Education Achievement Program grantees' performance and use of funds. We specifically noted that the Department conducted limited monitoring to determine whether grantees were making progress toward program goals or spending grant funds in accordance with statutory and regulatory guidelines. Instead, oversight efforts were primarily focused on ensuring grantees were obligating and spending funds by established deadlines. Although we concluded that the Department's program monitoring could be improved, we found that the Department's rural education coordination efforts appeared to be effective.

In July 2016, we issued an audit report on the Department's followup process for external audits. We found that the Department's audit followup process was not always effective and noted that the Department's accountable office did not fulfill its responsibilities to (1) ensure that action officials had systems in place to follow up on corrective actions, (2) monitor compliance with OMB Circular A-50, and (3) ensure the overall effectiveness of the audit resolution and followup system. We also found that the Department did not ensure timely audit closure and principal offices did not always adequately maintain documentation of audit followup activities. As a result, the Department did not have assurance that requested corrective actions were taken and that the issues noted in the OIG audits were corrected.

We also issued related reports to four offices within the Department from June 2015 through December 2015. We concluded that the audit followup processes within each of the four offices were not always effective. We further noted that none of the four offices closed audits timely and that three of the four offices did not maintain adequate documentation of audit followup activities.

In March 2016, we issued an audit report of the Small Business Innovation Research program regulations and operating procedures. We found that the Department has not developed required policies or established formal processes related to the identification and prevention of fraud, waste, and abuse. We also found that the Department has not designated an individual to serve as the liaison for the Small Business Innovation Research program to ensure related inquiries are properly referred to the OIG and to the Suspension and Debarment Official. Additionally, we determined that the Department does not request all required certifications from awardees and does not have a formal process in place to ensure that duplicate awards are not made.

In December 2015, we issued an audit report on the resolution of discrimination complaints by the Department's Office for Civil Rights. We found that the Office of Civil Rights generally resolves complaints in a timely and efficient manner and in accordance with applicable policies and procedures. However, we noted that increasing workload and decreasing resources could have a negative impact on complaint resolution over time, and staff may not be able to maintain current levels of productivity if these trends continue.

GAO has also conducted work related to grantee oversight and monitoring. In May 2016, GAO issued a report on the use of information to identify disparities and address racial discrimination. GAO noted that the Department had taken a

range of actions to identify and address racial discrimination against students to include investigating schools and analyzing data by student groups protected under Federal civil rights laws. However, GAO reported that it analyzed data among types of schools and found multiple disparities by percentage of racial minorities and poverty level, including access to academic courses. GAO noted that that the Department does not routinely analyze its data in this way and concluded that conducting this type of analysis would enhance the Department's ability to target technical assistance and identify other disparities by school types and groups.

A July 2015 GAO report noted that the Department did not have mechanisms to promote regular, sustained information-sharing among its various program offices that support quality of the Teacher Preparation Programs. GAO concluded that the Department could not fully leverage information gathered by its various programs and may miss opportunities to support State efforts to improve program quality.

In April 2015, GAO reported that that the Department could better support the Race to the Top program grantees and help the grantees address capacity challenges. GAO noted that a better understanding of the capacity challenges faced by rural districts could help the Department better target its technical assistance. GAO stated that unless the Department focused on technical assistance activities that States found most useful, it risked providing ineffective assistance to programs supporting education reforms. GAO also identified key lessons learned, such as leveraging existing funding flexibilities under Federal formula grants, to help address capacity needs and sustain reforms when the program ends in September 2015.

In February 2015, GAO issued a report on financial aid programs for teachers. GAO reported that about 36,000 of the more than 112,000 Teacher Education Assistance for College and Higher Education (TEACH) grant recipients had not fulfilled grant requirements and had their grants converted to loans. GAO noted that the Department does not collect information on why recipients do not meet requirements and as a result is hindered in taking steps to reduce grant-to-loan conversions and improve participant outcomes. GAO also concluded that the Department had erroneously converted 2,252 TEACH grants to loans, had not completed a systematic review of the cause of these errors, and lacked reasonable assurance that it had taken steps to minimize future erroneous conversions. GAO further noted the Department lacks clear, consistent guidance to help recipients understand the TEACH grant-to-loan conversion dispute process.

In a June 2014 report on the Department's Promise Neighborhoods grants, GAO reported that the Department did not communicate clearly to grantees about its expectations for the planning grants and the likelihood of receiving implementation grants. As a result, some grantees experienced challenges sustaining momentum in the absence or delay of implementation grant funding.

Ongoing work in this area includes reviews of SEA and LEA preparation for the implementation of selected Every Student Succeeds Act requirements related to identifying, educating, and reporting on homeless children and youths; the Department's oversight of the Indian Education Formula Grants to LEAs program; and followup on selected previous Title I audits. Planned projects for FY 2017 include work on the Department's monitoring of State special education programs, the Department's oversight of the TRIO program and Gaining Early

Awareness and Readiness for Undergraduate Programs,[6] and the administration of vocational rehabilitation grants in Puerto Rico.

Department Actions and Plans

The Department reported that to further improve monitoring and promote effective grant oversight it had (1) issued guidance to offices that manage formula and discretionary grant programs, (2) provided training for staff, and (3) engaged in technical assistance to both staff and external stakeholders to enhance business operations in the area of grant award monitoring and oversight.

The Department further noted that individual program offices had provided program-specific guidance and additional opportunities for staff training and support. As an example, it stated that the Office of Elementary and Secondary Education had focused training on discretionary grants and audits. The Department added that the Office of Elementary and Secondary Education also conducted a limited pilot of a fiscal monitoring initiative that included developing a prototype of a cross-program fiscal monitoring protocol designed to improve the coverage, efficiency, and consistency of fiscal monitoring across all programs. This initiative included training staff on the performance of fiscal reviews by having less experienced staff work with experienced staff.

The Department reported that it continued to focus on efforts to improve monitoring of grant recipients, enhance risk management, increase financial expertise among our grants monitoring staff, and develop mechanisms to share information regarding risks and monitoring. As an example, the Office of the Chief Financial Officer conducts annual Department-wide trainings on various topics related to fiscal monitoring and offers an eight week seminar for agency staff.

With respect to the oversight of public charter schools, the Department reported that it is

- issuing a letter that clarifies its role in ensuring that public charter schools use Federal funds for their intended purposes—this letter explicitly identifies relationships with for-profit entities that should entail additional oversight;

- issuing a letter addressing the responsibilities that SEAs bear in preventing discrimination in schools that are Federal grant recipients;

- providing direct support and assistance to grantees of the Federal Charter Schools Program to develop and maintain systems for effective oversight of public charter schools, to include fiscal oversight; and

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[6] The TRIO programs are outreach and student services programs designed to identify and provide services for people from disadvantaged backgrounds. TRIO includes eight programs targeted to serve and assist low-income individuals, first-generation college students, and individuals with disabilities to progress through the academic pipeline from middle school to postbaccalaureate programs. The Gaining Early Awareness and Readiness for Undergraduate Program is a discretionary grant program designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education.

- collecting additional data from SEAs, beginning with school year 2016–2017, to increase transparency to the public with respect to charter school contracts and affiliations.

Further Actions Needed to Address the Challenge

The Department's issuance of new grant management guidance to its program offices should provide an improved basis for their monitoring activities. However, the Department still needs to ensure that it program offices are consistently providing effective risk-based oversight of grant recipients across applicable Federal education programs. We acknowledge that the Department has worked to enhance the knowledge and capabilities of its existing employees. However, given the Department's generally limited staffing in relation to the amount of Federal funding it oversees, it is important for the Department to explore ways to more effectively leverage the resources of other entities that have roles in grantee oversight. This could include methods to use the single audit process and updates to the OMB 2 C.F.R. 200, Subpart F—Compliance Supplement as ways to improve its monitoring efforts and help mitigate fraud and abuse in its programs.

Data Quality and Reporting

The Department, its grantees, and its subrecipients must have controls in place and effectively operating to ensure that accurate, reliable, and complete data are reported. SEAs collect data from LEAs and report various program data to the Department. The Department evaluates program data to evaluate program performance and inform management decisions.

Our work has identified a variety of weaknesses in the quality of reported data and recommended improvements at the SEA and LEA level, as well as actions the Department can take to clarify requirements and provide additional guidance. Establishing more consistent definitions for data terms will enhance reporting accuracy and comparability.

Background

The Department operates systems to collect data regarding its programs. For example, SEAs submit data through the Education Data Exchange Network to the ED*Facts* system. ED*Facts* is a Department initiative to put performance data at the center of policy, management, and budget decisions for all K–12 educational programs. ED*Facts* centralizes performance data supplied by SEAs with other data assets, such as financial grant information, within the Department to enable better

analysis and use in policy development, planning and management. ED*Facts* includes data from multiple programs and include areas such as accountability, assessment participation and achievement, IDEA, graduates and dropouts, Title I, Title III and limited English proficiency, and Safe and Drug Free Schools.

Other systems relied on by the Department include (1) a management information system used by State vocational rehabilitation agencies to report participant case service data; (2) the National Reporting System for Adult Education; (3) the Perkins Information Management System used by States to submit consolidated annual reports on career and technical education; and (4) the Migrant Student Information Exchange, which allows States to share educational and health information on migrant children who have student records in multiple States' information systems.

Results of Work Performed

OIG work has identified weaknesses in controls over the accuracy and reliability of program performance and student testing data.

Program Performance Data

Our March 2016 audit report on the Department's oversight of the Carl D. Perkins Career and Technical Education Improvement Act of 2006 (Perkins IV) program noted that the Department had developed and implemented control activities that provided reasonable assurance that States submitted reliable Perkins IV program performance data to the Department. We also reported that the Department had developed and implemented control activities that provided reasonable assurance that States and subrecipients took corrective action when the Department or others identified unreliable Perkins IV program performance data or inadequate Perkins IV program performance results. However, we also found that the Department could strengthen its control activities by ensuring that it adheres to Department policies and procedures for obtaining and retaining monitoring and oversight documentation.

In March 2016 and December 2015, we issued audit reports on the Opportunities for Ohioans with Disabilities', Pennsylvania Office of Vocational Rehabilitation's, and California Department of Rehabilitation's case service report data quality. Although we found that two of the three entities had adequate internal controls to ensure that the data it reported to the Department's Rehabilitation Services Administration were complete, none of the entities had adequate internal controls to ensure that the data they reported were accurate and adequately supported. Our testing of the data that each entity reported to Rehabilitation Services Administration found a significant number of incorrect and unverifiable data entries for data elements that it used to calculate performance indicator results.

In February 2016, our review of management certifications of data reliability found that the Department needs to improve its controls to support the accuracy of data that SEAs report. Specifically, the Department could provide better oversight, including both technical assistance and monitoring, of SEAs controls over data quality for some of the elements reviewed and the verification and validation process for data it reports in its Annual Performance Report.

In March 2015, we issued an audit report on payback provisions of the Personnel Development to Improve Services and Results for Children with Disabilities Program. We identified limitations and quality issues with certain data the Department and its contractors used in compiling some of the performance data. The Department needed to improve its process for identifying and referring scholars for financial repayment. We found that a number of scholars funded under the program were not in a tracking system; therefore, the Department was not monitoring them to determine whether they were fulfilling their service obligations. Additionally, data that was entered into the tracking system were not verified to ensure the data was current, accurate, and complete. We also found that the Department did not always appropriately identify and refer for financial repayment scholars who were not fulfilling their service obligations.

In January 2015, we issued an audit report on the Department's implementation and oversight of Elementary and Secondary Education Act flexibility requests.[7] We found that although the Department established and implemented an extensive and effective monitoring process, improvements were needed to ensure the accuracy of information SEAs submitted. The Department relied on SEAs to ensure the accuracy of the information but did not verify that SEAs had policies and procedures to ensure accuracy. In addition, the Department did not require SEAs to provide an assurance statement covering the accuracy of the data submitted and did not have procedures requiring SEAs to disclose any limitations of the information, data, or validation process. Although the nine SEAs we reviewed followed their respective State policies and procedures for ensuring the accuracy of data submitted to the Department, there was a risk that the remaining SEAs may not be taking steps to ensure data accuracy.

Our September 2014 audit report of the Ohio Department of Education's administration of its Race to the Top grant noted that Ohio did not accurately report or provide supporting documentation for the results that it reported to the Department in its 2011–2012 annual performance report for 5 of the 11 (45.4 percent) measures within 2 reporting areas. The report further noted that Ohio could improve the accuracy of its annual performance reports by (1) ensuring that it reports data for the appropriate period, (2) obtaining supporting documentation from LEAs and charter schools for applicable performance data so that Ohio can verify the LEAs' and charter schools' progress towards those measures, (3) disclosing in its annual performance report when it has not verified or does not have documentation to support the reported performance data, and (4) retaining documents used to support reported performance data.

In April 2014, we issued an audit report on payback provisions of the Rehabilitation Long Term Training program. We found that while the majority of scholars who received training under the grants in our sample are working in acceptable employment, we are concerned about the data quality with regard to grantee reporting. We also found that further improvements are needed in the process for identifying and referring noncompliant scholars for financial repayment. We identified 31 out of 106 scholars who were not on track to complete their service obligation within the number of years required.

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[7] Under the Every Student Succeeds Act, Elementary and Secondary Education Act flexibility is no longer offered and all approved Elementary and Secondary Education Act flexibility waivers are null and void as of August 1, 2016.

In January 2014, we issued an audit report on the Department's implementation of the Government Performance and Results Modernization Act. We determined that improvements are needed regarding the process for data verification and validation. Specifically, we found that the Department has not accurately or adequately disclosed relevant information in its Annual Performance Plan or Annual Performance Report. As a result, the public may have less confidence that Congress and the Department are in agreement on the immediate priorities of the agency and the data presented in performance reports is credible, and they may be unaware of any limitations of the data that would provide important context for understanding it.

Student Testing Data

In March 2014, we issued an audit report on the Department's and five SEA's systems of internal control over statewide test results. We concluded that corrective action was not always required by SEAs when indicators of inaccurate, unreliable, or incomplete statewide test results were found. Specifically, the Department did not always require SEAs to provide explanations for test results flagged by the EDFacts system. We also noted that four of the five SEAs reviewed either did not incorporate or incorporated only limited forensic analyses in their risk assessment and monitoring procedures. In addition to forensic analyses, we identified several other improvements that could be made to the SEAs oversight of test administration. These included onsite monitoring, follow-up and resolution of test administration irregularities, and enhancements to test security environments and administration practices. As part of this project, we also issued audit reports on both the Texas Education Agency's and the Michigan Department of Education's systems of internal control over statewide test results. The reports noted that the two SEAs could improve their systems of internal control designed to prevent, detect, and require corrective action if they find indicators of inaccurate, unreliable, or incomplete statewide test results.

Our investigative work has also identified instances of fraud relating to testing data. As noted in the Oversight and Monitoring—Grantees section, in June 2016, former El Paso Independent School District employees pled guilty for their roles in a scheme to provide false, fictitious, and fraudulent data to the Texas Education Agency and the Department. Additionally, two former Beaumont Independent School District employees were sentenced for conspiring to increase standardized test scores by providing teachers with test answer keys and by changing answers on student test booklets.

Ongoing work in this area includes review of the calculation and reporting of graduation rates in selected States and the Department's controls to provide reasonable assurance that case service report data submitted by State vocational rehabilitation agencies were accurate and complete.

Department Actions and Plans

The Department stated that it considers the quality of grantee-provided data an inherent challenge to be addressed by continuous improvement of policies and procedures. It noted that inaccurate data can result in misleading assessment of State and local education demographics and performance. The Department added that accurate data can increase the efficiency of Department monitoring

because it uses performance data to target technical assistance and oversight of grantees. The Department noted that it relies on grantee-provided data to assess overall national progress on the Department's mission and strategic goals. As such, accurate information serves the public interest in understanding the performance of SEAs and LEAs.

The Department stated that it has strengthened procedures for tracking issues with grantee data and developed a process to document the resolution of issues identified in specific data collections. It noted that program officers will use a tracking system to document their followup with agencies that have submitted questionable data. The Department added that each program office will include in its plan for monitoring formula grants a plan for reviewing grantees' controls over data quality. The Department stated that it would continue to report data limitations or quality issues in the Annual Performance Report and other publications.

The Department reported that it continues to promote SEA controls over the data that they report to through the Education Data Exchange Network and other grant program Management Information Systems. The Department stated that it strengthened the language in the certification of data quality signed by grantees, by adding a statement that the grantee has controls over data quality. The Department noted that SEAs received additional information through conferences, meetings, and correspondence on how to maintain internal controls over data and on the Department's process for following up on suspected data errors in the Consolidated State Performance Report submitted through the Education Data Exchange Network.

Further Actions Needed to Address the Challenge

The Department continues to complete significant work that is intended to improve the overall quality of data that it collects and reports. This effort remains significant, as data quality contributes to effective program management and helps ensure the credibility of information published by the Department. Although the Department has made progress in strengthening both grantee's data quality processes and its own internal reviews of grantee data, this area is an ongoing challenge.

Our recent audits have found weaknesses in grantee's internal controls over the accuracy and reliability of program performance data and student testing data. Overall, the Department needs to ensure that is providing effective oversight and monitoring to grantees regarding their controls over data quality. Of note, the Department's efforts to strengthen its procedures for tracking issues with grantee data could serve as a basis for sharing information across its program offices and identify entities for enhanced monitoring and support. The Department should also continue its efforts to provide appropriate technical assistance to grantees as necessary. The Department must continue to work to implement effective controls at all applicable levels of the data collection and review processes to ensure that accurate and reliable data are reported.

Information Technology Systems Development and Implementation

The President's budget for FY 2017 stated that ensuring the efficiency, effectiveness, and security of Federal IT has never been more central to how Americans are served by their Government. It further notes that the current Administration has focused on driving efficiencies in the way the government buys, builds, and delivers IT solutions to provide improved services to citizens. It adds that with the ongoing evolution of technology, the Federal Government has an unprecedented opportunity to accelerate the quality and timeliness of services delivered to the American people.

The Department faces an ongoing challenge of efficiently providing services to growing numbers of program participants and managing additional administrative requirements with declining staffing levels. The Department reported that it has the smallest staff but the third largest discretionary budget among the 15 Cabinet agencies. The Department further reported that from 2005 through 2015, it experienced a 6-percent decrease in full-time equivalent usage. This makes effective information systems development and implementation and the

greater efficiencies such investments can provide critical to the success of the Department's activities and the achievement of its mission.

Within this area, FSA's FY 2015 Annual Report stated that FSA will continue to recompete contracts associated with several of its major business processes over the next few years. FSA further reported this would primarily focus on application processing, loan and grant origination and disbursement, and its technology infrastructure. FSA acknowledged that managing multiple recompetes and new system implementations at the same time creates a number of risks.

Our recent work has identified weaknesses in the Department's processes to oversee and monitor systems development that have negatively impacted operations and may have resulted in improper payments.

Background

The Deparment's current IT investments include systems that support business process such as student application processing and eligibility determination for Federal student financial assistance; grant and loan award processing; procurement and acquisition; and the collection, storage and reporting on Title IV aid disbursements and aid recipients. Data from the Federal IT Dashboard[8] reported the Department's total IT spending for FY 2015 was $689 million, with FSA's IT spending accounting for more than $458 million of the total.

The Department's Office of Chief Information Officer advises and assists the Secretary and other senior officers in acquiring IT and managing information resources. The Office of Chief Information Officer helps these leaders comply with the best practices in the industry and applicable Federal laws and regulations. In addition, the agency's Chief Information Officer (CIO) is charged with establishing a management framework that leads the agency toward more efficient and effective operations, including improved planning and control of IT investments. The CIO also provides leadership and direction to develop information technology and information assurance requirements, completing cost/benefit analysis of proposed solutions, managing projects in accordance with sound systems life cycle management procedures, and establishing performance standards and measures to assess success of short- and long-term solutions.

The CIO within FSA has primary responsibility for promoting 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. In addition, the CIO within FSA manages the integration of all business process reengineering and systems implementations across the enterprise to ensure that the developed and deployed capabilities align with the enterprise business architecture and meet FSA's performance goals.

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[8] The IT Dashboard is a Web site enabling Federal agencies, industry, the general public, and other stakeholders to view details of Federal IT investments.

Results of Work Performed

Our recent work performed has identified weaknesses in the Department's processes to oversee and monitor IT system development and implementation.

Our June 2016 report on FSA's oversight of the development and enhancement of information technology products found that FSA does not have sufficient oversight of IT projects to provide assurance that its Lifecycle Management Methodology process is appropriately implemented. FSA does not have an accountability mechanism and, as a result, it did not always conduct required technical and management reviews in accordance with the Lifecycle Management Methodology criteria and did not always update project tailoring plans as projects progressed through their lifecycle. In addition, we found that FSA did not maintain a complete and reliable inventory of IT projects and did not track the progress of all IT projects in its Enterprise Project Portfolio Management system. We concluded that FSA's lack of an accountability mechanism increased the likelihood of unnecessary risk and costly delays.

In November 2015, we issued a report on the functionality of FSA's upgraded and enhanced Debt Management Collection System (DMCS2). We reported that FSA did not always accurately assess the operational status of the fully or partially operational functions, processes, and subprocesses. We also noted that FSA did not sufficiently document its validation assessments. As a result, there was a risk that FSA did not accurately assess the operational status of additional DMCS2 functions, processes, and subprocesses reported as fully or partially operational. We also found that FSA did not provide consistent and effective instructions to servicers to correct inaccurate loan balances in DMCS2 and, as a result, inaccurate loan balances remained in DMCS2. Finally, we reported that FSA did not adequately oversee debt accounts in DMCS2 that were not assigned to a private collection agency and, as a result, there was no assurance that debt accounts were properly processed in DMCS2.

In August 2015, we reported that FSA could not ensure that its contractor, Xerox, delivered a fully functional DMCS2 because FSA did not develop an adequate plan, ensure milestones were met, or use appropriate systems development tools. FSA initiated action to address information technology contracting weaknesses identified during our audit including life cycle management, independent verification and validation, technical assistance, contractor accountability, and contract oversight. We also identified additional areas for improvement, such as involving FSA's Technology Office in the analysis of cost proposals, future negotiations with its new contractor, Maximus Federal Services, and evaluation of contractor cost overruns.

Department Actions and Plans

The Department noted that providing oversight and management to the numerous systems currently in operation and under development requires robust program management. The Department reported that it has taken several key steps over the past year to standardize and further establish the Department's IT program management processes.

The Department stated that the Office of the Chief Information Officer and FSA management continued to work together to facilitate the implementation of the Lifecycle Management Methodology at FSA. The Department further stated that Lifecycle Management Methodology would provide control tailoring guidance to support the management and development of agile programs. The Department added that it had established a working group to standardize process implementation and integrate processes with its Investment Review Board. The Department also anticipated that future process modifications would include the addition of a working group focused on project performance that would provide additional resources to assist Department IT project owners. It also planned to define educational and outreach opportunities to inform project owners on the Department processes.

The Department reported that FSA used an Independent Validation and Verification contractor to review and report on software development efforts. The contractor provides weekly and biweekly reports and escalation of risks and issues to the Independent Validation and Verification Manager, Director, and when appropriate, notifies the FSA CIO. The Department stated that issues identifying risk are tracked and the Independent Validation and Verification team makes recommendations on process improvement and technical solutions. The Department stated that when funding allows, the Independent Validation and Verification process and contract vehicle can be used on other development efforts that are deemed high risk. The Department further noted that in FY 2017, the Office of the Chief Information Officer will integrate disparate program management functions to more effectively monitor Departmental IT programs.

Finally, the Department stated that FSA had established a formal contract monitoring plan that identifies explicit roles and responsibilities of business operations staff and other contract stakeholders. The Department reported that for future awards, FSA would require a contract monitoring plan to establish specific contract management requirements. The Department noted that it would work with FSA to develop standard guidance ensure that contract monitoring and project oversight help to deliver a successful product.

Further Actions Needed to Address the Challenge

The Department needs to continue to monitor contractor performance to ensure that system deficiencies are corrected and that system performance fully supports the Department's financial reporting and operations. The Department further needs to enhance its management and oversight of system modifications and enhancements and ensure that appropriate expertise to manage system contracts is in place. While FSA had developed policies for Life Cycle Methodology, management needs to ensure it is followed and effectively implemented.

Looking forward, the Department also needs to ensure that it successfully implements the requirements of the Federal Information Technology Acquisition Reform Act (FITARA) and the revised OMB Circular A-130, "Managing Information as a Strategic Resource." FITARA includes requirements in areas such as improving risk management in IT investments; identifying ways to increase the efficiency

and effectiveness of IT investments; and developing ways to better align the IT portfolio, programs, and financial resources to long-term mission requirements. OMB Circular A-130 was designed to help drive the transformation of the Federal Government and the way it builds, buys, and delivers technology by institutionalizing more agile approaches intended to facilitate the rapid adoption of changing technologies, in a way that enhances information security, privacy, and management of information resources across all Federal programs and services.

Appendix A. Work Discussed Under the Challenges

The following audits, inspections, and other work are discussed under the challenge areas.[9]

Challenge: Improper Payments

OIG Internal Reports

- "U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2015," May 2016 (A03Q0001)

- "U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2014," May 2015 (A03P0003)

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[9] OIG reports may be found on our Web site at this link: http://www2.ed.gov/about/offices/list/oig/reports.html. GAO reports may be found on GAO's Web site, www.gao.gov.

- "Compliance with Executive Order 13520 for FY 2012 and FY 2013," September 2014 (A03N0004)

- "U.S. Department of Education's Compliance with the Improper Payments Elimination and Recovery Act of 2010 for Fiscal Year 2013," April 2014 (A19O0002)

OIG External Reports

- "The Tennessee Department of Education's Administration of a Race to the Top Grant," March 2016 (A05O0004)

- "State and District Monitoring of School Improvement Grant Contractors in California," March 2016 (A09O0009)

- "SOLEX College's Administration of Selected Aspects of the Title IV Programs," September 2015 (A05O0007)

- "The North Carolina Department of Public Instruction's Administration of its Race to the Top Grant," July 2015 (A05O0005)

- "Title IV of the Higher Education Act Programs: Additional Safeguards Are Needed to Help Mitigate the Risks That Are Unique to the Distance Education Environment," February 2014 (A07L0001)

Challenge: Information Technology Security

OIG or Contractor Internal Reports

Because of the sensitivity of IT security issues, some OIG reports have been redacted.

- "Misuse of FSA ID and the Personal Authentication Service," September 2016 (X21Q0001)

- "The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report For Fiscal Year 2015," November 2015 (A11P0001)

- "The U.S. Department of Education's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2014," November 2014 (A11O0001)

- "The U.S. Department of Education FY 2015 Agency Financial Report," November 2015 (A17P0001)

- "Review of Federal Student Aid's Oversight and Monitoring of Private Collection Agency and Guaranty Agency Security Controls," September 2014 (X11N0003)

- "The U.S. Department of Education's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2013," November 2013 (A11N0001)

Challenge: Oversight and Monitoring—SFA Program Participants

OIG Internal Reports

- "Servicemembers Civil Relief Act," February 2016

- "Federal Student Aid's Oversight of Schools Participating in the Title IV Programs," September 2015 (A03L0001)

- "Federal Student Aid's Oversight of Schools' Compliance with the Incentive Compensation Ban," March 2015 (A05N0012)

- "The U.S. Department of Education's Administration of Student Loan Debt and Repayment," December 2014 (A09N0011)

- "Oversight of Guaranty Agencies During the Phase-Out of the Federal Family Education Loan Program," September 2014 (A06L0003)

- "Direct Assessment Programs: Processes for Identifying Risks and Evaluating Applications for Title IV Eligibility Need Strengthening to Better Mitigate Risks Posed to the Title IV Programs," September 2014 (A05N0004)

- "Review of Federal Student Aid's Plans for School Closures by a For-Profit Entity," February 2014 (I13N0001)

OIG External Reports

- "The Western Association of Schools and Colleges Senior College and University Commission Could Improve Its Evaluation of Competency-Based Education Programs to Help the Department Ensure Programs are Properly Classified for Title IV Purposes," August 2016 (A05P0013)

- "SOLEX College's Administration of Selected Aspects of the Title IV Programs," September 2015 (A05O0007)

- "The Higher Learning Commission Could Improve Its Evaluation of Competency-Based Education Programs to Help the Department Ensure the Programs Are Properly Classified for Title IV Purposes," September 2015 (A05O0010)

- "Third-Party Servicer Use of Debit Cards to Deliver Title IV Funds," March 2014 (X09N0003)

- "Title IV of the Higher Education Act Programs: Additional Safeguards Are Needed to Help Mitigate the Risks That Are Unique to the Distance Education Environment," February 2014 (A07L0001)

GAO Reports

- "Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options," August 2015 (GAO-15-663)

- "Education Should Strengthen Oversight of School and Accreditors," December 2014 (GAO-15-59)

- "College Debit Cards: Actions Needed to Address ATM Access, Student Choice, and Transparency," February 2014 (GAO-14-91)

Challenge: Oversight and Monitoring—Grantees

OIG Internal Reports

- "Nationwide Assessment of Charter and Education Management Organizations," September 2016, (A02M0012)

- "Audit of the Department's Oversight of the Rural Education Achievement Program," September 2016 (A19P0006)

- "Audit of the Department's Followup Process for External Audits," July 2016 (A19O0001)

- "Protection of Personally Identifiable Information in the Commonwealth of Virginia's Longitudinal Data System," July 2016 (A02P0006)

- "Audit of the Small Business Innovation Research Program Regulations and Operating Procedures," March 2016 (A19P0007)

- "The Resolution of Discrimination Complaints by the Department's Office for Civil Rights," December 2015 (A19N0002)

- "Audit of the Followup Process for External Audits in the Office of Elementary and Secondary Education," December 2016 (A19P0002)

- "Audit of the Followup Process for External Audits in the Office of the Chief Financial Officer," September 2015 (A19P0004)

- "Audit of the Followup Process for External Audits in the Office of Special Education and Rehabilitative Services," September 2015 (A19P0003)

- "Audit of the Followup Process for External Audits in Federal Student Aid," June 2015 (A19P0001)

- "The Department's Monitoring of Race to the Top Program Recipient Performance," January 2014 (A19M0003)

- "The Office of Elementary and Secondary Education's Process of Awarding Discretionary Grants," August 2013 (A03M0002)

- "Teacher Incentive Fund Stakeholder Support and Planning Period Oversight," February 2013 (A19L0005)

OIG External Reports

- "Protection of Personally Identifiable Information in Oregon's Statewide Longitudinal Data System," September 2016 (A02P0007)

- "North Carolina Department of Public Instruction's Oversight of Local Educational Agency Single Audit Resolution," August 2016 (A09P0005)

- "State and District Monitoring of School Improvement Grant Contractors in California," March 2016 (A09O0009)

- "The Tennessee Department of Education's Administration of a Race to the Top Grant," March 2016 (A05O0004)

- "Massachusetts Department of Elementary and Secondary Education's Oversight of Local Educational Agency Single Audit Resolution," January 2016 (A09P0001)

- "The North Carolina Department of Public Instruction's Administration of its Race to the Top Grant," July 2015 (A05O0005)

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GAO Reports

- "Better Use of Information Could Help Agencies Identify Disparities and Address Racial Discrimination," May 2016 (GAO-16-345)

- "Teacher Preparation Programs, Education Should Ensure States Identify Low-Performing Programs and Improve Information-Sharing," July 2015 (GAO-15-598)

- "Race To The Top, Education Could Better Support Grantees and Help Them Address Capacity Challenges," April 2015 (GAO-15-295)

- "Better Management of Federal Grant and Loan Forgiveness Programs for Teachers Needed to Improve Participant Outcomes" February 2015 (GAO-15-314)

- "Promise Neighborhoods Promotes Collaboration but Needs National Evaluation Plan," June 2014 (GAO-14-432)

Challenge: Data Quality and Reporting

OIG Internal Reports

- "The U.S. Department of Education's Oversight of the Carl D. Perkins Career and Technical Education Improvement Act of 2006 Program," March 2016 (A05P0002)

- "Management Certifications of Data Reliability," February 2016 (A06O0001)

- "Payback Provisions of the Personnel Development to Improve Services and Results for Children with Disabilities Program," March 2015 (A19O0004)

- "U.S. Department of Education's Implementation and Oversight of Approved Elementary and Secondary Education Act Flexibility Requests," January 2015 (A04N0012)

- "Payback Provisions of the Rehabilitation Long-Term Training Program," April 2014 (A19M0004)

- "The Department's Implementation of the Government Performance and Results Act Modernization Act," January 2014 (A19M0005)

OIG External Reports

- "Opportunities for Ohioans with Disabilities' Case Service Report Data Quality," March 2016 (A03P0001)

- "Pennsylvania's Department of Labor and Industry, Office of Vocational Rehabilitation's Case Service Report Data Quality," March 2016 (A03P0002)

- "California Department of Rehabilitation Case Service Report Data Quality," December 2015 (A09O0008)

- "Ohio Department of Education's Administration of its Race to the Top Grant," September 2014 (A05N0009)

- "The U.S. Department of Education's and Five State Educational Agencies' Systems of Internal Control Over Statewide Test Results," March 2014 (A07M0001)

Challenge: Information Technology Systems Development and Implementation

OIG Internal Reports

- "FSA Oversight of the Development and Enhancement of Information Technology Products," June 2016 (A04O0014)

- "Functionality of the Debt Management Collection System 2," November 2015 (A02N0004)

- "Review of Debt Management Collection System 2 Implementation," August 2015 (A04N0004)

Appendix B. Acronyms and Abbreviations

CIO	Chief Information Officer
Department	U.S. Department of Education
Direct Loan	William D. Ford Federal Direct Loan Program
DMCS2	Debt Management Collection System
FAFSA	Free Application for Federal Student Aid
FFEL	Federal Family Education Loan
FISMA	Federal Information Security Modernization Act
FITARA	Federal Information Technology Acquisition Reform Act
FSA	Federal Student Aid
FY	Fiscal Year
GAO	Government Accountability Office
IPERA	Improper Payments Elimination and Recovery Act of 2010
IT	Information Technology
LEA	Local Educational Agency
OIG	Office of Inspector General
OMB	Office of Management and Budget
Pell	Federal Pell Grant
Perkins IV	Carl D. Perkins Career and Technical Education Improvement Act of 2006
SEA	State Educational Agency
SFA	Student Financial Assistance
TEACH	Teacher Education Assistance for College and Higher Education
Title IV	Title IV of the Higher Education Act of 1965, as Amended

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