



U.S. Department of Education
Office of Inspector General

FY 2024 Management Challenges Facing the U. S. Department of Education

November 2023



U.S. Department of Education FY 2024 Management Challenges At a Glance

What are Management Challenges?

The Government Performance and Results Modernization Act of 2010 defines major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement, and where a failure to perform well could seriously affect the ability of the U.S. Department of Education (Department) to achieve its mission or goals.

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) reports annually on the most serious management and performance challenges the Department faces. Our reports include a brief assessment of the Department's progress in addressing the challenges. We also identify further actions that, if properly implemented, could enhance the effectiveness of the Department's programs and operations.

What We Did

To identify management challenges, we examined audit, inspection, and investigative work that was completed or part of a body of work that was completed between October 1, 2020, and September 30, 2023; reviewed corrective actions that the Department has not completed; assessed ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyzed new programs and activities that could pose significant challenges. We also considered the accomplishments the Department reported as of September 30, 2023, and evaluated its progress for each management challenge.

What We Found

For fiscal year (FY) 2024, we identified seven management challenges the Department faces as it continues its efforts to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. These challenges are

1. implementing pandemic relief laws for elementary and secondary education,
2. implementing pandemic relief laws for higher education,
3. oversight and monitoring of student financial assistance programs,
4. oversight and monitoring of grantees,
5. data quality and reporting,
6. improper payments, and
7. information technology security.



Our FY 2023 Management Challenges report identified "Implementing Pandemic Relief Laws" and "Oversight and Monitoring" as broader management challenges for the Department. For FY 2024, we divided both challenges into two distinct areas. Implementing pandemic relief laws includes separate challenges for elementary and secondary education and higher education. Oversight and monitoring includes separate challenges for student financial assistance programs and grantees.

While the Department made progress in addressing each of these challenges, our work continued to identify vulnerabilities within each area. Additional challenges may exist in areas that we have not recently reviewed.

New Framework for Assessing Fiscal Year 2024 Management Challenges Reporting

We developed a new framework for evaluating the Department’s activities in response to individual challenges as shown in Table 1 below. We also improved communication throughout the year regarding the activities performed by the Department to address each management challenge.

Table 1. Framework for Assessing Department Progress in Addressing Challenge Areas

Description of Response to the Challenge	Score
New challenge, not rated	N/A
A comprehensive plan has not been developed in response to the challenge, or a plan has been developed but it requires significant improvement to increase the likelihood that its risk management practices and internal controls would provide reasonable assurance of effectively mitigating the challenge.	 <p>Level 1—Beginning Progress</p>
A comprehensive plan has been developed in response to the challenge, however, some improvement is needed to increase the likelihood that its risk management practices and internal controls would provide reasonable assurance of effectively mitigating the challenge.	 <p>Level 2—Limited Progress</p>
A comprehensive plan has been developed in response to the challenge. The plan includes risk management practices and internal controls that would provide reasonable assurance of effectively mitigating the challenge. However, the plan has not been substantially implemented or the plan has been substantially implemented but limited or no results have been demonstrated.	 <p>Level 3—Established Progress</p>
A comprehensive plan has been developed in response to the challenge. The plan includes risk management practices and internal controls that would provide reasonable assurance of effectively mitigating the challenge. The plan has been substantially implemented and partial results have been demonstrated.	 <p>Level 4—Significant Progress</p>
A comprehensive plan has been developed in response to the challenge. The plan includes risk management practices and internal controls that would provide reasonable assurance of effectively mitigating the challenge. The plan has been implemented and substantial results have been demonstrated, but continued efforts are needed to fully mitigate the challenge.	 <p>Level 5—Demonstrated Progress</p>

In applying this framework, challenge areas that receive an assessment of “Level 5—Demonstrated Progress” in consecutive years will be considered for removal or modification in subsequent management challenges reporting.

Our implementation of the assessment framework for fiscal year (FY) 2024 reporting was limited by several factors. Most of the information provided by the Department on its progress occurred during August 2023, which included presentations made by Department leadership for each FY 2023 management challenge. These presentations focused on the Department's priority corrective actions, rationale for identifying priority corrective actions, current implementation status, and expected implementation status by the end of FY 2023.

We reviewed the information provided by the Department to gain an understanding of its approach to address the underlying causes associated with each management challenge. We assessed whether the action items identified by the Department collectively provided a reasonable framework to address and reduce major risks relating to each challenge. We also considered the identified implementation status and any related outcomes that would support achievement of results within each challenge.

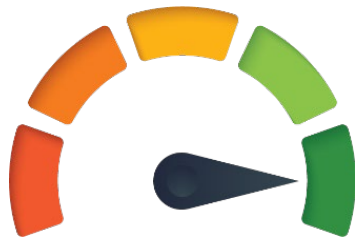
Our approach for FY 2024 reporting considered the initiatives and outcomes specifically identified by the Department and information in some readily assessable documentation such as strategic plans, annual reports, policies, templates, and training materials. Our work to validate the information presented by the Department was limited because of the timing of its presentations in relation to management challenge reporting requirements. Our validation efforts predominately focused on follow-up with the Department to obtain additional information supporting implementation status and the impact of judgmentally selected action items.

For FY 2024, we included a brief narrative and a related progress score using the framework identified in Table 1 above. The outcomes of audit and investigative activity were factors in the identification of challenge areas and were considered as part of the assessment of the Department's progress. The overall progress score considers the Department's activities in response to the individual challenges. This includes the effectiveness of the Department's efforts to identify root causes, develop and implement corrective actions, and assess the results of its efforts. Additional details on the Department's activities and their responsiveness to the individual challenge areas are included under "Progress in Meeting the Challenge" that appears near the end of each management challenge section.

Management Challenge 1—Implementing Pandemic Relief Laws for Elementary and Secondary Education

The U.S. Department of Education (Department) was provided with more than \$200 billion under three major pandemic relief laws to assist States, public and nonpublic schools, and school districts in meeting their needs and the needs of students impacted by the pandemic. This included the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted in March 2020; the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA), enacted in December 2020; and the American Rescue Plan Act (ARP), enacted in March 2021. With respect to elementary and secondary education, these laws established new emergency relief programs that included the Elementary and Secondary School Emergency Relief (ESSER) program, the Governor’s Emergency Education Relief (GEER) program, and the Emergency Assistance to Nonpublic Schools (EANS) program.¹

FY 2024 Assessment: Level 5—Demonstrated Progress



We found that the Department developed a comprehensive plan and implemented activities that achieved several positive outcomes. The Office of Elementary and Secondary Education (OESE) took significant actions to improve technical assistance, monitoring, and data quality that were responsive to this challenge. While progress has been demonstrated, the Department needs to continue its implementation efforts given the large amount of funding for these programs, the number of entities receiving funds, and the ongoing need to administer other programs in its elementary and secondary education grants portfolio.

Why This Is a Challenge

The implementation of the pandemic relief laws for elementary and secondary education poses challenges for the Department as it must effectively oversee and monitor new grant programs and ensure that quality data are reported. In addition to its pandemic relief-related oversight responsibilities, the Department must also oversee more than 100 other grant programs.

Oversight and Monitoring

The pandemic relief laws provided funding for State and local agencies, nonpublic schools, and other education-related entities to prevent, prepare for, and respond to the impact of the coronavirus on our nation’s students. This included \$190 billion for ESSER, \$5.5 billion for EANS, and \$4.3 billion for GEER. Collectively, these programs were intended to support a wide range of activities that included purchasing and using technology for online learning, implementing summer learning and supplemental

¹ Our FY 2023 Management Challenges report identified “Implementing Pandemic Relief Laws” as a challenge for the Department. In developing our FY 2024 report, we separated this challenge into two distinct areas; this challenge relating to elementary and secondary education and a second challenge relating to higher education (see Management Challenge 2).

after-school programs, providing childcare and early childhood education, and protecting education-related jobs.

The pandemic relief programs continue to involve large outlays of Federal funds. For FY 2022, the Department reported pandemic-related grant expenses of \$78.3 billion, an amount several times more than its largest traditional grant programs. The Department, its grant recipients and subrecipients, and other program participants must design and implement effective controls that collectively help ensure that pandemic relief program funds are used as intended and that the envisioned benefits are achieved.

Data Quality

The pandemic relief laws included reporting provisions that were intended to provide transparency regarding the use of funds. The Department considered certain quarterly reporting requirements to be met through monthly reporting made under the Federal Funding Accountability and Transparency Act of 2006. The Department also developed and implemented data collection tools to facilitate annual reporting by grantees. Administering the programs funded by the pandemic relief laws requires the Department to collect, analyze, and report on data for many purposes, such as evaluating programmatic performance, assessing fiscal compliance, and informing management decisions. For this reason, the Department, its grant recipients and subrecipients, and other program participants must have effective systems, processes, and procedures in place to ensure that the reported data are accurate and complete.

Recent Work Performed by the Office of Inspector General

Audit, Inspection, and Quick Response Activities

With respect to the Department’s implementation of pandemic relief laws for elementary and secondary education, the Office of Inspector General (OIG) has issued reports relating to ESSER, GEER, data quality and reporting, and Department operations. A summary of major audit, inspection, and quick response² activity within each area is shown in Table 2. A complete listing of individual reports within this challenge area and their statuses appears at the end of this section.

Table 2. OIG’s Recent Reports Relating to Implementing Pandemic Relief Laws for Elementary and Secondary Education

Area	Summary of Major Audit, Inspection, and Quick Response Activity
ESSER	<p>We found that a grantee did not have an adequate review and approval process to ensure that subrecipients’ mandatory ESSER plans met all applicable requirements. We also found that the grantee could strengthen its monitoring of subrecipients to provide additional assurance that ESSER funds are used for allowable purposes and followed applicable regulations.</p> <p>We also performed a nationwide survey of LEAs about their experiences in using ESSER funds to purchase educational technology. We found that LEAs generally reported using ESSER funds to purchase hardware, software, connectivity, or related products or services to continue instruction remotely during the coronavirus. Our report further identified challenges and benefits of ESSER-funded technology that were identified by LEAs.</p>

² Quick response activities are narrow in focus and generally used in areas that include communicating urgent risks, sharing significant information, communicating interim assessments, and summarizing lessons learned.

Area	Summary of Major Audit, Inspection, and Quick Response Activity
GEER	We identified concerns with multiple grantees’ subaward processes, multiple grantees’ subgrantee monitoring processes, a grantee’s use of funds for expenses that did not appear to be education related, and a grantee’s compliance with Federal cash management terms and conditions.
Department Operations	We found the Department had allocated nearly 100 percent of its pandemic assistance program administration funds and that it was on track to obligate all its program administration funds prior to the dates the funds are set to expire. We also determined that the Department provided its initial spend plan within the specified timeframe to Congress, but it did not provide updates every 60 days as required.

Investigation Activity

The OIG’s recent investigative activity within this area is shown in Table 3.

Table 3. OIG’s Recent Investigative Activity Relating to Pandemic Relief Funding for Elementary and Secondary Education

Area	Related Investigative Activity
Program Participants	Pursuant to an OIG investigation, a school district voluntarily returned ESSER funds that were used in a non-bid contract.

Ongoing and Planned Work

Our ongoing work in this area includes reviews of a State educational agency’s (SEA) oversight and use of ESSER funds and reviews of two SEAs’ oversight of EANS funds. Our planned projects within this area for FY 2024 include additional reviews of SEAs’ oversight and local educational agencies’ (LEA) use of ESSER funds and SEAs’ oversight of EANS funds.

Progress in Meeting the Challenge

We assessed the Department’s actions in response to this challenge at Level 5, or “Demonstrated Progress.” OESE developed a comprehensive plan and implemented activities that produced several positive outcomes. Plans to address this Management Challenge included activities to provide effective technical assistance, advance grantee monitoring, improve data quality, and enhance its operational ability to support grantees. Its implementation of related action items resulted in demonstrated progress towards addressing this management challenge.

Technical Assistance

OESE’s plans for technical assistance included issuing guidance and providing interactive opportunities to exchange information. OESE’s related results included issuing multiple forms of guidance to assist recipients in their implementation of the ESSER, GEER, and EANS programs. This included publishing Dear Colleague Letters, Frequently Asked Questions, and announcements in areas such as reporting resources and expectations and maintenance of equity requirements. The Department also published information on promising practices for SEAs and LEAs to use in addressing the impact of the pandemic on their students.

OESE, in partnership with the Office of Acquisition, Grants, and Risk Management's Grants Management Policy Division, held a Federal Funding and Transparency Act (FFATA) webinar that covered required reporting. In addition, OESE held a Grantee Learning Series, consisting of five webinars for recipients and subrecipients of its pandemic relief programs that covered topics such as technical assistance, grant administration, monitoring, performance reporting, Maintenance of Effort and Maintenance of Equity. According to information provided by the Department, a total of 470 participants attended the live webinars. The Department further noted that the sessions were recorded and made available on its website for asynchronous viewing.

OESE reported that it created State mailboxes to help ensure the delivery of timely technical assistance and held monthly calls to address questions from grantees and provide additional assistance. The Department noted that the monthly 'check in' calls are intended to take place with individual grantees and be facilitated through a common agenda. We reviewed a sample agenda and found it included standard questions that covered areas such as subaward processes, monitoring activities (to include a section for monitoring and anticipated document review processes), and whether the grantee required technical assistance in areas such as allowable uses of funds and reporting requirements.

The Department stated that its Grants Management Policy Division established a computer-based grants administration training for grantees that included a course dedicated to FFATA reporting requirements in support of pandemic relief programs. The Department further stated that this training was a vital component to support its technical assistance efforts.

Monitoring

OESE's monitoring plans included the use of targeted, comprehensive, and consolidated monitoring.³ OESE's related efforts included performing focused biannual reviews of grantees as a form of targeted monitoring, conducting additional formal monitoring, publishing resources for grantees, and communicating regularly with grantees on relevant subject matter.

OESE stated that biannual reviews are intended to be less intensive for both the program office and the grantee than OESE's formal monitoring activities. It added that the subject matter for biannual reviews is based on emerging issues and where a review of compliance is critical to assess what support, if any, a grantee may need to be successful. OESE stated that is currently conducting targeted reviews of ESSER grantees that are focused on subrecipient oversight and each grantee's use of data, and other information, to continuously improve it and its subrecipients' uses of ESSER funds spent to address learning loss.

OESE issues determination letters, rather than reports, at the conclusion of its biannual reviews that identify any areas of required corrective action. According to OESE, its FY 2023 biannual reviews focused on the awarding of GEER funds and grantee monitoring of subrecipients and required seven States to complete corrective actions. We reviewed one of the determination letters issued in FY 2023 and found

³ Targeted monitoring focuses on specific areas of compliance with Federal requirements, such as maintenance of effort. Comprehensive monitoring consists of a full programmatic and fiscal review focused on the grantee's implementation of the pandemic relief programs. Consolidated monitoring is a cross-program review of the grantee's implementation of its K-12 formula grants for both pandemic relief funding and Elementary and Secondary Education Act of 1965 formula grant programs administered by OESE.

OESE required the grantee to provide the Department with a description of the processes used to award funds and review requests for funds for allowability, along with a subrecipient monitoring plan

OESE stated that grantees are identified for formal monitoring through a risk assessment process involving a review of fiscal data, drawdown patterns, timeliness and quality of performance reporting, and audit information. As of September 30, 2023, OESE's formal monitoring resulted in reports to 16 States that included coverage of one or more pandemic relief programs. Ten of these reports included findings related to pandemic relief programs that required corrective action. We reviewed these reports and noted that the findings included areas related to grantees' processes to identify internal risk, processes to evaluate internal controls, development of subrecipient monitoring plans, fiscal management policies, and cash management. OESE stated that it will conduct formal monitoring reviews of 11 additional locations in 2024.

As part of its overall monitoring plan, OESE also published tools that included grantee and subrecipient self-assessment protocols for the ESSER and GEER programs and a grantee self-assessment for the EANS program. Additionally, as a part of its monitoring plan for FY 2023, OESE implemented standardized monthly calls with grantees that covered programmatic and fiscal topics. OESE stated that these engagements were important opportunities to provide technical assistance to grantees, as well as identify issues related to program compliance that may result in determining that a grantee requires more formal, intensive monitoring.

Data Quality

OESE and its partners in other Department offices, most notably the Office of the Chief Data Officer within the Office of Planning, Evaluation and Policy Development, developed plans to improve data quality that included targeted efforts to identify data abnormalities, provide support to grantees, and work collaboratively with other Federal stakeholders. OESE's results included specific focus on addressing data quality issues for information reported to [USAspending.gov](https://www.usaspending.gov) and addressing grantee access issues to the FFATA reporting system, where data are input or uploaded.

OESE stated that it dedicated staff resources to identify data issues and work with grantees to correct and address access issues. It further stated that it has also worked with Office of Management and Budget (OMB), the Executive Office of the President, and the General Services Administration (GSA) to enhance support of the FFATA site, which GSA manages.

We noted that OESE started outreach to grantees regarding FFATA in 2020, when it published information on CARES Act quarterly reporting requirements. OESE has continued to provide information and assistance since that time. This included communicating on reporting requirements; conducting multiple webinars on FFATA reporting; and providing resources in conjunction with the Office of the Chief Data Officer that include videos, instructions, and fact sheets to assist grantees in ESSER, GEER, and EANS reporting. OESE stated that it also provides one-on-one technical assistance to grantees when needed to resolve identified issues. We reviewed OESE's communications with one State regarding reporting training opportunities and data quality issues identified in its ESSER, GEER, and EANS reporting. These issues included subrecipients being included twice, negative value subawards, blank subaward amounts, and subaward dates occurring before the grant award date.

The Department also stated that it has reduced the number of States reporting overallocations as well as “0” allocations and is working to address inaccurate FFATA reporting findings in 18 States.

Operational Ability to Support Grantees

The Department’s Grants Management Policy Division regularly communicates on subject areas and training opportunities that can help build the Department’s internal capacity to oversee grants. This includes, but is not limited to, the following.

- “Table Talk” sessions that are designed to allow grants professionals to share experiences and address questions in areas such as grants administration, effective communication and monitoring efforts, and technical assistance.
- “Monitoring Moments” courses that are intended to provide Department staff with greater insight into the strategies and tools that can support grantees in achieving their goals and objectives.
- Other targeted subject matter such as single audits and assessing grantee risk, budget reviews, and costs analyses.

The Grants Management Policy Division also communicated on updates to policy, templates, and tools that could be used in grantee oversight, such as its Large Available Balances report.

In addition to the above, the Office of Acquisition, Grants, and Risk Management’s Risk Management Services Division conducts “Grant Risk Management Meetings” that are structured to provide information on risk concentrations and other issues based on a review of financial risk indicators and other relevant information.

In our work relating to the Department’s use of pandemic assistance program administration funds, we noted that OESE had used a portion of these funds for 23 additional full-time equivalent personnel to help perform oversight activities. These personnel worked on items related to GEER, ESSER, and other pandemic recovery-related OESE grants. At the time of our review, OESE planned to use additional funds for 19 more full-time equivalents in subsequent years.

What the Department Needs to Do

As noted above, the Department has demonstrated progress toward addressing this challenge, and should continue its efforts and tracking its outcomes.

Related Reports and Statuses⁴

Title	Status as of October 2023
ESSER	-
<u>Washington’s Oversight of Local Educational Agency ARP ESSER Plans and Spending (A22US0094, September 2023)</u>	Open
<u>Local Educational Agencies’ Uses of Elementary and Secondary School Emergency Relief Funds for Technology (F20US0030, June 2023)</u>	Closed
GEER	-
<u>Michigan’s Administration of the Governor’s Emergency Education Relief Fund Grant (A20GA0039, September 2022)</u>	Open
<u>Missouri’s Administration of the Governor’s Emergency Education Relief Fund Grant (A20GA0018, February 2022)</u>	Resolved
<u>Oklahoma’s Administration of the Governor’s Emergency Education Relief Fund Grant (A20GA0011, July 2022)</u>	Open
Department Operations	-
<u>The Department’s Use of Pandemic Assistance Program Administration Funds (F22DC0059, September 2022)</u>	Closed
<u>Assessment of the Department's Reconstitution Plans Following COVID-19 (S20DC0008, December 2020)</u>	Closed
<u>Challenges for Consideration in Implementing and Overseeing the CARES Act (X20DC0003, September 2020)</u>	Closed

⁴ We use the following categories to describe the status of reports. “Open” means the OIG and the Department have not reached agreement on corrective actions in response to the report’s recommendations. “Resolved” means the OIG and the Department agreed on action to be taken; or, in the event of disagreement, the audit follow-up official determined the matter to be resolved. “Completed” means the responsible Department office indicated that the corrective actions were implemented; this status applies to internal audits only. “Closed” means the Office of the Chief Financial Officer verified supporting documentation showing that all corrective actions were implemented and issued a closure memo or that the report had no recommendations for corrective action.

Management Challenge 2—Implementing Pandemic Relief Laws for Higher Education

With respect to higher education, the pandemic relief laws established and provided more than \$76 billion for a new emergency relief program, the Higher Education Emergency Relief (HEER) program, and included multiple provisions intended to provide postsecondary students and borrowers with emergency relief.

FY 2024 Assessment: Level 3—Established Progress



Our assessment within this challenge area considered the Department’s plans to implement the HEER program and provisions intended to provide relief to students and borrowers. We found that the Department developed plans and implemented activities that demonstrated some results. The Department needs to continue its efforts given the amount of funding provided for the HEER program, significance of the student financial assistance program requirements, and the overall value of the Federal student loan portfolio.

Why This Is a Challenge

Implementation of the pandemic relief laws for higher education poses challenges for the Department as it must effectively oversee and monitor the HEER program, implement additional student financial assistance program requirements, and ensure that quality data are reported. In addition to these responsibilities, the Department must oversee existing higher education grant programs, Federal student loan programs, and the Federal student loan portfolio that now surpasses \$1.6 trillion.

HEER Program and Funding

HEER funds were awarded to institutions of higher education (IHE) to respond to the coronavirus and prepare for future pandemic emergencies. HEER funds can be used to assist students with expenses related to the disruption of campus operations due to the pandemic, such as tuition, food, housing, healthcare, childcare, technology, and course materials; and to help IHEs, including Historically Black Colleges and Universities and Minority Serving Institutions, cover costs associated with significant changes to the delivery of instruction due to the pandemic, reimburse themselves for lost revenue resulting from the pandemic, and defray other expenses, such as those for faculty and staff trainings, payroll, campus safety measures and protocols, and student support activities. The pandemic relief laws provided more than \$76 billion for the HEER program.

The HEER program must be effectively implemented and monitored by the Department to ensure that the legislation is followed, and that postsecondary institutions and students receive support in response to the pandemic.

Student Financial Assistance Program Requirements and Flexibilities

The CARES Act included student financial assistance provisions intended to provide emergency relief to borrowers and to allow institutions to meet student needs more easily. These provisions included borrower and teacher assistance provisions, waivers of student financial assistance refunds and loan cancellations, and adjustments to lifetime Federal Pell Grant (Pell) usage. The actions taken by the Department included pausing eligible Federal student loan payments and setting the interest rate on those loans at 0 percent, effective March 13, 2020. The initial pause in student loan repayments was extended through multiple executive actions and ended with the passage of the Fiscal Responsibility Act of 2023, with payments restarting in October 2023.

The Department had to provide guidance to and rely on postsecondary institutions, contracted servicers, collection agencies, guaranty agencies, and accrediting agencies to effectively implement student financial assistance program requirements and flexibilities. While the pandemic relief laws provided more than \$161 million to the Department for student aid administration, the Department may be challenged to provide adequate oversight of existing programs while it resumes collections on Federal student loans and implements additional plans to provide debt relief to eligible borrowers.

Data Quality

The pandemic relief laws included HEER reporting provisions that were intended to provide transparency regarding the use of funds to alleviate the impact of the pandemic. The Department established additional reporting requirements that included providing information on awards made to students and submitting annual performance reports. Administering higher education-related pandemic relief programs, requirements, and flexibilities requires the Department to collect, analyze, and report on data for many purposes, such as providing insight into HEER expenditures; ensuring compliance; evaluating performance; and informing management decisions. For this reason, the Department and its grant recipients must have effective systems, processes, and procedures in place to ensure that the reported data are accurate and complete.

Recent Work Performed by the OIG

Audit, Inspection, and Quick Response Activities

With respect to the Department's implementation of pandemic relief laws for higher education, the OIG has issued reports relating to HEER, implementation of student financial assistance program requirements and flexibilities, data quality and reporting, and Federal Student Aid (FSA) operations. A summary of major audit, inspection, and quick response activity within each area is shown in Table 4. A complete listing of individual reports within this challenge area and their statuses appears at the end of this section.

Table 4. OIG’s Recent Reports Relating to Pandemic Relief Laws for Higher Education

Area	Summary of Major Audit, Inspection, and Quick Response Activity
<p>HEER</p>	<p>Our work relating to the Department’s implementation and oversight of the HEER program identified \$73 million in duplicate HEER grant awards and shared observations on closed schools that received or had access to HEER funds. We also found that OPE did not perform or document several activities essential to effective program oversight and did not establish performance goals or metrics that would provide a basis to monitor individual grantee performance or report on outcomes at the program level.</p> <p>Our work on three postsecondary schools’ use of HEER funds found that all three schools generally used the Student Aid portion of their HEER funds for allowable and intended purposes, but two schools did not always use the Institutional portion of their funds in accordance with Federal requirements. We identified other compliance issues relating to documentation of eligibility requirements (one school), cash management (three schools), and competitive procurement requirements (one school).</p>
<p>Flexibilities</p>	<p>We found that FSA had adequate processes for waiving the return to Title IV (R2T4) requirements, cancelling borrowers’ obligation to repay William D. Ford Federal Direct Loans (Direct Loan), and excluding Pell disbursements from Pell lifetime usage for impacted students. We also found that FSA also designed adequate processes for schools to report the number and amounts of R2T4 waivers applied.</p> <p>We identified weaknesses in FSA’s implementation of CARES Act flexibilities relating to the Teacher Education Assistance for College and Higher Education (TEACH) Grant that may have resulted in inappropriate denials of flexibilities to some eligible recipients and may have provided benefits to recipients who were not entitled to them.</p>
<p>Student Financial Assistance Program Requirements</p>	<p>We found that FSA implemented processes that generally achieved positive results in suspending and refunding most involuntary collections on defaulted Department-held loans. However, it did not reprocess all refunds returned to Treasury, did not refund all wage garnishments and Treasury offsets collected, or develop procedures to obtain and track the U.S. Department of Justice’s progress on suspending and refunding involuntarily collections on defaulted Department-held loans.</p>
<p>Data Quality and Reporting</p>	<p>Our work on three postsecondary schools’ use of HEER funds found that one school’s reporting was not always accurate and publicly available. The school reported \$4.1 million of scholarships awarded to students in the wrong expenditure category and did not post all required HEER program quarterly reports on its public website.</p> <p>In work relating to HEER reporting requirements, we found that 81 of the 100 recipients included in our nonstatistical sample complied with HEER Institutional portion reporting requirements. However, we were unable to locate Institutional portion reports on the websites of the 19 other recipients.</p>
<p>Department Operations</p>	<p>We found that FSA obligated nearly 100 percent of the \$161.1 million in appropriations it received for pandemic assistance student aid administration funds from the three major coronavirus response and relief laws. The pandemic assistance student aid administration funds were used for personnel compensation and benefits, information technology systems and services contracts, and contractual services contracts.</p>

Investigation Activity

The OIG’s recent investigative activity within this area is shown in Table 5.

Table 5. OIG’s Recent Investigative Activity Relating to Pandemic Relief Funding for Higher Education

Area	Related Investigative Activity
Institutions	OIG Investigations identified institutions that drew down funds when not entitled to them, when knowingly closing, or with no intent to provide them to students. OIG made a referral to OPE describing observations and suggestions to improve OPE’s use of Department policies, procedures, and governance in pursuing administrative recoveries associated with the HEER program. OIG Investigations made an additional referral regarding an institution that used pandemic funds to pay off a pre-existing school loan.

Ongoing and Planned Work

Our ongoing work in this area includes reviews of FSA’s processes to transition Federal student loan borrowers back into repayment and the Department’s HEER audit resolution activities. We have no additional planned work within this area.

Progress in Meeting the Challenge

We assessed the Department’s actions in response to this challenge at Level 3, or “Established Progress.” Overall, the Department developed plans and implemented activities that demonstrated some results. As shown in Table 4 above, our audit and inspection work relating to selected pandemic relief-related program requirements and flexibilities found that FSA’s processes were adequate or achieved positive results in some instances. The Department developed plans to address this Management Challenge that included improved oversight of HEER grantees, returning borrowers to repayment, and implementing other program flexibilities.

OPE Is Enhancing its Oversight of HEER Grantees

OPE developed plans to address this challenge that included developing and implementing internal guidance to monitor HEER grant recipients, improving its system of controls to ensure better and more effective oversight, and communicating HEER program auditing requirements to grantees. OPE has implemented some related activities but did not provide information that clearly identified outcomes of these activities.

With respect to internal guidance and internal controls, OPE finalized its HEER monitoring plan in March 2023. We reviewed the plan and found that it included some positive aspects, such as the use of a structured rubric to determine the level of potential risk each grant recipient could face. Risk factors considered included placement on a Heightened Cash Monitoring payment method; the presence of HEER program findings in Single Audit reports, financial audit findings, or failure to implement corrective actions; problems with award balances, drawdowns, or unallowable expenditures; and late reporting or failure to submit required reports. The monitoring plan emphasizes using the risk assessment to inform the type and frequency of monitoring reviews and support provided to a grantee to help ensure successful performance. It included some specific tools and techniques that could be utilized based on the type of monitoring to be performed such as desk reviews or on-site/virtual reviews. It references

additional guidance, OPE's Monitoring Plan for On-Site/Virtual Review Protocol, as the standard operating procedures for planning and conducting a review and preparing a written report.

OPE reported that it planned to conduct enhanced monitoring of HEER grantees, focusing on ensuring the appropriate use of funds. OPE also reported that targeted monitoring is an ongoing activity and that they are beginning the grant closeout process for grantees found to be in compliance.

OPE has issued multiple memoranda to grantees outlining audit requirements for public, private, nonprofit, and proprietary institutions. The communications stressed that audits are a critical component of oversight and include information on what must be audited, due dates, and submission processes.

The Department added that it implemented multiple strategies to provide support and help ensure the quality of data collected. According to the Department, this included providing technical assistance, using risk-based monitoring approaches, coordinating with the OIG, establishing processes for regular communication with grantees, and implementing structured data collection processes.

FSA's Plans for the Return to Repayment Initiative and Other Program Flexibilities

FSA stated that it developed return to repayment plans that included multiple activities. FSA specifically anticipated (1) performing borrower outreach and communications; (2) coordinating with contractors to hire, onboard, and train staff to perform loan servicing activities; (3) developing and implementing policy enhancements; (4) increasing data analysis and reporting; and (5) heightening oversight and monitoring of vendors. These activities are being implemented in FY 2024 and require unprecedented effort by FSA. During discussions related to this initiative, FSA stated that the return to repayment effort presented a significant challenge. It further stated that potential obstacles included financial and human resources, competing priorities, and borrower apathy.

FSA also stated that as it implements return to repayment it will monitor trends in borrower behavior and responsiveness, begin assessing borrower repayment statuses, and direct interventions accordingly. FSA further said it will monitor and oversee servicers to ensure all borrower accounts are accurate, including loan types, interest rates, payment counts, repayment plans, and outstanding balances.

The Department added that it took steps to implement pandemic relief requirements related to the student financial assistance programs. This included suspending payments and interest accrual on Federal student loans, stopping wage garnishments for borrowers in default, and ensuring that flexibilities were applied to eligible TEACH Grant recipients.

What the Department Needs to Do

The Department has developed and begun to implement a plan to improve oversight of the HEER program. For this year, the Department should follow through on its plan and track the outcomes of its efforts. FSA will begin its efforts to return borrowers to repayment during FY 2024. Both the OIG and the GAO plan to evaluate aspects of FSA's implementation of its return to repayment initiative.

Related Reports and Statuses

Title	Status as of October 2023
HEER	-
Duplicate Higher Education Emergency Relief Fund Grant Awards (F20CA0047, June 2022)	Closed
The Office of Postsecondary Education's Oversight of Higher Education Emergency Relief Fund Grants (A20CA0029, June 2022)	Closed
Lincoln College of Technology's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants (A20CA0016, September 2021)	Closed
Remington College's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants (A20CA0017, September 2021)	Open
Risk of Closed Institutions of Higher Education Receiving Higher Education Emergency Relief Fund Grants (I21SIU00841, May 2021)	Closed
Flexibilities	-
Federal Student Aid's Processes for Waiving Return of Title IV Requirements, Cancelling Borrowers' Obligation to Repay Direct Loans and Excluding Pell Grants from Federal Pell Lifetime Usage (A21CA0077, May 2023)	Closed
The Department's Implementation of CARES Act Flexibilities to TEACH Grant Service Obligations (I20DC0024, January 2022)	Closed
Student Financial Assistance Program Requirements	-
Federal Student Aid's Suspension of Involuntary Collection in Response to the Coronavirus Pandemic (I20NY0010, June 2021)	Closed
Data Quality and Reporting	-
Higher Education Emergency Relief Fund Reporting Requirements (I20DC0013, February 2021)	Closed
Department Operations	-
Federal Student Aid's Use of Pandemic Assistance Student Aid Administration Funds (F21DC0081, August 2023)	Closed
Challenges for Consideration in Implementing and Overseeing the CARES Act (X20DC0003, September 2020)	Closed

Management Challenge 3—Oversight and Monitoring of Student Financial Assistance Programs

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

FSA directly manages or oversees a loan portfolio of more than \$1.6 trillion, representing about 219.4 million student loans to more than 45 million borrowers. FSA oversees the disbursement of more than \$27 billion in grants to more than 6 million recipients.⁵ FSA also oversees approximately 5,500 postsecondary institutions that participate in the Federal student aid programs. In FY 2022, FSA performed these functions with an administrative budget of about \$1.9 billion and about 1,350 employees, along with contractors that provide outsourced business operations. From FY 2018 to FY 2022, FSA delivered an average of \$116.7 billion in Federal student aid to an average of 10.8 million students. In comparing volumes from FY 2018 to 2022, the total amount of Federal student aid delivered declined by about 5 percent and the total number of students receiving aid declined by about 18 percent.⁶

FY 2024 Assessment: Level 3—Established Progress



The Department identified actions in response to this challenge for FY 2024 that focused on the implementation of the Unified Servicing and Data Solution (USDS) as a method to improve its oversight and monitoring of loan servicers. As of October 2023, USDS contracts had been awarded and implementation work was ongoing, but transitions from legacy servicers have not taken place. The Department described additional activities that were intended to improve oversight and monitoring activities relating to the student financial assistance programs in its response to our prior management challenge report, its “FY 2022 Annual Report” and its “Strategic Plan, Fiscal Year 2023–2027.” Collectively these activities identified a comprehensive framework with the potential to mitigate this challenge. The Department provided information that identified outcomes relating to the activities of its Office of Enforcement but did not provide information on the outcomes of other activities.

⁵ Information relating to the amount of the loan portfolio, number of loans and borrowers, amount of grants, and number of recipients are from the Federal Student Aid Annual Report FY 2022.

⁶ Our FY 2023 Management Challenges report identified “Oversight and Monitoring” as a challenge for the Department. In developing our FY 2024 report, we separated this challenge into two distinct areas—this challenge relating to student financial assistance programs and a second relating to grants (see Management Challenge 4).

Why This is a Challenge

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

Recent Work Performed by the OIG

Audit and Inspection Activities

With respect to oversight and monitoring of student financial assistance programs, the OIG has recently issued reports relating to areas including 90/10 revenue requirements, the experimental sites initiative, the Next Gen Loan Servicing Environment, and school’s use of professional judgement. A summary of major audit and inspection activity within each area is shown in Table 6. A complete listing of individual reports within this challenge area and their statuses appears at the end of this section.

Table 6. OIG’s Recent Reports Relating to the Oversight and Monitoring of Student Financial Assistance Programs

Activities Reviewed	Summary of Major Audit and Inspection Activity
90/10	We found that FSA had several processes for overseeing proprietary institutions’ compliance with 90/10 revenue requirements. However, found the Department’s reports to Congress were not always timely and complete and the Department did not always publish 90/10 revenue information as required to best reach the public.
Accreditation	We determined that the Department did not comply with all regulatory requirements during a review of an accrediting agency’s petition for recognition renewal. We also determined that the Department implemented a process to assess the accrediting agency’s compliance with recognition criteria following a court remand that was permitted under applicable policies and regulations. We did not identify any evidence that contradicted the Department’s conclusions but found that its guidelines allowed for areas of reviewer subjectivity.
Experimental Sites Initiative	We found that the Department is not complying with reporting requirements and had not published a comprehensive Experimental Sites Initiative report since the 2010–2011 award year report.
Next Generation Loan Servicing Environment	We found that although FSA had processes in place for planning and managing the transition to the Next Gen loan servicing environment, FSA did not perform key steps within those processes or follow best practices for acquisition planning that could have better ensured the proper planning and managing of the transition.
Private Collection Agencies	We found that the decision to terminate the Private Collection Agency contracts was part of an ongoing, multiyear Departmental strategy to overhaul student loan servicing and default collections. FSA made the decision for Business Process Operations vendors to handle future default collections primarily due to efficiencies and cost savings identified through market research, as well as the belief that doing so would improve customer service and the customer experience.

Activities Reviewed	Summary of Major Audit and Inspection Activity
Professional Judgment	We performed a series of audits at three schools. Overall, we found two schools did not always apply professional judgement in accordance with the Higher Education Act of 1965 and all three schools did not always adequately document the application of professional judgment.
Sales of Postsecondary Schools	We found that the Department did not take actions sufficient to mitigate significant financial responsibility and administrative capability risks posed by a nonprofit company and the 13 for-profit postsecondary schools that it purchased. We also found that the Department did not follow several of its procedures relating to subsequent activities involving those schools.

Investigations of Student Financial Assistance Program Participants

The OIG’s investigative recent work continues to identify fraud, waste, and abuse of student financial assistance program funds. This includes each of the areas in Table 7.

Table 7. OIG’s Recent Investigative Activity Relating to the Student Financial Assistance Programs

Area	Related Investigative Activity
Institutions	OIG investigated an owner who purchased a school to obtain Title IV aid for another school he owned that was denied Title IV eligibility.
School Officials	OIG Investigations identified improper activities of school officials that included falsifying their eligibility to obtain Federal student aid for personal gain.
Program Participants	OIG Investigations identified schemes where students underreported income and assets to obtain Federal student aid that they were not eligible to receive. A woman submitted fraudulent school enrollment documents and FAFSAs on behalf of her deceased husband to receive aid in his name.
Distance Education Fraud Rings	Distance education fraud rings are large, loosely affiliated groups of criminals who seek to exploit vulnerabilities in distance education programs. The OIG has investigated numerous instances where these groups use the identities of others (with or without their consent) to fraudulently obtain Federal student aid. In two separate investigations, subjects targeted underserved native students or homeless populations.
Collaboration with FSA	OIG and FSA established a Memorandum of Understanding to collaborate where appropriate on Title IV violations and institutional fraud, waste, and abuse.

Ongoing and Planned Work

Our ongoing work in this area includes three schools’ compliance with career pathways and ability to benefit provisions, FSA’s oversight of contractor’s acceptability review process for proprietary school annual audits, FSA’s transition plans for Business Process Operations vendors, and FSA’s Student Aid and Borrower Eligibility Reform initiative.

Additional planned projects for FY 2024 include FSA’s oversight of Section 117 foreign gift and contract reporting requirements, the Department's assessment and recoupment of liabilities from closed colleges, and the implementation of FSA's Unified Servicing and Data Solution.

Progress in Meeting the Challenge

We assessed the Department’s actions in response to this challenge at Level 3, or “Established Progress.” Overall, the Department communicated plans to address this Management Challenge that focused on USDS implementation and an oversight and monitoring framework that included activities such as improving contact center and loan servicing operations, using available monitoring tools, utilizing enforcement capabilities, and expanding operational capacity. Collectively these activities have the potential to mitigate this challenge. However, the Department did not provide significant information that clearly identified outcomes of these initiatives.

USDS Implementation

FSA stated that it plans to improve its oversight and monitoring of loan servicers by implementing USDS. FSA described USDS as a long-term strategy to replace legacy servicing contracts for Direct Loans and Department-held Federal Family Education Loan Program loans. FSA stated that USDS will enable FSA to transition from the current loan servicing contracts into a more stable servicing environment that ensures borrowers can continue to manage repayment.

FSA stated that USDS shares the goals of prior loan servicing efforts, including providing all federally managed borrowers with complete account management capabilities on StudentAid.gov, reducing the disruption of account transfers, and increasing accountability for servicers via clear and measurable service-level agreements.

According to FSA, the implementation of USDS will improve customer experiences, provide better borrower outcomes, improve cybersecurity, hold servicers to a high level of performance, and enable the Department to focus on impactful objectives like reducing delinquency and default.

FSA stated the scope of transition requires a strategic, phased approach that greatly enhances the likelihood of successful implementation while mitigating the risks of failure. FSA further stated that the USDS contract was awarded on April 24, 2023, and it plans to begin transitioning from legacy loan servicers to USDS in the spring of 2024.

Monitoring and Oversight Framework

FSA described additional activities intended to strengthen its monitoring and oversight capabilities in its response to our prior management challenge report, its *FY 2022 Annual Report*, and its *Strategic Plan, Fiscal Year 2023–2027*. Collectively these activities identified a comprehensive framework with the potential to mitigate this challenge. FSA’s goals under this framework included improving customer service and outcomes for students and borrowers, strengthening engagement and accountability for educational and financial institutions, increasing workforce and workplace capabilities, and boosting operational efficiencies. A summary of selected focus areas follows.

Monitoring Tools

FSA described monitoring activities that are performed with the intention of reducing program risk. This framework includes Comprehensive Compliance Reviews, Title IV compliance audits, Title IV program reviews, and analyses of the institutions’ financial capability. In July 2023, FSA published a report on the

most frequently occurring findings resolved by FSA during Fiscal Year 2022. The report summarized over 5,000 compliance audit deficiencies and over 700 program review deficiencies. FSA intended for the information to be used by IHEs to improve their awareness of compliance deficiencies so they can take proactive measures to self-assess and prevent similar compliance deficiencies from occurring.

Outreach, Training, and Technical Assistance

FSA stated that it planned to use a data-centric approach to engage in effective outreach and technical assistance efforts with entities participating in the Title IV programs. This included identifying opportunities to provide targeted support and training through virtual and in-person technical assistance. FSA further stated that it provides training and technical assistance services through the FSA Training Center and State, regional, and national conferences.

Enforcement Capabilities

FSA established an Office of Enforcement in October 2021 to strengthen its oversight of postsecondary schools participating in the Title IV programs. FSA stated that the Office of Enforcement is focused on schools that pose the most risk to students and taxpayers and reinforces other school oversight and compliance efforts through identifying and addressing serious wrongdoing.

FSA stated that it has grown the Office of Enforcement to about 90 total staff since its inception, including 23 new hires made during FY 2023. The team includes 19 staff members in its Investigations Group, which specifically evaluates indicators of potential misconduct or high-risk conduct by postsecondary institutions and third-party servicers, and investigates institutions' compliance with federal laws, regulations, and terms of program participation.

The Office of Enforcement's efforts resulted in numerous outcomes during FY 2023, including the items listed below.

- Reaching settlement agreements with five law schools after an investigation revealed that the schools improperly disbursed Title IV funds to students enrolled in unaccredited Master of Laws programs. Under the agreements, schools will stop disbursing Federal student aid funds to students in ineligible programs and reimburse the amount of improperly disbursed funds to the Department.
- Denying a school's application to continue participation in the federal student aid programs following an investigation that identified violations of ability-to-benefit regulations, fiduciary standards of conduct, and standards of administrative capacity.
- Concluding that substantial misrepresentations were made by multiple schools that borrowers relied upon to their detriment. This resulted in the approval of about \$239 million in relief to about 10,900 borrowers.
- Reaching decisions on borrower defense applications subject to a settlement agreement entered in November 2022. As of August 2023, nearly 12,000 relief decisions were made and more than 2,000 revise and resubmit notices were issued.
- Instituting a secret shopper program as an additional tool to monitor schools' Title IV compliance. FSA stated that secret shoppers will evaluate recruitment, enrollment, financial aid, and institutions'

other practices to help identify potentially deceptive or predatory practices used to recruit and enroll students.

- Creating a website and email address for knowledgeable sources to submit tips directly to the Enforcement Office about potential violations of the laws and regulations governing the Federal student aid programs.
- Issuing at least five enforcement bulletins to help ensure a consistent understanding among participating institutions. The bulletins served to raise awareness of potential violations of the HEA, the Office of Enforcement's role in reviewing allegations, and corrective measures that could be applied. The subject matter of the bulletins included allegations of misrepresentations by school personnel in the recruitment of military-connected students, the Office of Enforcement's use of secret shoppers to evaluate school's compliance with Title IV regulations, and how the attempted use of nondisclosure agreements to prevent school personnel from communicating with the Department on its administration of the Title IV programs violates cooperation requirements.

FSA stated that, from October 2022 until late August 2023, its Administrative Actions and Appeals Services Group completed 43 administrative actions. This included 18 fine actions, 7 recertification denials, 4 debarments, 3 suspension actions, and 2 program participation agreement revocations.

FSA also made substantial improvements to borrower defense loan discharge website in response to user feedback. The changes improved the overall layout and provided critical information on the misconduct that qualifies for debt relief, what borrowers should include in their claims, and what happens after a borrower submits an application for relief.

Operational Capacity

FSA described goals relating to its workforce; data analytics and information management; and systems, structure, and operations. FSA also planned to improve its hiring processes to better recruit needed talent, strategically align skills to organizational mission requirements, and analyze human capital systems and processes.

What the Department Needs to Do

As the Department implements USDS this year, it will be important that it ensures it realizes and can demonstrate improvement to customer service, borrower outcomes, cybersecurity, and service performance. It will also be important for the Department to continue its efforts to improve its monitoring, oversight, and technical assistance of participants in the Title IV programs and to track and report on the results of those efforts.

Related Reports and Statuses

Title	Status as of October 2023
90/10 Revenue	-
U.S. Department of Education's Oversight and Reporting of Proprietary Institutions' 90/10 Revenue Information (A22NY0090, August 2023)	Open
Accreditation	-
The Department's Recognition of the Accrediting Council for Independent Colleges and Schools as an Accrediting Agency (S19T0003, March 2021)	Closed
Experimental Sites Initiative	
The Department's Compliance with Experimental Sites Initiative Reporting Requirements (I22DC0054, October 2022)	Resolved
Next Generation Loan Servicing Environment	
Federal Student Aid's Transition to the Next Generation Loan Servicing Environment (A20GA0035, January 2023)	Resolved
Private Collection Agencies	
The Department's Decision to Terminate Private Collection Agency Contracts (I22DC0067, November 2022)	Closed
Professional Judgment	-
University of Southern California's Use of Professional Judgment (A20IL0007, August 2023)	Open
Bais HaMedrash and Mesivta of Baltimore's Use of Professional Judgment (A20IL0005, March 2022)	Resolved
National Aviation Academy of Tampa Bay's Use of Professional Judgment (A20IL0001, September 2021)	Resolved
Sales of Postsecondary Schools	-
Inspection of the Department's Activities Surrounding the Sale of Postsecondary Schools to Dream Center Education Holdings (I05T0010, June 2021)	Open

Management Challenge 4—Oversight and Monitoring of Grantees

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

FY 2024 Assessment: Level 3—Established Progress



For FY 2024 we assessed the Department's actions in response to this challenge at Level 3, or "Established Progress." Overall, the Department developed plans to address this Management Challenge that included improving its training and technical assistance, supporting equitable access, broadening consolidated monitoring efforts, and incorporating lessons learned into planning programmatic monitoring activities for FY 2024. Collectively these activities have the potential to mitigate this challenge. However, the Department did not provide significant information that clearly identified outcomes of these initiatives.

Why This is a Challenge

The Department administers more than 100 grant programs that annually serve about 55 million elementary and secondary students attending 98,000 public schools and 30,000 private schools, as well as about 9 million postsecondary students attending 5,500 colleges and universities. Many of these programs also serve other types of students, extending from early learning through adult education. The Department awards discretionary grants using competitive processes and priorities, and formula grants using formulas established by Congress. In all cases, the Department's activities are governed by the program authorizing legislation and implementing regulations.

One of the key programs that the Department administers is Title I, Part A, which provides supplemental education funding, especially in communities of concentrated poverty, for local programs that provide educational opportunities and additional academic support to help students in schools with high rates of poverty meet challenging State academic standards. In FY 2023, this program provided about \$18.3 billion to serve an estimated 25 million students in nearly 90 percent of school districts and nearly 60 percent of all public schools. Another key program is Individuals with Disabilities Education Act, Part B Grants to States, which provided more than \$14.2 billion in FY 2023 to help States and school districts meet the special educational needs of an estimated 7.5 million students with disabilities.

Effective monitoring and oversight are essential to ensure that grantees meet grant requirements and achieve program goals and objectives. Our recent audits related to several grant programs identified weaknesses in grantee oversight and monitoring that included concerns with SEA and LEA controls and Department oversight processes.

Audit, Inspection and Quick Response Activities

Our recent reports related to the Department’s oversight and monitoring processes over several grant programs identified internal control weaknesses and opportunities for improvement. These weaknesses could limit the Department’s ability to ensure that grantees demonstrated progress towards meeting programmatic objectives and properly safeguarded and used Federal education funds. A summary of major audit, inspection, and quick response activity within each area is shown in Table 8. A complete listing of individual reports within this challenge area and their statuses appears at the end of this section.

Table 8. OIG’s Recent Reports Relating to the Department’s Oversight and Monitoring of Federal Education Grant Programs

Activities Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
Charter Schools	We completed a series of work on charter school programs. We found that the Department designed processes to provide reasonable assurance that grantees reported reliable information and spent grant funds only on allowable activities and in accordance with program requirements, but the Charter School Program office did not always implement those processes as designed. We also found that the Department did not track and report on whether charter schools opened by grant recipients and expanded with Federal funds remained open after the grant performance period ended. Finally, we found that grant recipients did not always open or expand the number of charter schools committed to in their approved grant applications.
Disaster Recovery	We found that the Department designed policies and procedures that should have provided reasonable assurance that it awarded and monitored disaster recovery program funds in accordance with applicable guidance. However, we found that the Department did not implement all processes and risk mitigation strategies as designed. As a result, the Department inappropriately awarded funds to some of the grantees whose applications we reviewed.
Every Student Succeeds Act	We found that the Department has provided inadequate oversight of grantee performance and funds awarded under the Student Support and Academic Enrichment program. Specifically, we found that the Department has conducted only limited formal monitoring activities; has not ensured that SEAs are meeting all reporting requirements; and did not always develop, finalize, and implement monitoring plans to monitor grantees’ performance and use of funds. Our work on State plans required under the Every Student Succeeds Act found that the Department designed processes that would provide reasonable assurance of identifying and resolving potential instances of State plans’ noncompliance with applicable requirements and complying with Department policy. However, the Department did not always implement these processes as designed.
Individuals with Disabilities Education Act	We found that the Office of Special Education Programs provided general guidance and technical assistance for SEAs, to assist them in implementing significant disproportionality regulatory requirements. It also performed ongoing monitoring of SEAs’ compliance with Individuals with Disabilities Education Act requirements and program results. However, it had not performed a risk assessment to determine if the change in the regulation affects the control activities that it has established for monitoring significant disproportionality, particularly regarding data reliability.

Our recent reports relating to grantee implementation of Federal education grant programs identified weaknesses that could impact the effectiveness of the entities reviewed and their ability to achieve intended programmatic results. This included work related to the programs and activities identified in Table 9. A complete listing of individual reports within this challenge area and their statuses appears at the end of this section.

Table 9. OIG’s Recent Reports Relating to Grantee Implementation of Federal Education Grant Programs

Activities Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
Charter Schools	<p>We issued two audit reports that found both nonprofit charter management organizations reviewed did not fully comply with Federal grant reporting requirements and did not charge only adequately documented and allowable expenditures to their grants.</p>
Disaster Recovery	<p>We issued 11 reports relating to disaster recovery funding authorized under the Bipartisan Budget Act of 2018.</p> <p>Our work at SEAs relating to internal controls over the Immediate Aid to Restart School Operations (Restart) program identified weaknesses in programmatic monitoring processes, processes to assess fraud risks, internal controls over procurement, and segregation of duties. Our work relating to SEAs relating to Restart allocations and uses of funds also identified instances of noncompliance that included charging unallowable personnel expenditures to the program. We also identified opportunities to improve recordkeeping and processes for ensuring that LEAs use program funds for allowable and intended purposes.</p> <p>Our work at SEAs relating to the Temporary Emergency Impact Aid for Displaced Students (EIA) program found that all four SEAs reviewed did not ensure that the displaced student count data provided to the Department were accurate and complete or that LEAs accounted for EIA program funds received for students reported as children with disabilities in accordance with Federal requirements. We also found that three SEAs did not ensure that LEAs used EIA program funds to pay salaries only for employees who supported schools with displaced students.</p> <p>We issued a Flash Report on the risk of a SEA’s unallowable use of EIA program funds. We found that the SEA may have charged up to \$1.3 million in payroll costs to the EIA program for employees who were not employed by the SEA during the accrual periods applicable to the payments.</p> <p>We also found that a postsecondary school used approximately \$1.8 million in Emergency Assistance to Institutions of Higher Education program funds for lost tuition revenue and to purchase certain equipment that was not allowable in accordance with Federal requirements.</p>
Individuals with Disabilities Education Act	<p>We issued two audit reports relating to SEAs’ and selected LEAs’ development and implementation of individualized education programs (IEP) for children with disabilities who attend virtual charter schools. We found that both SEAs generally had sufficient internal controls to ensure that LEAs developed IEPs in accordance with Federal and State requirements for children with disabilities who attend virtual charter schools and that these students were provided with the services described in their IEPs. However, we identified weaknesses at selected LEAs that included insufficient written procedures for IEP development and documenting the delivery of services, not ensuring that they maintained IEPs that included all the required information describing the services that students needed, and not maintaining sufficient documentation to support that all special education services that were outlined in IEPs were provided.</p>

Investigations of Federal Education Grant Program Participants

The OIG’s recent investigative work continues to identify fraud relating to Federal education grant programs. This includes the areas identified in Table 10.

Table 10. OIG’s Recent Investigative Activity Relating to Federal Education Grant Programs

Area	Related Investigative Activity
LEA Officials	OIG investigated a former school district bookkeeper who misapplied school income to the benefit of herself and relatives.
Grantees	OIG Investigations identified a nonprofit executive who diverted funds intended for youth scholarships by using program credit and bank cards to make personal purchases for himself and relatives. Another OIG investigation identified a Chief Executive Officer of a nonprofit organization that provides educational and anti-poverty programs paid for unauthorized expenses and misapplied funds towards a relative’s tutoring expenses.
Charter School Officials	An OIG investigation identified a charter school owner who personally enriched herself by making payments from a school account to an educational company she owned to fund personal purchases.

Ongoing and Planned Work

Ongoing work in this area includes reviews of a SEA’s use of Restart program funds; selected SEAs’ implementation of their Statewide accountability systems; selected SEAs’ oversight of Prevention and Intervention Programs for Children and Youth who are Neglected, Delinquent, or At-Risk; the Rehabilitation Services Administration’s oversight of the State Vocational Rehabilitation Services program; and the Department’s approval of alternate assessment waivers and extensions.

Planned projects for FY 2024 include the Department’s oversight of the School-Based Mental Health Services program, the Department’s oversight of the Stronger Connections Grant program, the Department’s Risk Assessment and Monitoring of the Student Service Programs, and Department’s oversight of Statewide accountability systems.

Progress in Meeting the Challenge

We assessed the Department’s actions in response to this challenge at Level 3, or “Established Progress.” Overall, the Department developed plans to address this Management Challenge that included improving its training and technical assistance, supporting equitable access, broadening consolidated monitoring efforts, and incorporating lessons learned into planning programmatic monitoring activities for FY 2024. Collectively, these activities have the potential to mitigate this challenge. However, the Department did not provide significant information that clearly identified outcomes of these initiatives.

Training and Technical Assistance

As noted in Management Challenge 1, the Department’s Grants Management Policy Division regularly communicates on subject areas and training opportunities that can help build the Department’s internal capacity to oversee grants. This included “Table Talk” sessions, “Monitoring Moments” courses, “Grant

Risk Management Meetings,” and other targeted training subject matter. In its response to this challenge for FY 2023, the Department stressed plans to provide data driven training and technical assistance for Department staff and grantees. The Department stated that its overall expectations were to continue to build capacity and knowledge sharing on monitoring within the grants administration community internally and externally.

Supporting Equitable Access

The Department noted that it updated the General Education Provisions Act, Section 427 form for State plans and applications, which is used by grant applicants to describe the steps that they propose to take to ensure equitable access to and participation in their Federal grant project. The Department stated that the updated form would improve its ability to identify and address barriers to equitable access. It specifically expected to improve State-administered grantees’ oversight of subgrantees’ compliance with applicable requirements, reduce barriers to participation by beneficiaries, and learn how subgrantees are addressing barriers.

Consolidated Monitoring

OESE stated that it has broadened its consolidated monitoring efforts for formula grants, expanded the number of States to be monitored from two to four, and begun transitioning from virtual to on-site reviews.

Incorporating Lessons Learned

The Department stated that given operational constraints, it is important to learn from grantees and identify both what is working and what is not working with respect to the Department’s programs. It further stated that it has begun to identify key topics for discussion with program offices and expects to support those offices in an effort to include relevant topics in programmatic monitoring for FY 2024.

What the Department Needs to Do

It will be important for the Department to develop measures to track the outcomes of its various efforts to improve monitoring and oversight.

Related Reports and Statuses

Title	Status as of October 2023
SEA and LEA Oversight of Education Programs	-
Charter Schools	-
<u>InspireNOLA Charter Schools’ Administration of Grants for the Replication and Expansion of High-Quality Charter Schools (A18IL0012, September 2021)</u>	Open
<u>IDEA Public Schools’ Administration of Grants for the Replication and Expansion of High-Quality Charter Schools (A05S0013, November 2019)</u>	Closed
Disaster Recovery	-
<u>Gulf Coast State College’s Use of 2019 Emergency Assistance to Institutions of Higher Education Program Funds (A20NY0040, September 2022)</u>	Closed
<u>California Department of Education’s Administration of the Immediate Aid to Restart School Operations Program (A19NY0025, July 2022)</u>	Open
<u>Puerto Rico Department of Education’s Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A19GA0003, July 2022)</u>	Open
<u>Massachusetts Department of Elementary and Secondary Education’s Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A19NY0012, January 2022)</u>	Open
<u>Puerto Rico Department of Education’s Unallowable Use of Temporary Emergency Impact Aid for Displaced Students Program Funds for Payroll Activities (F19GA0027, June 2021)</u>	Resolved
<u>Florida Department of Education’s Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A02T0006, January 2021)</u>	Resolved
<u>Florida Department of Education’s Administration of the Immediate Aid to Restart School Operations Program (A04T0005, September 2020)</u>	Closed
<u>Texas Education Agency’s Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A02T0001, March 2020)</u>	Open
<u>Texas Education Agency’s Administration of the Immediate Aid to Restart Schools Operations Program (A06T0001, February 2020)</u>	Open
<u>Puerto Rico Department of Education’s Internal Controls Over the Immediate Aid to Restart School Operations Program (A04S0013, July 2019)</u>	Open
<u>U.S. Virgin Islands – U.S. Virgin Islands Department of Education’s Internal Controls over the Immediate Aid to Restart School Operations Program (A04S0014, June 2019)</u>	Open
Individuals with Disabilities Education Act	-
<u>Implementation of the Significant Disproportionality in the Individuals with Disabilities Education Act Final Regulations (I22NY0084, May 2023)</u>	Resolved
<u>Ohio Department of Education’s and Selected Virtual Charter Schools’ Internal Controls Over Individualized Education Programs (A03S0006, March 2021)</u>	Closed
<u>Pennsylvania Department of Education’s and Selected Virtual Charter Schools’ Internal Controls Over Individualized Education Programs (A02T0004, December 2020)</u>	Closed
Department Oversight of Education Programs and Grantees	-

Title	Status as of October 2023
Charter Schools	-
<u>The U.S. Department of Education’s Processes for Overseeing Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools (A18IL0009, August 2023)</u>	Open
<u>Effectiveness of Charter School Programs in Increasing the Number of Charter Schools (A21IL0034, September 2022)</u>	Resolved
Disaster Recovery	-
<u>The U.S. Department of Education’s Awarding and Monitoring Grantees’ Uses of Disaster Recovery Funds for Postsecondary Schools (A09T0007, September 2020)</u>	Closed
Every Student Succeeds Act	-
<u>The Department’s Oversight of the Student Support and Academic Enrichment Program (A19DC0004, August 2021)</u>	Completed
<u>The U.S. Department of Education’s Processes for Reviewing and Approving State Plans Submitted Pursuant to the Elementary and Secondary Education Act, as Amended (A05S0001, September 2020)</u>	Resolved

Management Challenge 5—Data Quality and Reporting

The Department collects, analyzes, and reports on data for many purposes that include enhancing the public’s ability to access high-value education-related information, reporting on programmatic performance, informing management decisions, and improving education in the United States. The Department collects data from numerous sources, including States, which compile information relating to about 13,000 public school districts and 99,000 public schools; about 5,700 postsecondary institutions, including colleges, universities, and institutions offering technical and vocational education at or beyond the high school level; and surveys of private schools, public elementary and secondary schools, students, teachers, and principals.

FY 2024 Assessment: Level 4—Significant Progress



For FY 2024 we assessed the Department’s actions in response to this challenge at Level 4, or “Significant Progress.” Overall, the Department identified root causes of the challenge and **developed** responsive activities through the design and implementation of data quality-related policies, training, and strategies. We found that this represented a comprehensive plan and that the planned activities have the potential to mitigate this challenge. The Department has partially implemented aspects of the plan and demonstrated some results that showed a positive effect on improving the quality of key data.

Why This Is a Challenge

The Department, its grantees, and its subrecipients must have effective controls to ensure that reported data are accurate and complete. The Department relies on program data to evaluate program performance and inform management decisions.

Audits, Inspections, and Quick Response Activities

Our recent audit work identified a variety of weaknesses in the quality of reported data and recommended improvements at the Department and at SEAs and LEAs. This included the following areas, as shown in Table 11.

Table 11. OIG’s Recent Data Quality-Related Reports

Area Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
90/10	We found that FSA had several processes for overseeing proprietary institutions’ compliance with 90/10 revenue requirements. However, we found the Department’s reports to Congress were not always timely and complete and the Department did not always publish 90/10 revenue information as required to best reach the public.

Area Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
Charter Schools	<p>We found that the Charter School Program office’s processes did not result in grant recipients reporting clear, reliable, and timely information. Their processes also did not result in the Charter School Program office receiving all the information needed to assess grant recipients’ performance or evaluate the overall effectiveness of the Charter School Program.</p> <p>We found that two grant recipients did not include complete and accurate information for all performance measures on which they were required to report in their annual performance reports. We also found that both grant recipients did not always retain records that supported the performance measures that they reported to the Department.</p>
Clery Act	<p>We found that two postsecondary institutions did not have effective controls to ensure they reported complete and accurate Clery Act crime statistics. We concluded that both schools’ Clery Act crime statistics were not complete and accurate and, as a result, neither school provided reliable information to current and prospective students, their families, and other members of the campus community for making decisions about personal safety and security.</p>
Digital Accountability and Transparency Act (DATA Act)	<p>An independent public accountant, with OIG oversight, determined that the Department submitted data of excellent quality based on guidance provided by the Council of Inspectors General on Integrity and Efficiency. It also determined that the Department implemented and used the governmentwide financial data standards established under the DATA Act. However, it found that Department did not submit certain data completely, accurately, or timely, and identified internal control deficiencies over the Department’s DATA Act submissions.</p>
Disaster Recovery	<p>We found that four SEAs did not ensure that the displaced student count data provided to the Department under the EIA program were accurate and complete. This included instances when students who did not change schools or did not transfer from a disaster area were included in displaced student counts, students withdrew from the school prior to the disaster or enrolled after the reporting date, and displaced student counts were not supported by adequate documentation.</p>
Experimental Sites Initiative	<p>We found that the Department is not complying with reporting requirements and had not published a comprehensive Experimental Sites Initiative report since the 2010–2011 award year report. This created a situation where the success or failure of the experiments conducted under the ESI has not been reported to those in Congress and the Department who could use the information to enhance higher education policy to better serve students.</p>
Pandemic Relief	<p>We found that grantees and subgrantees were not consistently reporting expenditures in the Federal Audit Clearinghouse. This included instances where grantees and subgrantees did not identify subprograms that their expenditures were awarded under. We also identified widespread variations of information used by other grantees and subgrantees to identify subprograms that their expenditures were awarded under.</p> <p>In our work relating to HEER reporting requirements, we were unable to locate Institutional portion reports on the websites for 19 percent of the recipients included in our nonstatistical sample. We also found that 22 percent of the recipients in our sample that reported expenditures in the ‘Other Uses’ category did not follow Department instructions or did not provide sufficient detail.</p>

Ongoing and Planned Work

Ongoing work in this area includes selected SEAs’ implementation of their Statewide accountability systems, selected SEAs’ oversight of EANS funds, and SEAs’ oversight of spending and educational

outcomes of the Prevention and Intervention Program for Children and Youth Who Are Neglected, Delinquent, or At Risk.

Our planned work for FY 2024 includes FSA's oversight of section 117 foreign gift and contract reporting requirements and the Department's oversight of Stronger Connections Grant reporting. Additional work will be performed based on the results of ongoing reviews and programmatic and grantee related risk assessments.

Progress in Meeting the Challenge

We assessed the Department's actions in response to this challenge at Level 4, or "Significant Progress." Overall, the Department identified root causes of the challenge and identified responsive activities through the design and implementation of data quality-related policies, training, and strategies. We found that this represented a comprehensive plan and that the planned activities have the potential to mitigate this challenge. The Department has partially implemented aspects of the plan and demonstrated some results that showed a positive effect on improving the quality of key data.

Data Quality Policies

The Department's priority corrective actions included updating and reissuing its Information Quality Guidelines in FY 2023. We reviewed the Information Quality Guidelines and found it requires significant activities in advance of data collection, including preparation of a data quality plan. The Information Quality Guidelines further require that plans address major aspects of data quality, such as utility, objectivity, and integrity. The data quality plans are required to identify primary uses and requirements for data collection, specify key data quality measures and targets, and address security and privacy controls. The Department has published a Data Quality Plan Template to help ensure that the quality of a data asset is planned for, documented, and addressed throughout the data management lifecycle. We reviewed the template and found it included fields that required respondents to identify aspects including the purpose of the data; data quality dimensions, measures, and targets; how related data standards are documented; and data quality assessments and timelines.

The Department prepared additional guidance to assist its offices in data quality efforts. This included a Data Quality Playbook which outlines strategies to consider in planning data collections associated with grant programs' processes. We reviewed the document and found that it included specific elements relating to understanding limitations, identifying standards, providing technical assistance, and addressing data quality errors. We also noted the Department issued a Data Quality Planning and Implementation Checklist. We reviewed that document and found it included reflection questions on areas such as data collection, data quality, and internal data control and governance.

The Department stated that it has applied this framework to data quality in its 2023 data collection for the Education Stabilization Fund (ESF) and plans to apply this to new data collections starting in 2024 when it implements its Data Quality Policy. The Department also reported outcomes that showed its ESF data collection improved. According to the Department, the number of ESSER-related business rules (which identify systematic errors and warnings to prevent incorrect or incomplete data reporting by grantees) was increased by 25 percent. Also, the Department stated that a total of 283 data quality issues were flagged across all States, compared to 183 data quality issues in the prior year.

Data Quality Training, Technical Assistance, and Shared Resources

The Department has also developed training on data quality and has plans to train grants personnel and eventually all staff on data quality practices. The Department specifically created training for its grant staff that is accessible through an online portal with subject matter that includes the Data Quality Playbook, Data Quality Projects, Data Quality Management, and the Data Quality Template. The Department's plans also included developing basic-level training for all Department staff that would provide information on data quality concepts, principles, tools, techniques, and best practices. Collectively, the training would serve to enhance operational capabilities and increase knowledge in this critical area.

The Department stated that it initiated activities in FY 2023 to provide data quality technical assistance that included consultations on the development of data quality plans and other support as needed. The Department also planned to develop rubrics that could be applied to assess data quality plans, provide a feedback mechanism on opportunities for improvement, and identify best practices that could be shared as a resource across the Department. Finally, the Department planned to develop and maintain additional data quality responses that will be accessible through a shared location.

Data Quality Strategies

The Department described additional data quality strategies that included updating collection forms; developing reporting templates, data dictionaries, and business rule guides; dedicating time for grantee contact to address data quality questions; and operating a help desk with contractor support. Successful implementation of these items would provide an additional opportunity to improve the quality of collected data.

Measurement and Desired Outcomes

In developing and implementing the plan, the Department demonstrated application of risk management principles and designed internal controls that should ensure the sustainability of its actions. The Department has plans to continue to implement its changes in FY 2024. The Department stated that outcomes would be assessed, in part, against goals relating to the Department's Fiscal Years 2022–2026 Strategic Plan. It also identified additional desired outcomes that included reduction in the number and scope of data quality-related audit findings, more efficient use of resources in supporting data collection, and increased confidence in and use of data to inform decision making.

What the Department Needs to Do

It will be important for the Department to fully implement its enterprise-wide initiatives and to demonstrate results of these efforts.

Related Reports and Statuses

Title	Status as of October 2023
90/10	-
U.S. Department of Education's Oversight and Reporting of Proprietary Institutions' 90/10 Revenue Information (A22NY0090, August 2023)	Open
Charter Schools	-
Effectiveness of Charter School Programs in Increasing the Number of Charter Schools (A21IL0034, September 2022)	Resolved
InspireNOLA Charter Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools (A18IL0012, September 2021)	Open
IDEA Public Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools (A05S0013, November 2019)	Closed
Clery Act	-
University of Texas at San Antonio's Controls Over Reporting Clery Act Crime Statistics (A09T0008, November 2020)	Closed
University of North Georgia's Controls Over Clery Act Reporting (A09T0006, September 2020)	Closed
Data Act	-
Performance Audit of the U.S. Department of Education's Digital Accountability and Transparency Act of 2014 Fiscal Year 2020 Quarter 4 Financial and Award Data (A21DC0032, November 2021)	Closed
Disaster Recovery	-
Puerto Rico Department of Education's Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A19GA0003, July 2022)	Open
Massachusetts Department of Elementary and Secondary Education's Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A19NY0012, January 2022)	Open
Florida Department of Education's Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A02T0006, January 2021)	Resolved
Texas Education Agency's Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A02T0001, March 2020)	Open
Pandemic Relief	-
Inconsistent Grantee and Subgrantee Reporting of Education Stabilization Fund Subprograms in the Federal Audit Clearinghouse (F21NF0037, August 2021)	Closed
Higher Education Emergency Relief Fund Reporting Requirements (I20DC0013, February 2021)	Closed

Management Challenge 6—Improper Payments

“Improper payments” are payments the government makes to the wrong person, in the wrong amount, or for the wrong reason. Although not all improper payments are fraudulent or represent a loss to the government, all improper payments degrade the integrity of government programs and compromise citizens’ trust in government. To reduce instances of improper payments, agencies must properly identify the cause of the improper payment, implement effective mitigation strategies to address the cause, and regularly assess the effectiveness of those strategies, refining them, as necessary.

The Payment Integrity Information Act of 2019 (PIIA) repealed and replaced several improper payments statutes and consolidated those laws’ requirements. PIIA requires Federal agencies to reduce improper payments and to report annually on their efforts. PIIA also requires each agency’s Inspector General to determine the agency’s compliance with the statute for each fiscal year.

FY 2024 Assessment: Level 3—Established Progress



For FY 2024, we assessed the Department’s actions in response to this challenge at Level 3, or “Established Progress.” Overall, the Department has developed a plan with the potential to mitigate major elements of this challenge. The plan included activities intended to help develop reliable estimates and reduce its estimates to less than 10 percent for each program where a rate is published and issuance of guidance intended to improve its payment integrity efforts. However, the Department did not provide significant information that clearly identified outcomes of its initiatives.

Why This Is a Challenge

The Department must ensure that the billions of dollars entrusted to it reach the intended recipients. In FY 2022, the Department identified the Federal Pell grant, Direct Loan, Title I, ESF, and Special Education Grants to States for Education of Children with Disabilities (Special Education) programs as being susceptible to significant improper payments.

We found that the Department published unreliable improper payment estimates for the Title I, Special Education, ESF, Pell, and Direct Loan programs for FY 2022. It is important for the Department to develop reliable estimates so that it can identify the root causes and take actions to prevent and reduce improper payments.

Audit Activity

The OIG’s review of the Department’s compliance with improper payment reporting requirements for FY 2022 found that the Department did not comply with PIIA because it did not meet one of the six compliance requirements. Specifically, the Department reported improper payment estimates for the Title I, Special Education, and ESF programs that exceeded 10 percent. As shown in Table 12, our recent improper payment audits identified opportunities for improvement in multiple areas.

Table 12. Results of Recent OIG Statutorily Required Improper Payment Audits

FY of Department's Reporting	Complied with Reporting Requirements	Identified Concerns
2022	No	<p>The Department did not comply with the PIIA because it did not meet one of its six compliance requirements. Specifically, the Department reported improper payment and unknown payment estimates for the Title I, Special Education, and ESF programs that exceeded 10 percent. The Department also published unreliable improper payment and unknown payment estimates for the Title I, Special Education, ESF, Pell, and Direct Loan programs. Specifically, for the Title I and Special Education programs, the improper payment and unknown payment estimates were based on inaccurate sampling populations. Further, for the Title I, Special Education, and ESF programs, the Department's testing results were inaccurate. Finally, the improper payment sampling and estimation plan for the Pell and Direct Loan programs included nonrandom student-level sampling.</p>
2021	No	<p>The Department did not comply with the PIIA because it did not meet one of its six compliance requirements. Specifically, the Department reported improper payment and unknown payment estimates for the Title I program that exceeded 10 percent. The Department also published unreliable improper payment estimates for the Title I, Pell, and Direct Loan programs. We found that the Department's improper payment sampling and estimation plan for the Title I program was not adequate for SEAs that use certain advance payment processes. We also found that the Department's sampling and estimation plans for the Pell and Direct Loan programs were unreliable because they included nonrandom student-level sampling.</p>
2020	No	<p>The Department did not comply with the PIIA because it did not meet two of the six compliance requirements. Specifically, the Department did not demonstrate improvement in reducing improper payments in the Direct Loan Program and reported improper payment rates that exceed 10 percent for the EIA and Restart programs. The Department also published unreliable improper payment estimates for the Pell, Direct Loan, EIA, Restart, and Emergency Assistance to Institutions of Higher Education programs. We found that the development of these estimates included the use of nonrandom samples, unsuitable sample weighting, or inaccurate and incomplete population sampling frames.</p> <p>We also found that the Department's improper payment risk assessment process needed strengthening. Specifically, the risk assessment performed for one program did not adequately support the Department's conclusion regarding its level of improper payment risk and the risk assessment the Department conducted on its contracts management activity was incomplete.</p>

Ongoing and Planned Work

Planned projects include our annual review of the Department's compliance with the improper payment reporting requirements and its efforts to prevent and reduce improper payments.

Progress in Meeting the Challenge

We assessed the Department's actions in response to this challenge at Level 3, or "Established Progress." Overall, the Department has developed a plan with the potential to mitigate major elements of this challenge. The plan included activities intended to help develop reliable estimates and reduce its estimates to less than 10 percent for each program where a rate is published and the issuance of guidance intended to improve its payment integrity efforts. However, the Department did not provide significant information that clearly identified outcomes of its initiatives.

Direct Loan and Pell Programs

The Department's plans included strategies to help produce appropriate estimates in accordance with PIIA requirements. This specifically focused on activities that would resolve differences between the OIG and FSA regarding the methodology used to develop improper payment estimates for the Direct Loan and Pell programs. Specifically, the Department noted that differences continue to exist between the OIG's conclusion that random sampling is required for a statistically valid sample for use in improper payment estimates and FSA statisticians' conclusion that sampling of Single Audit Act compliance audits of public and private, nonprofit institutions nationwide, which do not always use random sampling, provide quality data for statistically valid results.

In response, the Department noted that PIIA provides OMB the authority to approve agencies' improper payment estimation methodologies as appropriate given program characteristics and resources. The Department stated that it is seeking OMB approval to have its methodology approved as statistically valid.

The Department also stated that it continues to seek approval for changes to Single Audit Act guidance that would ensure that statistically valid data are provided by non-Federal auditors to support the Department's estimates. Either approach, if approved and effectively implemented, could address the reliability issues with the Direct Loan and Pell program improper payment estimates that our recent reports have identified.

Title I, Special Education, and ESF Programs

The Department's plans also included strategies to help ensure it can develop reliable estimates for its Title I, Special Education, and ESF programs. The Department stated that it initiated efforts to address weaknesses identified in previous audits. This would help ensure timely reporting of information provided by grantees that the Department uses in the development of improper payment estimates. The Department specifically stated that it categorized a large number and volume of payment samples as unknown payments because of difficulties in obtaining appropriate documentation from grantees. The Department further noted that this was a significant reason why it reported improper payment estimates exceeding 10 percent for each of these three programs and for the Department's overall noncompliance with PIIA. The Department stated that it is revising processes to provide more time for all grantees to respond to documentation requests, considering different approaches to test payments for a large grantee because of its advanced payment processes, providing technical assistance, and consulting with OMB on categorizing certain sampled payments. Collectively, these activities have the potential to mitigate this challenge.

Successful implementation of the actions identified for each of these programs, along with the effective execution of its sampling and estimation plans, could address this management challenge. We will audit the Department's compliance with PIIA in FY 2024, to include an assessment of the effectiveness and outcomes of its corrective actions. We note that the Department is repeating its previously unsuccessful attempts to address sampling issues with its Direct Loan and Pell grant programs. Should these efforts not succeed, we encourage the Department to consider other alternatives to addressing our findings as laid out in the 2022 PIIA report.

Payment Integrity Policy

The Department issued a new directive on payment integrity during FY 2023. We reviewed the directive and found it provides a framework that can help improve payment integrity in the Department's programs and administrative payment activities if effectively implemented. The directive specifically identified pre-payment controls that can help prevent improper payments from occurring. This included activities to help ensure that potential grantees understand critical payment integrity elements such as allowable use of funds, internal controls, payment documentation requirements, financial and cash management, cost principles, and traceability. Other identified pre-payment controls focused on Department staff using available Federal information systems to verify eligibility of a vendor, grantee, loan recipient, or beneficiary to receive Federal payments.

The directive also identified potentially beneficial during-payment and post-payment control activities. This included monitoring payments against approved budgets, applying special terms and conditions, and reviewing grant management system reports relating to large available balances and excessive drawdowns. The directive also required Department offices to establish and maintain effective internal controls over payments. Finally, it required development of a structured and systematic approach to recognize areas where the potential for improper payments may arise and to subsequently address the risk, as appropriate.

What the Department Needs to Do

Successful implementation of the Department's planned actions should address this management challenge. The Department stated that because of its efforts the improper payment rate estimates for the Title I, Special Education, and ESF programs will significantly improve for FY23 reporting. We will audit the Department's Improper Payment initiatives, as required, again in 2024.

Related Reports and Statuses

Title	Status as of October 2023
Compliance with Improper Payment Reporting Audits	-
<u>U.S. Department of Education’s Compliance with Improper Payment Reporting Requirements for FY 2022 (A23NY0119, July 2023)</u>	Resolved
<u>U.S. Department of Education’s Compliance with Improper Payment Reporting Requirements for FY 2021 (A22GA0050, June 2022)</u>	Resolved
<u>U.S. Department of Education’s Compliance with Improper Payment Reporting Requirements for Fiscal Year 2020 (A21GA0014, May 2021)</u>	Closed

Management Challenge 7—Information Technology Security

The Federal Information Security Modernization Act of 2014 (FISMA) requires the OIG to assess the effectiveness of the agency’s information security program. FISMA mandates that this evaluation includes (1) testing of the effectiveness of information security policies, procedures, and practices of a representative subset of the agency’s information systems; and (2) an assessment of the effectiveness of the information security policies, procedures, and practices of the agency.

Through the Office of the Chief Information Officer (OCIO), the Department monitors and evaluates the contractor-provided IT services through a service-level agreement framework and develops and maintains common business solutions required by multiple program offices. In addition to OCIO, FSA has its own chief information officer, whose primary responsibility is to promote the effective use of technology to achieve FSA’s strategic objectives through sound technology planning and investments, integrated technology architectures and standards, effective systems development, and production support.

FY 2024 Assessment: Level 4—Significant Progress



We assessed the Department’s actions in response to this challenge at Level 4, or “Significant Progress.” The Department’s actions and plans included activities intended to improve IT security and expand related operational capabilities. This framework establishes a comprehensive plan that may effectively mitigate key elements of the challenge. Implementation is ongoing and partial results have been demonstrated as shown in the results of our FISMA work.

Why This Is a Challenge

The Department’s systems house millions of sensitive records on students, their parents, and others, and are used to process billions of dollars in education funding. These systems are primarily operated and maintained by contractors and are accessed by thousands of authorized people (including Department employees, contractor employees, and other third parties such as school financial aid administrators). According to information on ITDashboard.gov, the Department requested more than \$1 billion for FY 2024 information technology (IT) related spending.

Considering increased occurrences of high-profile data breaches (public and private sector), the importance of safeguarding the Department’s information and information systems cannot be understated. Protecting this complex IT infrastructure from constantly evolving cyber threats is an enormous responsibility and challenge. Without adequate management and operational and technical security controls, the Department’s systems and information are vulnerable to attacks. Unauthorized access could result in lost data confidentiality and integrity, limited system availability, and reduced system reliability. For the last several years, IT security audits and financial statement audits have identified security controls that need improvement to adequately protect the Department’s systems and data.

Audits and Inspections Involving IT Security

Recent FISMA work has been performed under changing requirements. Specifically, the FY 2023 review required an assessment of 20 core and 20 supplemental reporting metrics, the FY 2022 review required an assessment of 20 core metrics, and the FY 2021 review required an assessment of 66 metrics.

As shown in Table 13, our recent reports, performed by a contractor with OIG oversight or by the OIG with contractor assistance, noted that the Department and FSA have made progress in strengthening their information security programs. Our FY 2021 FISMA review concluded that the Department and FSA were not effective⁷ in any of the nine FISMA metric domains. However, in FY 2022, based on the revised metric scoring, the Department and FSA were found to be effective in five of the nine FISMA metric domains. In FY 2023, again based on the revised metric scoring, the Department and FSA were found to be effective in eight of the nine FISMA metric domains.

Table 13. Results of FISMA Audits and Inspections—FY 2021–2023 Metric Domain Maturity Levels

Security Function and Metric Domain	FY 2021 Maturity Level	FY 2022 Maturity Level	FY 2023 Maturity Level
Identify: Risk Management	Level 3 Consistently Implemented	Level 3 Consistently Implemented	Level 4 Managed and Measurable
Identify: Supply Chain Risk Management	Level 2 Defined	Level 3 Consistently Implemented	Level 4 Managed and Measurable
Protect: Configuration Management	Level 3 Consistently Implemented	Level 4 Managed and Measurable	Level 4 Managed and Measurable
Protect: Identity and Access Management	Level 2 Defined	Level 3 Consistently Implemented	Level 3 Consistently Implemented
Protect: Data Protection and Privacy	Level 2 Defined	Level 3 Consistently Implemented	Level 4 Managed and Measurable
Protect: Security Training	Level 3 Consistently Implemented	Level 4 Managed and Measurable	Level 4 Managed and Measurable
Detect: Information Security Continuous Monitoring	Level 3 Consistently Implemented	Level 4 Managed and Measurable	Level 4 Managed and Measurable

⁷ FISMA maturity ratings are defined as Level 1: Ad-Hoc, Level 2: Defined, Level 3: Consistently Implemented, Level 4: Managed and Measurable, and Level 5: Optimized. A maturity rating of level 3 or below is considered not effective.

Security Function and Metric Domain	FY 2021 Maturity Level	FY 2022 Maturity Level	FY 2023 Maturity Level
Respond: Incident Response	Level 3 Consistently Implemented	Level 4 Managed and Measurable	Level 4 Managed and Measurable
Recover: Contingency Planning	Level 3 Consistently Implemented	Level 4 Managed and Measurable	Level 4 Managed and Measurable

However, as shown in Table 14, our recent FISMA audits and inspection included a range of findings across the cybersecurity framework security functions and their related metric domains.

Table 14. Results of OIG FISMA Audits and Inspections—Cybersecurity Framework Security Functions and Metric Domains with New Findings

Security Function and Metric Domain	FY 2021	FY 2022	FY 2023
Identify: Risk Management	Audit Finding	-	Audit Finding
Identify: Supply Chain Risk Management	Audit Finding	-	-
Protect: Configuration Management	Audit Finding	Inspection Finding	Audit Finding
Protect: Identity and Access Management	Audit Finding	Inspection Finding	Audit Finding
Protect: Data Protection and Privacy	Audit Finding	Inspection Finding	Audit Finding
Protect: Security Training	Audit Finding	-	-
Detect: Information Security Continuous Monitoring	Audit Finding	-	Audit Finding
Respond: Incident Response	Audit Finding	Inspection Finding	Audit Finding
Recover: Contingency Planning	Audit Finding	-	-

The Department's overall IT security program and practices were assessed to be effective in FY 2022 and FY 2023 based on review of the required FISMA metrics. However, recommendations were made in several areas where the Department and FSA could strengthen their controls. We noted that until the Department improves in these areas, it cannot ensure that its overall information security program adequately protects its systems and resources from compromise and loss. In addition, we note that the Department's technology environment is constantly evolving, bringing new threats and cybersecurity requirements. As technology environments evolve, it is important that the Department continues to ensure that it implements the respective security controls to protect its information and resources.

Recent audits of the Department's financial statements, performed by an independent public accountant with OIG oversight, have repeatedly identified IT controls as a significant deficiency. In its FY 2022 report, the independent public accountant noted that FSA management demonstrated progress in implementing corrective actions to remediate some prior-year deficiencies. However, they reported that management had not fully remediated prior-year deficiencies in areas such as logical access administration, separated or transferred user access removal, user access reviews and recertification, and configuration management.

The independent public accountant concluded that ineffective IT controls increases the risk of unauthorized use, disclosure, disruption, modification, or destruction of information and information systems that could impact the integrity and reliability of information processed in the associated applications.

Ongoing and Planned Work

Planned projects in this area will continue to determine whether the Department's and FSA's overall IT security programs and practices were generally effective as they relate to Federal information security requirements. Planned projects for FY 2024 include the Department's oversight and monitoring of IT inventory and the Department's oversight and management of its websites.

Progress in Meeting the Challenge

We assessed the Department's actions in response to this challenge at Level 4, or "Significant Progress." The Department's actions and plans included activities intended to improve IT security and expand related operational capabilities. Overall, the framework establishes a comprehensive plan that may effectively mitigate key elements of the challenge. Implementation is ongoing and partial results have been demonstrated as shown in the results of our FISMA work.

Improving IT Security

The Department's "Fiscal Years 2022–2026 Strategic Plan" includes an IT-related objective and identifies implementation strategies that include strengthening its management of value-added technologies and evolving its cybersecurity capabilities. The Department also developed an "Information Resources Management Strategic Plan FY 2022–2026" that established how the Department will use information management resources to support its mission. This includes goals of strengthening the Department's ability to protect and safeguard data housed within its systems, optimizing its risk posture, and maturing its ability to identify, protect, detect, respond, and recover from cybersecurity threats. This plan includes

objectives relating to enhancing capacity to manage cybersecurity risk, implementing enterprise controls to reduce risk, and maturing the Department's Security Operations Centers.

The Department identified implementation of a full Zero-Trust Architecture as a priority corrective action in response to this challenge. The Department stated it will adopt modern security best practices through this objective, including improving multi-factor authentication and encryption for data at rest and in transit. The Department further stated that this program will improve its security infrastructure, increase visibility across the security environment, and enhance data protection. The Department reported progress that included onboarding a Zero-Trust Architecture program manager and developing a project schedule for full implementation by the end of FY 2024.

The Department continues to make progress in fully implementing its enterprise identity, credential, and access management program (ICAM). For instance, it instituted multifactor authentication deployment across the Department by integrating personal identity verification validation for its personnel that resulted in improved deployment compliance. The Department also continues to modernize and enhance its Enterprise ICAM solution to align with OMB Memorandum M-22-09, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles*, by integrating with the ED Cyber Data Lake to develop a centralized identity dashboard to improve transparency into identity related metrics. In addition, Enterprise ICAM has integrated Login.gov authentication services for external users (i.e., public) to leverage a single secure sign-on authenticator to Department applications.

The Department reported additional plans to establish an IT Asset Management program, begin a transition to a new IT system hosting contract with increased security capabilities, and expand the Department's Continuous Diagnostics and Mitigation capabilities.

The Department also reported that it completed multiple initiatives in response to recent FISMA work. This included amending the vulnerability and patch management process to facilitate more timely resolution; establishing additional controls to update, remove, or replace obsolete or unsupported solutions and encryption protocols for operating systems; implementing a review process to improve management of the active directory user accounts and access termination; and enhancing oversight of privileged accounts.

Expanding Operational Capacity

The Department identified establishing and protecting dedicated lines of funding and personnel for the enterprise cyber and IT program as a second priority corrective action in response to this challenge. The Department stated that this effort would address the inadequate funding for IT and cybersecurity along with the staffing cuts, lack of adequate recruitment and retention, and lack of incentive pay flexibilities that hamper its efforts to compete with the Federal enterprise and private sector for cyber workforce. The Office of the Chief Information Officer stated that it was coordinating with the Department's budget services on this effort.

What the Department Needs to Do

As the Department continues its efforts to develop and implement an effective system of IT security controls, it will be important that it continues to focus on the timely and successful implementation of corrective actions in response to our audit work. It will also be important for the Department to

continue its efforts to advance its Zero Trust Architecture capabilities, as well as fully implement its identity, credential, and access management strategy.

Related Reports and Statuses

Title	Status as of October 2023
FISMA Audits and Inspections	
<u>The U.S. Department of Education’s Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2023 (A23IT0118, September 2023)</u>	Open
<u>The U.S. Department of Education’s Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2022 (I22IT0066, July 2022)</u>	Resolved
<u>The U.S. Department of Education’s Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2021 (A21IT0023, October 2021)</u>	Closed
Financial Statement Audits	
<u>FY 2022 Financial Statement Audit – U.S. Department of Education Report (A22FS0064, January 2023)</u>	Open
<u>FY 2022 Financial Statements Audit – Federal Student Aid Report (A22FS006522, January 2023)</u>	Open
<u>FY 2021 Financial Statement Audit – U.S. Department of Education Report (A21FS0021, November 2021)</u>	Completed
<u>FY 2021 Financial Statements Audit – Federal Student Aid Report (A21FS0022, November 2021)</u>	Completed
<u>FY 2020 – Financial Statements Audit – U.S. Department of Education (A17U0001, November 2020)</u>	Closed
<u>FY 2020 - Financial Statements Audit – Federal Student Aid (A17U0002, November 2020)</u>	Closed

Appendix A. Abbreviations and Acronyms Used in this Report

ARP	American Rescue Plan Act
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CRRSA	Coronavirus Response and Relief Supplemental Appropriations Act, 2021
DATA Act	Digital Accountability and Transparency Act
Department	U.S. Department of Education
Direct Loan	William D. Ford Federal Direct Loan
EANS	Emergency Assistance to Nonpublic Schools
EIA	Temporary Emergency Impact Aid for Displaced Students
ESF	Education Stabilization Fund
ESSER	Elementary and Secondary School Emergency Relief
FFATA	Federal Funding Accountability and Transparency Act
FISMA	Federal Information Security Modernization Act of 2014
FSA	Federal Student Aid
FY	fiscal year
GEER	Governor's Emergency Education Relief
GSA	General Services Administration
HEER	Higher Education Emergency Relief
ICAM	identity, credential, and access management program
IEP	individualized education program
IHE	institution of higher education
IT	information technology
LEA	local educational agency
OCIO	Office of the Chief Information Officer
OESE	Office of Elementary and Secondary Education
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education
Pell	Federal Pell Grant

PIIA	Payment Integrity Information Act of 2019
R2T4	Return to Title IV
Restart	Immediate Aid to Restart School Operations
SEA	State educational agency
Special Education	Special Education Grants to States for Education of Children with Disabilities
TEACH	Teacher Education Assistance for College and Higher Education
USDS	Unified Servicing and Data Solution


Department Comments



UNITED STATES DEPARTMENT OF EDUCATION OFFICE OF FINANCE AND OPERATIONS

November 8, 2023

TO: Sandra D. Bruce
Inspector General
U.S. Department of Education

FROM: Denise L. Carter 
Delegated the Duties of the Assistant Secretary
Office of Finance and Operations

SUBJECT: Response to Office of Inspector General Draft Report,
“FY 2024 Management Challenges Facing the U.S. Department of Education”

We appreciate the opportunity to provide input on the Office of Inspector General (OIG) draft report, *FY 2024 Management Challenges Facing the U.S. Department of Education* and would like to thank OIG for its communication and collaboration on management challenges during FY 2023.

The Department values the OIG’s perspective on risks and vulnerabilities related to programs and operations. Overall, the seven challenges identified by OIG are well-aligned with the Department’s own assessment of enterprise risks and respective targeted management efforts. In addition, we appreciate OIG’s development of a new framework for assessing Department progress in addressing challenge areas and concur with the assessment levels reported.

The Department implemented a new coordination strategy in FY 2023 to address OIG management challenges. This coordinating strategy focused on identifying and implementing priority corrective actions in response to last year’s report and tracking corresponding progress, all while proactively communicating with OIG. We believe this new strategy was instrumental in achieving and demonstrating the progress recognized in the draft report. Going forward, we plan to build on this success and leverage it in our FY 2024 coordination efforts, with modifications based on lessons learned from the initial year of implementation. These modifications will include earlier engagement with OIG in FY 2024 as to our planned corrective actions in response to the final report and periodic status updates at agreed-upon intervals.

We look forward to continued communication and collaboration with OIG on these issues.

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