FY 2020 Management Challenges Facing the U.S. Department of Education

November 2019

Please Note:

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

The Inspector General

November 12, 2019

TO: The Honorable Betsy DeVos
               Secretary of Education

FROM: Sandra Bruce
               Deputy Inspector General
               Delegated the Duties of Inspector General

SUBJECT: Management Challenges for Fiscal Year 2020

In compliance with the Reports Consolidation Act of 2000, the U.S. Department of Education (Department) Office of Inspector General (OIG) reports annually on the most serious management and performance challenges faced by the Department. In addition to the challenges themselves, these reports include a brief assessment of the Department's progress in addressing the challenges and identity further actions that, if properly implemented, could enhance the effectiveness of the Department's programs and operations.

The Government Performance and Results Modernization Act of 2010 identifies 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 Department to achieve its mission or goals. To identify management challenges, the OIG routinely examines past audit, inspection, and investigative work; reviews corrective actions that have not been completed; assesses ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyzes new programs and activities that could post significant challenges because of their breadth and complexity. Our assessment also considers the accomplishments reported by the Department as of September 30, 2019.

Our FY 2020 report identifies four management challenges facing the Department as it continues its efforts to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. We specifically retained all four management challenges from our FY 2019 report; although the Department has made progress in addressing these challenges, our work continues to identify vulnerabilities within each of these areas. Additional challenges may exist in areas that we have not recently reviewed.

We provided our draft report to Department officials and considered their comments in developing the final report. This report will be posted to our website at http://www2.ed.gov/about/offices/list/oig/managementchallenges.html.

We look forward to working with the Department to address the FY 2020 management challenges in the coming year. If you have any questions or would like to discuss these issues, please contact me at (202) 245-6900.

Contents

U.S. Department of Education
FY 2020 Management Challenges
At a Glance

What are Management Challenges?

The Government Performance and Results Modernization Act of 2010 identifies 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 past audit, inspection, and investigative work; 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 because of their breadth and complexity. Our assessment also considered the accomplishments the Department reported as of September 30, 2019.

What We Found

For FY 2020, we identified four 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) improper payments,
    (2) information technology security,
    (3) oversight and monitoring, and
    (4) data quality and reporting.

We specifically retained all four management challenges from our FY 2019 report; although the Department has made progress in addressing these challenges, our work continues to identify vulnerabilities within each of these areas. Additional challenges may exist in areas that we have not recently reviewed.

We provided our draft report to the Department and received individual responses for each management challenge. We summarize the Department's responses in the sections "Progress in Meeting the Challenge" of this report.

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 Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires Federal agencies to reduce improper payments and to report annually on their efforts. It specifically requires that each agency, in accordance with guidance prescribed by the Office of Management and Budget (OMB), periodically review all programs and activities that the agency administers and identify those that may be susceptible to significant improper payments. For each program and activity identified as susceptible to significant improper payments, the agency is required to produce a statistically valid estimate, or an estimate that is otherwise appropriate using a methodology that OMB approved, of the improper payments made by each program and activity. The agency must include those estimates in the accompanying materials to its annual Agency Financial Report.

IPERA also requires each agency's Inspector General to determine the agency's compliance with the statute for each fiscal year. To be considered compliant with IPERA, an agency must (1) publish an Agency Financial Report, (2) conduct a program-specific risk assessment, (3) publish improper payment estimates, (4) publish corrective action plans to reduce improper payments, (5) publish and meet improper payment reduction targets, and (6) report improper payment rates of less than 10 percent. Additionally, an Inspector General must evaluate the accuracy and completeness of the agency's reporting and performance in preventing, reducing, and recapturing improper payments.

Why This is a Challenge

The Department must ensure that the billions of dollars entrusted to it reach the intended recipients. The Department identified the Federal Pell Grant (Pell) and the William D. Ford Federal Direct Loan (Direct Loan) programs as susceptible to significant improper payments, and OMB has designated these programs as high-priority programs, which are subject to greater levels of oversight. As shown in Figure 1, annual outlays for these two programs were about $123 billion from FY 2016 through FY 2018. In its FY 2018 Agency Financial Report, the Department reported improper payments of $2.3 billion (8.15 percent of total outlays) for the Pell program and $3.8 billion (3.99 percent of total outlays) for the Direct Loan program using an OMB-approved nonstatistical sampling and estimation methodology.

Figure 1. Pell and Direct Loan Outlays FY 2016–2018 (Dollars in Millions)
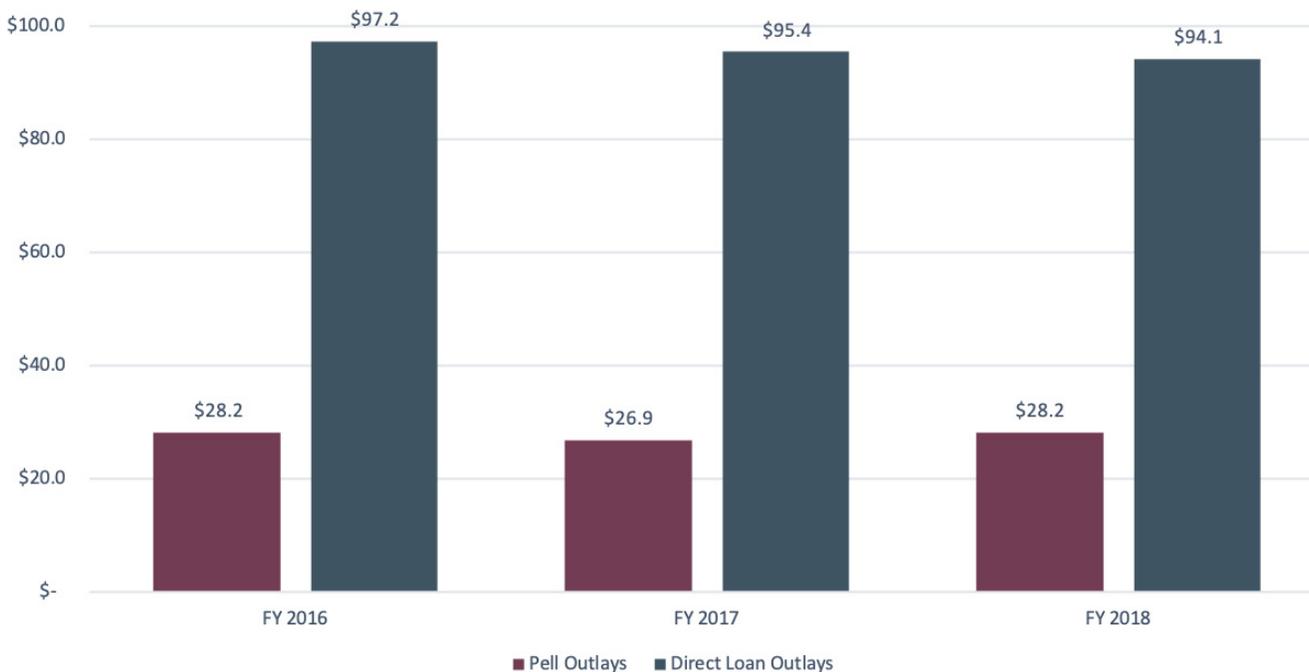
Source: U.S. Department of Education Agency Financial Reports (FY 2016–FY 2018)

The OIG's recent statutory work shows that the Department has made improvements towards meeting related requirements. However, as shown in Table 1, our audits have shown that the Department faces challenges to consistently meet key IPERA requirements.

Table 1. Results of Recent OIG Statutorily Required Improper Payment Audits

FY	Met Reduction Target for Direct Loan Program	Met Reduction Target for Pell Program	Accurate and Complete Improper Payments Estimation Methodology
2014	No	Yes	No
2015	No	Yes	No
2016	No	No	Yes
2017	Yes	No	Yes
2018	Yes	Yes	Yes

While our most recent audit concluded that the Department complied with IPERA for FY 2018, we found that the Department reported inaccurate and incomplete information regarding the amounts of identified and recaptured improper payments in its FY 2018 Agency Financial Report. As a result, we could not accurately evaluate the Department's performance in recapturing improper payments for its programs and activities.

In FY 2019, the Department implemented significant changes to its reporting on improper payments; specifically, it introduced new improper payment estimation methodologies for the Pell and Direct Loan programs and began estimating improper payments for two additional programs. Before FY 2019, FSA used OMB-approved nonstatistical sampling and estimation methodologies for its Pell and Direct Loan programs. Additionally, for FY 2019, the Immediate Aid to Restart School Operations Program and the Temporary Emergency Impact Aid for Displaced Students Program were designated as susceptible to significant improper payments. The Department plans to use statistically valid methodologies to estimate improper payments for all four programs. While the implementation of statistically valid estimation methodologies should improve the accuracy and reliability of the Department's improper payment estimates, we have not yet reviewed these new estimates and our past audits identified weaknesses in the Department's design and implementation of the methodologies used to estimate improper payments.

Other audit work has identified potential improper payments in the student financial assistance programs and by State educational agencies (SEAs) and local educational agencies (LEAs). Our semiannual reports to Congress from April 1, 2016, through March 31, 2019, included more than $712 million in questioned costs from audit activity and more than $84 million restitution payments from investigative activity. These examples demonstrate there may be other potential opportunities for the Department to identify and prevent improper payments.

Planned projects include our annual review of the Department's compliance with the improper payment reporting requirements and its performance in preventing, reducing, and recapturing improper payments. We will also complete a required risk assessment of the Department's purchase card program and, if deemed necessary, conduct an audit of Department purchase card transactions.

Progress in Meeting the Challenge

The Department stated that it implemented a statistically valid improper payment estimation methodology in FY 2019 that addressed the acknowledged limitations of the prior nonstatistically valid estimation methodology for both the Pell and Direct Loan programs. The methodology is based on a larger, random sample of the complete population of over 5,700 schools and uses data from the compliance audits performed by external auditors, as opposed to the prior methodology that used a smaller, nonstatistical sample of a subset of schools selected for program reviews. The Department noted that the new sampling methodology exceeded OMB's precision requirements for estimates of the percentage of improper payments.

According to the Department, this methodology improves the accuracy of the improper payment estimates allowing for more precise root cause analyses to improve corrective actions and improve the effectiveness of correction action plans to mitigate identified root causes. The Department further stated that using the new methodology has resulted in significantly lower improper payment estimates for the Pell Grant and Direct Loan Programs.

According to the Department, it remains committed to maintaining the integrity of payments to ensure that the billions entrusted to it reach intended recipients in the right amount and for the right purpose. To accomplish this, the Department stated it establishes policies, business processes, and controls over key payment activities, to include those pertaining to payment data quality, cash management, banking information, and financial reports. The Department noted that payment integrity includes robust controls designed to prevent, detect, and recover improper payments. In designing controls, the Department strives to strike the right balance between making timely and accurate payments and ensuring the controls put in place are not too costly or overly burdensome and thereby deter intended beneficiaries from obtaining funds they are entitled to receive. Additionally, the Department noted it must rely heavily on controls established by external entities that receive Department payments, including Federal, State, and private organizations and institutions, because those entities further distribute funds that they receive from the Department to subordinate organizations and individuals. Because these "third party" controls are outside of the Department's operational authority, they present a higher risk than the payments made directly by the Department, as evidenced by the Department's root cause analysis.

In addition, the Department stated that it is coordinating with the Treasury Department and OMB to pursue legislation that would authorize the Internal Revenue Service to disclose tax return information directly to the Department for the purpose of administering programs authorized by Title IV of the Higher Education Act of 1965, through which the Department awarded more than $122 billion in FY 2019. Several bills have been introduced in Congress that would amend the Internal Revenue Code to allow the Internal Revenue Service to

disclose tax return information to authorized Department officials for purposes of determining eligibility for, and amount of, Federal student financial aid. The Department expects the exemption would allow for significant simplification of and improvement to the administration of Title IV programs, including reduction in improper payments.

What the Department Needs to Do

This year marks a potential turning point in the Department's Improper Payments Management Challenge. The Department's development of a statistically valid estimation methodology is intended to allow for a more robust and accurate estimate of improper payments. The Department's draft estimates using this measure indicate that improper payments are much lower than what was estimated using its previous alternative approaches. However, the OIG has not assessed the Department's new estimation methodology or the accuracy and validity of the Department's new estimates. The OIG will review the accuracy and validity of these measurements as part of the FY 2019 IPERA audit. Depending on whether the OIG finds issues with the new estimation methodology and estimates, this Management Challenge Area is subject to review and reconsideration. We support the Department's efforts to pursue legislation that would allow it access to taxpayer information in order to reduce improper payments.

Related Reports and Status[1]

Report Category, Title, and Status as of October 1, 2019
IPERA Reports

- U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2018 (A04T0004, May 2019), **Resolved**

- U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2017 (A04S0003, May 2018), **Closed**

- U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2016 (A04Q0011, May 2017), **Closed**

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

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

---

[1] 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.

Report Category, Title, and Status as of October 1, 2019

Other Audits that Identified Potential Improper Payments

- Western Governors University Was Not Eligible to Participate in the Title IV Programs (A05M0009, September 2017), **Closed**

- University of Houston's Compliance with Verification and Reporting Requirements (A06S0007, November 2018), **Resolved**

- Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds (A05O0004, February 2018), **Closed**

Information Technology Security

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). As shown in Figure 2, the Department's total spending for information technology investments for FY 2019 was about $731 million and may exceed $760 million in FY 2020. The estimated FY 2020 information technology spending is an increase of about 13.8 percent from FY 2017 levels.

Figure 2. Department Total Information Technology Spending FY 2017–2020 (Dollars in Millions)
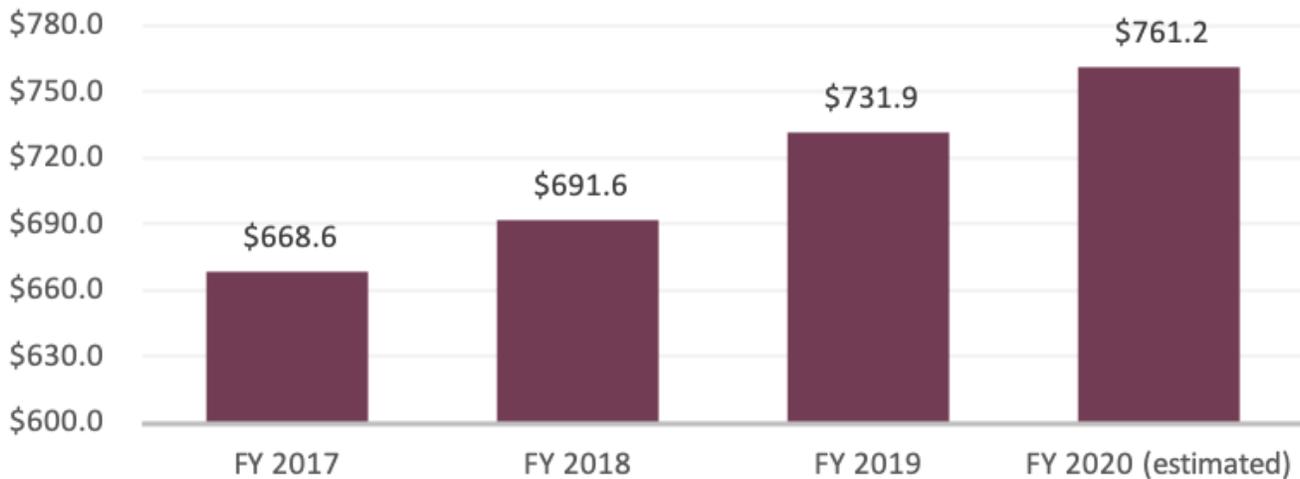
Source: Information Technology Agency Summary, ITDashboard.gov

Through the Office of the Chief Information Officer (OCIO), the Department monitors and evaluates the contractor-provided information technology services through a service-level agreement framework and develops and maintains common business solutions required by multiple program offices. OCIO is responsible for implementing the operating principles established by legislation and regulation, establishing a management framework to improve the planning and control of information technology investments, and leading change to improve the efficiency and effectiveness of the Department's operations. In addition to OCIO, Federal Student Aid (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.

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.

Why This Is a Challenge

In light of 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 information technology infrastructure from constantly evolving cyber threats is an enormous responsibility and challenge. Without adequate management, 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, information technology security audits and financial statement audits have identified security controls that need improvement to adequately protect the Department's systems and data.

Our recent reports on the Department's compliance with FISMA, performed by the OIG with contractor assistance, noted that the Department and FSA made progress in strengthening their information security programs. However, as shown in Table 2, our FY 2017 and FY 2018 FISMA audits included findings and repeat findings across all five cybersecurity framework security functions developed by the Council of the Inspectors General on Integrity and Efficiency, OMB, and the Department of Homeland Security and within each of their related metric domains. Both audits concluded that the Department and FSA were not effective in any of the five security functions—Identify, Protect, Detect, Respond, and Recover.

Table 2. Results of OIG FISMA Audits—Cybersecurity Framework Security Functions and Metric Domains with Findings and Repeat Findings

	Identify		Protect				Detect	Respond	Recover
FY	Risk Management	Contractor Systems	Configuration Management	Identity and Access Management	Data Protection and Privacy	Security and Privacy Training	Information Security Continuous Monitoring	Incident Response	Contingency Planning
2018	Repeat Finding[2]	N/A[3]	Repeat Finding	Repeat Finding	Finding	Repeat Finding	Repeat Finding	Repeat Finding	Repeat Finding
2017	Finding	Finding	Finding	Finding	N/A[4]	Finding	Repeat Finding	Repeat Finding	Finding

Each of our recent FISMA reports recommended ways the Department and FSA could increase the effectiveness of their information security program so that they fully comply with all applicable requirements. Our FY 2018 FISMA audit specifically noted that the Department and FSA could strengthen their controls in areas such as (1) corrective action plan remediation (risk management); (2) reliance on unsupported operating systems, databases, and applications in its production environments (configuration management); (3) removing access of terminated users to the Department's network (identity and access management); (4) protecting personally identifiable information (data protection and privacy); (5) fully implementing its Continuous Diagnostics and Mitigation program (information security continuous monitoring); and (6) ensuring functionality of data loss prevention tools (incident response). We made recommendations to help the Department and FSA fully comply with all applicable requirements.

Recent audits of the Department's financial statements, performed by an independent public accountant with OIG oversight, have consistently identified information technology control as a significant deficiency. While the independent public accountants noted that the Department and FSA management demonstrated progress in addressing some of the deficiencies, they also generally concluded that ineffective information technology controls increase the risk of unauthorized

---

[2] Repeat findings are current report findings with the same or similar conditions contained in prior OIG reports.

[3] Contractor systems was not a metric domain for the FY 2018 FISMA audit.

[4] Data protection and privacy was not a metric domain for the FY 2018 FISMA audit.

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.

Our investigative work in this area identified a cyber-crime scheme targeting Federal student financial assistance funds. This involved the use of phishing to obtain student's log in credentials and then using this information to access school's systems to change the student's direct deposit information. We issued a memorandum that informed the Department that the lack of two-factor authentication contributed to this incident and recommended the Department take steps to advise schools of this threat. The Department subsequently issued a public advisory regarding the scheme.

Planned projects in this area will determine whether the Department's and FSA's overall information technology security programs and practices were generally effective as they relate to Federal information security requirements.

Progress in Meeting the Challenge

The Department stated that it successfully completed an information technology migration that transitioned core services and capabilities to new service providers during FY 2019. The Department stated this included the deployment of new tools that make the Department's information technology environment more secure. The Department cited specific improvements that included improved spam filtering, antiphishing, and geo-blocking capabilities.

The Department also noted that it revised its Information Security Program's policy framework to include a new review and approval process for cybersecurity policies, standards, and instructions. The Department believed that multiple new features, including automated workflows and defined review timelines, will improve the Department's ability to provide critical time sensitive guidance to Department information technology systems stakeholders.

The Department stated that it made significant progress to maintain an accurate system inventory, communicate the impact of identified cybersecurity risks, and actively manage its Plans of Actions and Milestones.[5] As part of this ongoing work, the Department continued to publish Cybersecurity Framework Risk Scorecards that serve as a tool to prioritize and mitigate risks to the Department's information systems. The Department added that the Cybersecurity Framework Risk Scorecard was enhanced during FY 2019 to allow for automated risk scoring, improved accessibility, more granular and user-friendly data filtering capabilities, and enhanced data modeling. The Department also stated that it had increased communication through targeted briefings for specific stakeholders on subjects that included Cybersecurity Framework Risk Scorecard results, phishing exercises, and current cyber threats. The Department believed that these processes enabled it to better prioritize resources to resolve identified vulnerabilities. The Department reported that this prioritization led to the closure of all past due Plans of Action and Milestones for the Department's High Value Assets. The Department also

---

[5] Plans of Action and Milestones are management tools for tracking the mitigation of cyber security program and system level findings and weaknesses

noted that it had reduced total Plans of Action and Milestones by more than 83 percent and delayed Plans of Action and Milestones by 95 percent.

The Department stated that it had made substantial progress in the development of an enterprise Identity Credential and Access Management solution. The Department expects this solution will provide the ability to centrally and securely manage enterprise identity, user accounts, and user's roles within and across Department systems and applications. The Department stated that it plans to deploy the Identity Credential and Access Management solution into the Department's production environment in FY 2020.

The Department noted that it has worked with the Department of Homeland Security to mature its Continuous Diagnostics and Mitigation implementation by incorporating additional program elements of the Dynamic and Evolving Federal Enterprise Network Defense series of task orders. The Department reported that it also engaged with non-government organizations to expand and improve information sharing and communication to protect our nation's students from cyber threats. The Department believes it has opportunities to contribute operationally, tactically, and strategically to strengthen cybersecurity protections within the educational community. For example, in FY 2019, the Department was able to leverage the relationship with the education community to quickly collaborate on a cybersecurity alert and enlist its assistance with promulgating the message.

Finally, the Department stated that it has managed a significant amount of transition risk and made significant progress during FY 2019 to strengthen the Department's information security program. It believed that the infrastructure, processes, and tools deployed in FY 2019 created an environment for further growth in maturing its programs during FY 2020.

What the Department Needs to Do

The Department relies on information technology to manage its core business operations and deliver products and services to its many stakeholders. The OIG has consistently reported concerns regarding the overall effectiveness of the Department's information technology security program through our annual FISMA audits, financial statement audits, and management challenges reports. While the Department reported significant progress towards addressing long-standing concerns, managing information technology security programs and practices to effectively reduce risk to the Department's operations is a clear and ongoing management challenge. Specifically, we continue to identify significant weaknesses in our annual FISMA audits—despite the Department's reported corrective actions to address our prior recommendations.

We commend the Department for addressing these weaknesses and continuing to place a priority on improving its information technology security program. Our FISMA report for FY 2018 noted that the Department and FSA had made improvements in developing and strengthening their security programs, but also identified continued weaknesses. Overall, the Department needs to continue its efforts to develop and implement an effective system of information technology security controls, particularly in the areas of configuration management, identity and access management, and information security continuous monitoring. Within configuration management, we identified weaknesses where (1) the Department

is not consistently ensuring the use of secure connections; (2) the Department and FSA continued to use outdated secure connection protocols; and (3) FSA is using unsupported operating systems, databases, and applications in its production environment. Within identity and access management, we identified weaknesses where (1) the Department has not fully implemented its identity, credential, and access management strategy; (2) FSA has not fully implemented a process for identifying, managing, or tracking activity of privileged accounts; and (3) the Department did not remove terminated users from its network. For information security continuous monitoring, stakeholders are unable to perform monitoring functions in the Cyber Security Assessment and Management tool.

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

Related Reports and Status

Report Category, Title, and Status as of October 1, 2019

FISMA Audits

- The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2018 (A11S0001, October 2018), **Resolved**

- The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2017 (A11R0001, October 2017), **Completed**

- The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2016 (A11Q0001, November 2016), **Closed**

Financial Statement Audits

- FY 2018 Financial Statements Audit—U.S. Department of Education (A17S0001, November 2018), **Resolved**

- FY 2018 Financial Statements Audit—Federal Student Aid (A17S0002, November 2018), **Resolved**

- FY 2017 Financial Statements Audit—U.S. Department of Education (A17R0001, November 2017), **Resolved**

- FY 2017 Financial Statements Audit—Federal Student Aid (A17R0002, November 2017), **Resolved**

- FY 2016 Financial Statements Audit—U.S. Department of Education (A17Q0001, November 2016), **Closed**

- FY 2016 Financial Statements Audit—Federal Student Aid (A17Q0002, November 2016), **Closed**
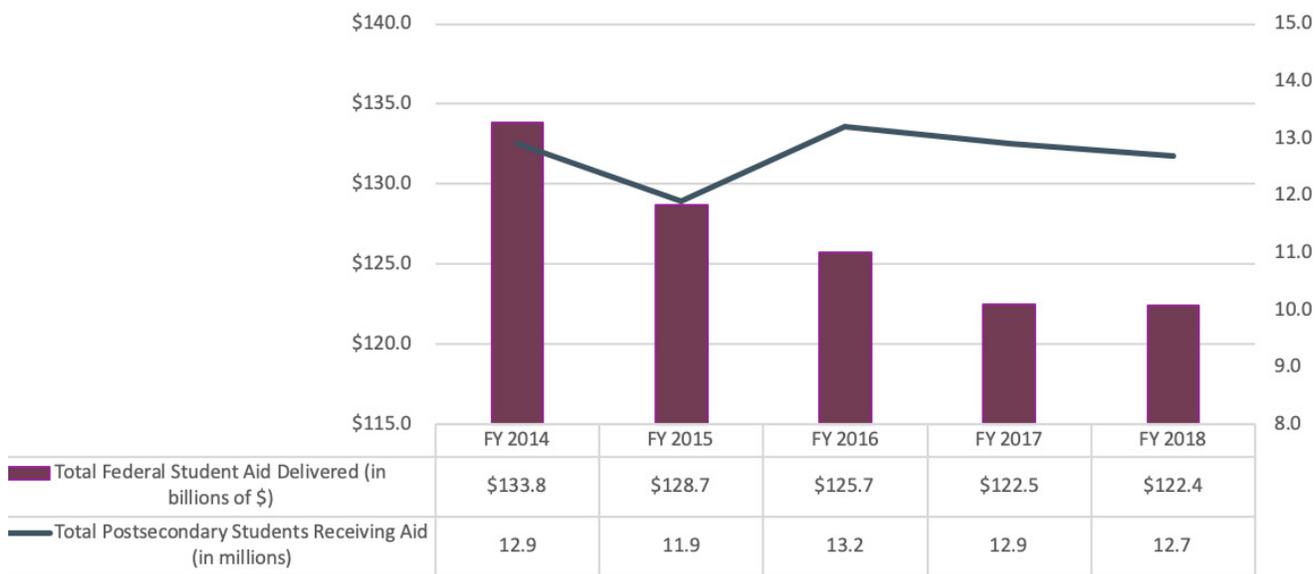
Oversight and Monitoring

Effective oversight and monitoring of the Department's programs and operations are critical to ensure that funds are used for the purposes intended and programs are achieving goals and objectives. This is a significant responsibility for the Department given the numbers of different entities and programs requiring monitoring and oversight, the amount of funding that flows through the Department, and the impact that ineffective monitoring could have on stakeholders. Two subareas are included in this management challenge: student financial assistance programs and grantees.

Student Financial Assistance Programs

FSA, as a principal office of the Department, seeks to ensure that all eligible individuals can benefit from Federal financial assistance for education beyond high school. FSA is the nation's largest provider of student financial aid and is responsible for implementing and managing the Federal student financial assistance programs authorized under Title IV of the Higher Education Act of 1965, as amended. These programs provide grants, loans, and work-study funds to students attending colleges or career schools. FSA also oversees about 6,000 postsecondary institutions that participate in the Federal student aid programs.

Figure 3. Student Aid Delivered and Postsecondary Students Receiving Aid FY 2014–FY 2018

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Total Federal Student Aid Delivered (in billions of $)	$133.8	$128.7	$125.7	$122.5	$122.4
Total Postsecondary Students Receiving Aid (in millions)	12.9	11.9	13.2	12.9	12.7

Source: U.S. Department of Education Agency Financial Reports FY 2014–FY 2018

In FY 2018, FSA performed these functions with an administrative budget of $1.5 billion and 1,257 employees, along with contractors that provide outsourced business operations. As shown in Figure 3, FSA delivered an average of about $126.2 billion in Federal student aid to more than 12.7 million students each year from FY 2014 to FY 2018.

Within the Department, FSA administers the Federal student assistance programs, and the Office of Postsecondary Education develops Federal postsecondary education policy and regulations for the Federal student assistance programs. The Office of Postsecondary Education 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 and programs offer.

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 lenders, guaranty agencies, postsecondary institutions, contracted servicers, collection agencies, and accrediting agencies.

Our audits involving the oversight and monitoring of student financial assistance programs continue to identify instances of noncompliance as well as opportunities for the Department to further improve its processes. The OIG's audit related work within this area has covered a wide range of activities, including the following.

Activities Reviewed	Review Results
Accreditation	We found that the Department's process for reviewing agency petitions for recognition did not provide reasonable assurance that Department recognized only agencies meeting Federal criteria. We also reported that OPE's post-recognition oversight was not adequate to ensure agencies consistently and effectively carried out their responsibilities.
Contractor Oversight	In our audit of FSA's oversight of loan servicers, we found that FSA did not track all identified instances of loan servicer noncompliance and rarely held loan servicers accountable for noncompliance with requirements. We also noted that information that FSA collected was not always sufficient to ensure that loan servicers complied with requirements for servicing federally held student loans.
	In an audit of FSA's contractor personnel security clearance process, we found that FSA had not effectively implemented Department requirements and ensured that all contractor employees had appropriate security screening.
Satisfactory Academic Progress	We found that FSA did not always ensure that schools completed corrective actions related to satisfactory academic progress findings that independent public accountants identified in compliance audits and FSA identified in program reviews.
School Closures	We found that FSA could enhance its policies and procedures to help ensure that it takes timely and appropriate action to resolve schools' composite score appeals. FSA should also implement controls to prevent schools from manipulating their composite scores to avoid sanctions or increased oversight.
School Compliance with the Higher Education Act and Tile IV Regulations	We found that a school became ineligible to participate in the Title IV programs because it did not comply with the institutional eligibility requirement that limits the percentage of regular students who may enroll in correspondence courses. We also found that the school did not always comply with the requirements governing disbursements or return of Title IV aid.
Verification of Free Application for Federal Student Aid (FAFSA) Data	We found that FSA did not evaluate its process for selecting FAFSA data elements that institutions were required to verify and generally did not effectively evaluate and monitor its processes for selecting students for verification. We also performed a series of external audits of selected schools to assess their compliance with Federal verification and reporting requirements. Of five schools covered by these audits, two did not always complete verification of applicant data in accordance with Federal requirements, and one did not always accurately report verification results to FSA.

The OIG's investigative work continues to identify fraud, waste, and abuse of student financial assistance program funds. This includes the following areas.

Activities Reviewed	Review Results
Institutions	An OIG investigation identified an instance where a school violated the Federal ban on incentive compensation. Title IV of the Higher Education Act prohibits any institution that receives Federal student aid from compensating student recruiters with a commission, bonus, or other incentive payment based on the recruiters' success in securing student enrollment. The incentive compensation ban protects students against admissions and recruitment practices that serve the financial interests of the recruiter rather than the educational needs of the student.
School Officials	OIG investigations identified improper activities of school officials that included falsifying student eligibility information, embezzling portions of student's Federal student financial assistance awards, using a corporate credit card for personal benefit, and overriding academic holds on students' financial aid records to allow improper award and disbursement of Federal student assistance.

Activities Reviewed	Review Results
Program Participants	OIG investigations identified instances where program participants gave kickback payments in exchange for unjustified financial aid payments, used fraudulently obtained social security numbers to obtain Direct Loans, and made false claims of earning a high school diploma to receive student financial assistance.
Distance Education Fraud Rings	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) in order to fraudulently obtain Federal student aid.

Our ongoing audit and inspection work in this area includes reviews of the Department's compliance with regulations in its recognition of a selected accreditor, involvement in and oversight of activities related to the sale and operations of a chain of career colleges, and controls over institutional processes for completing verification and reporting results. Additional planned projects for FY 2020 include audits of schools' compliance with career pathway programs and ability to benefit provisions, schools' use of online program management providers, FSA's transition to the Next Generation Financial Services Environment, and FSA's implementation of its Next Generation Payment Vehicle Account Program pilot.

Progress in Meeting the Challenge

The Department and FSA stated that they continue to improve the risk-based oversight and monitoring of the student financial assistance programs, including the oversight and monitoring of servicers and vendors, schools, accrediting agencies, and the provision of aid to program participants.

Oversight and Monitoring of Contractors, Including Servicers and Vendors

FSA stated that its current oversight and monitoring environment includes policies and procedures that work to ensure high performance from contractors and to prevent fraud, waste and abuse. FSA added that it is focused on enforcing high-quality loan servicer performance to improve the value of products and services that FSA provides. According to FSA, its Chief Operating Officer has conducted onsite visits with all loan servicers to emphasize expectations for consistent and high-quality service. FSA stated that it conducts daily monitoring and oversight of all loan servicers, including regularly monitoring all servicers' telephone interactions with borrowers. FSA stated that it compiles customer satisfaction survey scores and default prevention statistics for each Federal loan servicer every 6 months to determine each servicer's allocation of loan volume. FSA also noted that it has implemented improvements in response to specific issues identified within this area by the OIG.

According to FSA, because it continually strives to improve oversight and monitoring of contractors, it has launched the Next Gen FSA initiative. FSA stated that a key element of Next Gen FSA will be restructuring systems, processes, and contracts to introduce even greater accountability based on more target standards, metrics, and incentives and disincentives to drive outstanding performance, particularly

from loan servicers. Under Next Gen FSA, FSA plans to take an enhanced approach to vendor oversight.

Oversight and Monitoring of Schools

To improve its oversight and monitoring of schools participating in Title IV programs, FSA stated that it has worked to address weaknesses in the single audit process in order to improve its use as an oversight and monitoring tool for schools' disbursements of Pell Grants and Direct Loans. FSA further stated that it plans to deploy an analysis model, as early as the end of FY 2020, to continually monitor partner data and performance. FSA noted that this will improve its ability to identify schools most at-risk and allow it to more effectively use oversight and monitoring resources by informing and prioritizing support for schools. FSA also stated that it has implemented improvements in response to specific issues within this area that were identified by the OIG.

Oversight and Monitoring of Accrediting Agencies

According to the Department, over the course of the next several years, it will implement additional risk-based procedures to evaluate an accrediting agency's ability to effectively determine and measure schools' compliance with accreditation standards. Additionally, the Department will develop a risk-based methodology to identify agencies at higher risk of failing to meet statutory and regulatory requirements and additional procedures to prioritize oversight of those higher risk agencies.

Oversight and Monitoring of Applicants, Aid Recipients, and Borrowers

FSA stated that it has implemented an improved model for verification selection and evaluation of data elements from the Federal student aid application. According to FSA, this allows it to better identify applicants for which errors will result in a change in their Federal aid award, potentially reducing improper payments. FSA stated that it continually seeks to improve its verification process for the Federal student aid application and is seeking cost-effective options to verify borrower income and family size reporting when borrowers apply for income driven repayment plans. The Department has worked with the Treasury Department and OMB to propose legislation for an exemption to the Internal Revenue Code that would allow FSA to directly access tax return information. The exemption would greatly reduce verification burden at the time of application for financial aid and would enable FSA to verify borrower's information when applying for income-driven repayment plans. Additionally, FSA anticipates undertaking a 12-month pilot project to assess the incidence of error or fraud in determining monthly payment amounts under income-driven repayment plans. Based on the results of the pilot project, FSA will determine the additional procedures needed, if any, to review and verify income for borrowers reporting zero income on income driven repayment plan applications and procedures to review and substantiate borrowers' reported family size.

FSA stated that it implemented a case management platform to improve the processing of OIG distance education fraud ring referrals during FY 2019. FSA stated that this platform allows it to more easily obtain and analyze the data from the referrals to better detect and prevent fraud.

What the Department Needs to Do

Through the Next Gen FSA initiative, FSA seeks to create an improved, world-class customer experience for FSA's millions of customers. FSA envisions that this initiative will create a more agile, flexible model that will streamline FSA's existing operations, improve the integrity of the Title IV programs, and transform how it provides oversight of organizations that support its mission. The Next Gen FSA initiative involves a multistage procurement process intended to identify vendors most capable of supporting the implementation. While the Next Gen FSA initiative has significant potential to improve FSA's ability to oversee and hold accountable its key contractors servicing Federal student aid, the initiative is still in its early phases of implementation. It will be important for FSA to ensure that this initiative is effectively implemented and that it follows through to hold its contractors accountable for effectively administering their responsibilities. The Department should position itself to clearly demonstrate the effectiveness of its initiatives to improve oversight of student financial assistance programs by setting goals for and measuring results that demonstrate progress of its efforts.

Our audits and investigations of student financial assistance program participants and audits of the Department's related oversight and monitoring processes will continue to assess a variety of effectiveness and compliance elements, with a particular focus on FSA's implementation of its Next Gen initiative. This area remains a management challenge given our continued findings in this area.

Related Reports and Status

Report Category, Title, and Status as of October 1, 2019
Accreditation
• U.S. Department of Education's Recognition and Oversight of Accrediting Agencies (A09R0003, June 2018), **Resolved**
Contractor Oversight
• Federal Student Aid: Additional Actions Needed to Mitigate the Risk of Servicer Noncompliance with Requirements for Servicing Federally Held Student Loan (A05Q0008, March 2019), **Completed**
• Federal Student Aid's Contractor Personnel Security Clearance Process (A19R0003), **Resolved**
Satisfactory Academic Progress
• Federal Student Aid's Oversight of Schools' Compliance with Satisfactory Academic Progress Regulations (A04S0012, July 2019), **Resolved**
School Closures
• Federal Student Aid's Processes for Identifying At-Risk Title IV Schools and Mitigating Potential Harm to Students and Taxpayers (A09Q0001, February 2017), **Closed**
School Compliance with the Higher Education Act and Title IV Requirements
• Western Governors University Was Not Eligible to Participate in the Title IV Programs (A05M0009, September 2017), **Closed**

Report Category, Title, and Status as of October 1, 2019

Verification of FAFSA Data

- South Florida Institute of Technology's Compliance with Federal Verification and Reporting Requirements (A06T0004, September 2019), **Open**

- DeVry University's Compliance with Federal Verification and Reporting Requirements (A05T0009, August 2019), **Closed**

- University of Houston's Compliance with Verification and Reporting Requirements (A06S0007, November 2018), **Resolved**

- College of Southern Nevada Complied with Federal Verification and Reporting Requirements (A05S0012, November 2018), **Closed**

- MiraCosta College's Compliance with Verification and Reporting Requirements (A02S0007, November 2018), **Closed**

- Federal Student Aid's Process to Select Free Application for Federal Student Aid Data Elements and Students for Verification (A02Q0007, April 2019), **Resolved**

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 eligible recipients and monitoring their progress in meeting program objectives, ensuring that programs are administered fairly, ensuring grants are executed in conformance with both authorizing statutes and laws prohibiting discrimination in federally funded activities, collecting data and conducting research on education, and helping to focus attention on education issues of national importance. The funding for many grant programs flows through primary recipients, such as SEAs, to subrecipients, such as LEAs or other entities. The primary recipients must oversee and monitor the subrecipients' activities to ensure compliance with Federal requirements.

The Department's early learning, elementary, and secondary education programs annually serve about 18,300 public school districts and over 55 million students attending more than 98,000 public schools and 34,000 private schools. The Department awards discretionary grants using competitive processes and priorities and formula grants using formulas determined by Congress. In all cases, the Department's activities are governed by the program authorizing legislation and implementing regulations. One of the key programs the Department administers is Title I, Part A. Under the President's FY 2020 budget request, this program would deliver more than $15.8 billion for local programs that provide extra academic support to help about 25 million students in high-poverty schools meet State academic standards. Another key program is the Individuals with Disabilities Education Act, Part B Grants to States. This program would provide more than $12.3 billion to help States and school districts meet the special educational needs of an estimated 7 million students with disabilities.

Why This Is a Challenge

Effective monitoring and oversight are essential to ensure that grantees meet grant requirements and achieve program goals and objectives. Our recent audits

related to several grant programs identified weaknesses in grantee oversight and monitoring that included concerns with SEA and LEA controls and Department oversight processes.

Our recent audits at the SEA and LEA levels identified weaknesses that could have been limited through more effective oversight and monitoring. The internal control issues identified within these areas could impact the effectiveness of the entities reviewed and their ability to achieve intended programmatic results. This included work related to the following programs and activities.

Activities Reviewed	Review Results
Adult Education	We identified opportunities for an SEA to better ensure that it used funds in compliance with applicable laws and regulations and obtained and reviewed single audit reports of subgrantees.
Auditee Response to Prior Audit Findings	In our series of work on the status of corrective actions on previously reported Title I findings at four school districts, we found weaknesses in the design or implementation of related procedures at three of the four districts.
Disaster Recovery	We have issued two reports relating to disaster recovery funding authorized under the Bipartisan Budget Act of 2018. We identified weaknesses at two SEAs in areas that included programmatic monitoring processes, internal audit division staffing, processes to assess fraud risks, internal controls over procurement, and segregation of duties.
McKinney-Vento Homeless Assistance Act	We found that an SEA generally provided effective oversight of LEAs and coordinated with other entities to implement selected requirements related to identifying and educating homeless children and youths. However, we noted that the SEA could improve its internal controls by better documenting policies, procedures, and roles.
Statewide Longitudinal Data Systems	We found that an SEA's Statewide Longitudinal Data System and data warehouse did not meet minimum security requirements. This increased the risk of breaches that could compromise any stored personally identifiable information. We identified similar issues in earlier audits of two other SEAs' internal controls to protect personally identifiable information in their Statewide Longitudinal Data Systems.
Single Audit Resolution	We issued a management information report to highlight areas of concern related to work performed in three States. The report included suggested actions that the Department should take to improve SEA oversight of the LEA single audit resolution process.

Our recent audits of 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. Our work included audits within the following areas.

Activities Reviewed	Review Results
Federal Funding for Charter Schools	We found that the Department's oversight and monitoring efforts were not effective to ensure that the SEAs performed charter school closure processes in accordance with Federal laws and regulations. The Department did not provide adequate guidance to SEAs on how to effectively manage charter school closures and did not monitor SEAs to ensure that they had an adequate internal control system for the closure of charter schools.

Activities Reviewed	Review Results
Indian Education	We identified weaknesses in the Department's monitoring activities that included a lack of policies and procedures on monitoring grantees' performance and use of funds. We found that monitoring efforts were primarily limited to ensuring that grantees spent funds by established deadlines.
Rehabilitative Services	We identified weaknesses in controls over the data quality of case service reports in areas that included monitoring procedures, data certifications, and procedures related to the use of edit check programs.
Statewide Longitudinal Data Systems	We found that the Department lacked controls to ensure that grantees followed grant requirements regarding the protection of personally identifiable information in their Statewide Longitudinal Data Systems. This included a lack of monitoring to ensure that grantees followed their State laws and regulations regarding IT system security to prevent and detect unauthorized access and disclosure of personally identifiable information.

The OIG's investigative work continues to identify fraud relating to Federal education grant programs. This includes the following areas.

Activities Reviewed	Review Results
Contractors	OIG investigations identified instances were contractors invoiced for services that it did not perform, fraudulently obtained contracts, committed bribery, and made kickback payments.
LEA Officials	OIG investigations identified instances where LEA officials allowed fraudulent credit card use in exchange for kickbacks, embezzled cash, and executed a scheme to obtain funds for personal use by creating false invoices and issuing fraudulent checks.
Charter School Officials	OIG investigation identified instances where charter school officials improperly awarded a no-bid contract for equipment on campus that had not been constructed in exchange for cash payments, embezzled funds intended for the operation of a charter school, and used school credit cards to purchase items for personal use.

Ongoing work in this area includes reviews of the Charter School Program Grants for Replication and Expansion of High-Quality Charter Schools, Immediate Aid to Restart School Operations and Temporary Emergency Impact Aid for Displaced Students programs, and oversight of virtual charter schools' implementation of selected requirements under IDEA. Planned projects for FY 2020 include work on statewide accountability systems under the Every Student Succeeds Act, controls over Student Support and Academic Enrichment Program grants, and the oversight and implementation of requirements related to annual determinations for LEAs under IDEA.

Progress in Meeting the Challenge

The Department stated that it focused on several key milestones in FY 2019 to improve grantee oversight and monitoring at the SEA and LEA levels and to improve oversight and monitoring of grant programs. The Department reported accomplishments in grantee oversight and monitoring across multiple offices. These efforts included actions to implement risk-based oversight and monitoring and improving processes to provide timely and effective guidance and technical

assistance. For example, according to the Department, the Risk Management Services division continued its long-standing efforts to identify and mitigate risk across the Department's formula and discretionary grant programs. In addition, the Department reported it took actions to monitor the timely publishing of State report cards and also took actions across multiple offices to identify employee skill gaps in grants administration and then to develop strategies to close those gaps.

The Department also noted that the Office of Special Education and Rehabilitative Services revised the Differentiated Monitoring and Support component of its accountability system, Results Driven Accountability, in order to improve its focus and efficiency before the release of the OIG's audit report. It also has developed written policies and procedures that further address the OIG's recommendations.

The Department stated that the Institute of Education Sciences has provided more effective guidance and technical assistance to grantees on privacy issues related to their Statewide Longitudinal Data Systems in several ways that resulted in (1) expanded technical assistance from information security and data privacy experts to help States address the technical issues raised in the OIG's audit report and (2) revised application requirements for new Statewide Longitudinal Data Systems awards to provide information on compliance with applicable Federal and State data privacy and information technology security requirements up front. These requirements allow applicants to request infrastructure support to meet security requirements. The Institute of Education Sciences is also collecting and maintaining data security and privacy documentation (policy and processes) as part of its grantee site visit preparation process.

What the Department Needs to Do

The Department's oversight and monitoring of grantees remains a management challenge given our continued findings in this area. However, the Department continues to report progress in enhancing its grantee oversight processes, citing numerous actions it has taken to address risks, including those identified in a number of OIG audit reports, and to improve outcomes across multiple program offices. The Department should periodically assess the results of these efforts, identify the most promising approaches, and determine whether these best practices can be effectively applied in other program offices.

The Department should also continue its efforts to offer common training, encourage effective collaboration and communication within and across program offices, and take steps to ensure that its program offices are consistently providing effective risk-based oversight of grant recipients—to include both technical assistance and monitoring. Given the flexibilities offered by the Every Student Succeeds Act, the Department needs to ensure that its monitoring approaches support State and local efforts while providing effective oversight of financial stewardship and ensuring progress towards positive program outcomes. Further, it is important for the Department to continue to explore ways to more effectively leverage the resources of other entities that have roles in grantee oversight, including those conducting single audits under OMB 2 C.F.R. 200, Subpart F, given its generally limited staffing in relation to the amount of Federal funding that it oversees.

Related Reports and Status

Report Category, Title, and Status as of October 1, 2019

SEA and LEA Oversight of Education Programs
Adult Education

- Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds (A04O0004, February 2018), **Open**

Auditee Response to Prior Audit Findings

- Orleans Parish School Board: Status of Corrective Actions on Previously Reported Title-I Relevant Control Weaknesses (A05R0002, May 2018), **Open**

- Detroit Public Schools Community District: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses (A05R0001, March 2018), **Open**

- Wyandanch Union Free School District: Status of Corrective Actions on Previously Reported Title I Findings (A05Q0005, May 2017, **Closed**

- Harvey Public School District 152: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses (A05Q0003, May 2017), **Open**

Disaster Recovery

- Puerto Rico Department of Education's Internal Controls Over the Immediate Aid to Restart School Operations Program (A04S0013, July 2019), **Open**

- 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), **Open**

McKinney-Vento Homeless Assistance Act

- New York State's and Selected Districts' Implementation of Selected Every Student Succeeds Act Requirements under the McKinney-Vento Homeless Assistance Act (A03Q0005, March 2018), **Open**

Protection of Personally Identifiable Information

- Protection of Personally Identifiable Information in Indiana's Statewide Longitudinal Data System (A06Q0001, July 2017), **Open**

Single Audit Resolution

- State Oversight of Local Educational Agency Single Audit Resolution (X09Q0006, March 2017), **Closed**

Department Oversight of Education Programs and Grantees

- Nationwide Audit of Oversight of Closed Charter Schools (A02M0011, September 2018), **Resolved**

- The Department's Oversight of the Indian Education Formula Grant Program (A19Q0002, September 2018), **Resolved**

- Office of Special Education Programs' Differentiated Monitoring and Support (A09R0004, October 2018), **Completed**

- Protection of Personally Identifiable Information in Statewide Longitudinal Data Systems (A02O0008, March 2015), **Closed**

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 18,300 public school districts and 98,000 public schools; over 7,300 postsecondary institutions, including universities and colleges, as well as institutions offering technical and vocational education beyond the high school level; and surveys of private schools, public elementary and secondary schools, students, teachers, and principals.

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. 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.

Activities Reviewed	Review Results
Adult Education	We found that an SEA used incomplete data obtained from two educational regions, two adult education centers, and a subgrantee to prepare its program performance report.
Borrower Defense	We found that FSA did not have an adequate information system to manage borrower defense claim data. We also identified weaknesses with FSA's procedures to review and process borrower defense claims.
Graduation Rates	In a series of three reports on SEAs' processes to calculate and report graduation rates, we concluded that internal controls at each of the three SEAs reviewed did not provide reasonable assurance that reported graduation rates were accurate and complete during our audit period. We identified specific weaknesses that included lack of oversight of LEA controls over data quality and processes. Specifically, some LEAs improperly included or excluded students from graduate rate calculations based on Federal requirements.
Income-Driven Repayment Plans	We found that the Department could have provided more detailed information on specific income-driven repayment plans and its loan forgiveness programs to fully inform decision makers and the public about current and future program management and financial implications of these plans and programs.
McKinney-Vento Homeless Assistance Act	We found that an SEA conducted edits and reasonableness checks of data that LEAs submitted, but it did not review LEA homeless student data when conducting monitoring reviews. We also noted that LEAs were not required to certify that controls over the data were working as intended and known issues were disclosed.

Ongoing work in this area includes multiple reviews of the accuracy and completeness of displaced student count data provided by SEAs to the Department along with multiple reviews of the accuracy and completeness of campus crime statistics provided to the Department under the Clery Act. Planned projects for FY 2020 include work to assess the effectiveness of the Department's processes to assist State Vocational Rehabilitation Program grantees in improving their financial reporting.

Progress in Meeting the Challenge

The Department noted that under Goal 3 of its Strategic Plan, it is committed to strengthening the quality, accessibility, and use of education data. In response to additional authorities granted by the President and Congress to manage education data as a strategic asset, the Department stated it is developing a coherent and coordinated approach to data governance, data management, and data quality to ensure that education data provide high value for internal decision makers and external stakeholders. Additionally, the Department reported that in response to Evidence Act requirements, it has named a chief data officer, statistical official, and evaluation officer, each of whom has responsibility for data quality within their own sphere of authority. Further, to facilitate coordination and in adherence with OMB guidance, the Department stated it has established an agency-wide Data Governance Board, which will be chaired by the chief data officer and meet regularly beginning in November 2019 to set and enforce policies for managing data as a strategic asset. The chief data officer also leads the Department's new Office of the Chief Data Officer, which is responsible for managing and improving the Department's ability to leverage its data routinely for program operations and to inform policy. The chief data officer, with the Data Governance Board, is beginning the process of selecting a data maturity assessment model which will

be used to evaluate the current state of the Department's data and data-related infrastructure.

The Department also noted that it continues to support complementary data governance initiatives, including a Data Strategy Team and the EDFacts Data Governance Board. The Department stated that during FY 2019, the Data Strategy Team offered 10 data management trainings to 15 program offices on topics including improving data quality, understanding differential privacy protections, and using data visualization, among others. According to the Department, the Data Strategy Team developed eight data governance and management tools and templates for Department offices, including an example data dictionary, a data terms glossary, and a data quality documentation guide. The Department further stated that The Data Strategy Team also assists the Office of Elementary and Secondary Education in planning and managing its Data Governance Team, which was created to better understand the data collected by the office and to create Office of Elementary and Secondary Education-wide strategies and standards for use throughout the data lifecycle. Finally, the Department stated that the Office of Elementary and Secondary Education continued to improve its data verification process in FY 2019 by expanding data quality checks, including at the LEA level, and increasing standardization.

According to the Department, the EDFacts Data Governance Board consolidated all business rules used within the EDFacts system into a Business Rules Single Inventory document available to States to support their efforts to build internal controls. The Department stated it also continues to improve coordination and collaboration among offices using submitted data on graduation rates, the subject of multiple recent OIG audit reports. The Department noted that this has resulted in consistent feedback back to States in a more timely fashion, and has helped identify questionable data resulting in follow up with State data submitters. The Department reported that during this past year, the EDFacts data governance process resulted in 37 States receiving a total of 300 data quality questions or comments from stakeholder program offices related to Adjusted Cohort Graduation Rates. According to the Department, all identified issues were resolved through resubmission or explained through data quality comments from the State explaining the observed issue.

What the Department Needs to Do

The Department's efforts to improve the overall quality of data that it collects and reports remain important to its program management and reporting. While the Department has made progress in strengthening both grantees' data quality processes and its own internal reviews of grantee data, findings from our recent audit reports show that this area remains an ongoing challenge.

The Department's efforts to promote strong data management practices across its program offices, which include building on data verification processes by expanding data quality checks at all levels and increasing standardization, are important steps to improving data quality. In addition, efforts to perform outreach to States and other entities that report data to the Department are critical to reinforcing the importance of good data quality practices. The Department should continue to monitor the quality of the data it receives, work to implement effective controls to address known weaknesses, and take steps to ensure that

strong data management practices are implemented across the Department as well as by entities that submit data to the Department. The Department should also continue its implementation of requirements under the Evidence Act, the Information Quality Act, and other laws and regulations whose principal aims include improving data quality and reporting.

Related Reports and Status

Report Category, Title, and Status as of October 1, 2019
Adult Education
• Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds (A04O0004, February 2018), **Open**
Borrower Defense
• Federal Student Aid's Borrower Defense to Repayment Loan Discharge Process (I04R0003, December 2017), **Resolved**
Graduation Rate Data
• Calculating and Reporting Graduation Rates in Utah (A06R0004, November 2018), **Open**
• Calculating and Reporting Graduation Rates in California (A02Q0005, January 2018), **Resolved**
• Calculating and Reporting Graduation Rates in Alabama (A02P0010, June 2017), **Open**
Income-Driven Repayment Plans
• The Department's Communication Regarding the Costs of Income-Driven Repayment Plans and Loan Forgiveness Programs (A09Q0003, January 2018), **Closed**
McKinney-Vento Homeless Assistance Act
• New York State's and Selected Districts' Implementation of Selected Every Student Succeeds Act Requirements under the McKinney-Vento Homeless Assistance Act (A03Q0005, March 2018), **Open**

Appendix A. Acronyms and Abbreviations

Department	U.S. Department of Education
Direct Loan	William D. Ford Federal Direct Loan Program
FAFSA	Free Application for Federal Student Aid
FISMA	Federal Information Security Modernization Act
FSA	Federal Student Aid
FY	fiscal year
IPERA	Improper Payments Elimination and Recovery Act of 2010
LEA	local educational agency
OIG	Office of Inspector General
OMB	Office of Management and Budget
Pell	Federal Pell Grant
SEA	State educational agency
Title IV	Title IV of the Higher Education Act of 1965, as Amended

Anyone knowing of fraud, waste, or abuse involving U.S. Department of Education funds or programs should contact the Office of Inspector General Hotline:

http://OIGhotline.ed.gov

We encourage you to use the automated complaint form on our website; however, you may call toll-free or write the Office of Inspector General.

Inspector General Hotline
1-800-MISUSED
(1-800-647-8733)

Inspector General Hotline
U.S. Department of Education
Office of Inspector General
400 Maryland Ave., S.W.
Washington, D.C. 20202

You may make a report anonymously.

The mission of the Office of Inspector General is to promote the efficiency, effectiveness, and integrity of the U.S. Department of Education's programs and operations.

http://www2.ed.gov/oig