FY 2021 Management Challenges Facing the U.S. Department of Education

November 2020

Office of Inspector General
Sandra D. Bruce
Acting Inspector General

November 2020

This report is in the public domain. Authorization to reproduce it in whole or in part is granted. While permission to reprint this publication is not necessary, the citation should be: U.S. Department of Education, Office of Inspector General, FY 2021 Management Challenges.

Please Note:

The Office of Inspector General's FY 2021 Management Challenges is available on the ED OIG website at http://www2.ed.gov/about/offices/list/oig/managementchallenges.html.

All images used under license from Shutterstock.com.

Contents

At a Glance i

Management Challenge 1—CARES Act 1

Management Challenge 2— Oversight and Monitoring 7

Management Challenge 3— Data Quality and Reporting 19

Management Challenge 4—Improper Payments 23

Management Challenge 5—Information Technology Security 29

Appendix A. Acronyms and Abbreviations 35

Appendix B. Department Comments 36

U.S. Department of Education FY 2021 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 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. Our assessment also considered the accomplishments the Department reported as of September 30, 2020.

What We Found

For fiscal year (FY) 2021, we identified five management challenges the Department faces as it continues its efforts to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. These challenges are

1. implementing the Coronavirus Aid, Relief, and Economic Security Act (CARES Act);
2. oversight and monitoring;
3. data quality and reporting;
4. improper payments; and
5. information technology security.

We included implementation of the CARES Act as a new challenge for FY 2021 because of its breadth, complexity, and overall impact on the Department's programs, operations, and responsibilities. The remaining four challenges were included in our FY 2020 report. While the Department made progress in addressing these challenges, our work continued to identify vulnerabilities within each area. 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 summarized the Department's responses in the sections "Progress in Meeting the Challenge" of this report. The full text of the Department's comments is included as Appendix B to this report.

CARES Act

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020, and includes more than $30 billion in emergency education funding for students, elementary and secondary schools, postsecondary institutions, and States in response to the coronavirus disease 2019 (COVID-19) pandemic. The CARES Act also allowed the U.S. Department of Education (Department) to provide State educational agencies (SEA) and local educational agencies (LEA) with waivers of certain statutory or regulatory requirements and included provisions intended to provide borrowers with emergency relief.

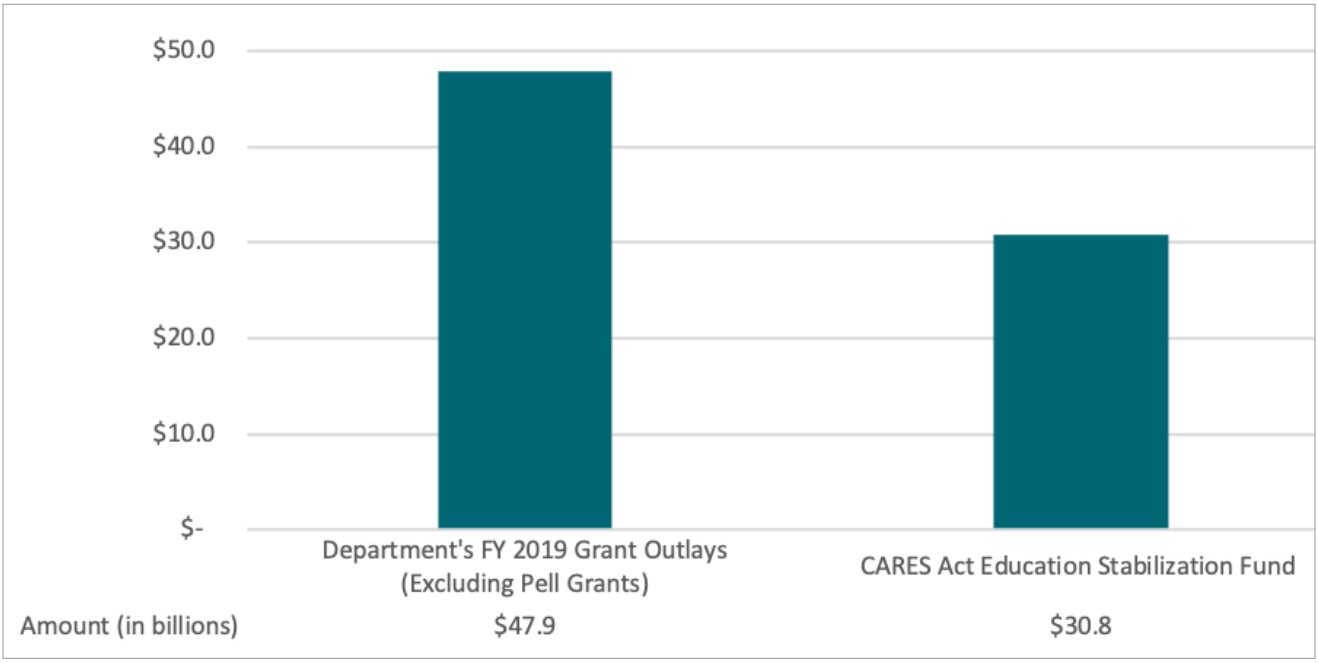
Why This is a Challenge

The CARES Act poses new challenges for the Department as it must effectively oversee and monitor new grant programs and additional Federal education funds, implement additional student financial assistance program requirements, and ensure that quality data are reported. While the CARES Act provides $40 million to the Department for student aid administration and $8 million for program administration, the Department must design and implement these processes timely and effectively to help ensure the overall success of its CARES Act activities.

New Grant Programs and Additional Federal Education Funds

The CARES Act provided about $30.8 billion for an Education Stabilization Fund to prevent, prepare for, and respond to COVID-19. This new funding authorized under the CARES Act is about 64 percent of the amount that the Department reported as grant outlays for fiscal year (FY) 2019, excluding the Federal Pell Grant (Pell) program.

Figure 1. FY 2019 Non-Pell Outlays and CARES Act Education Stabilization Fund Appropriation



Source: U.S. Department of Education Agency Financial Report FY 2019 and the CARES Act

The Education Stabilization Fund includes more than $16 billion for State and local agencies and about $14 billion for higher education. As shown in Table 1, this includes three large new relief funds and additional discretionary grant programs.

Table 1. Education Stabilization Fund Summary

Program	Funding	Overview
Higher Education Emergency Relief Fund	$13.9 billion	Provided $13.5 billion in formula grants for postsecondary institutions for costs that include COVID-19 prevention, preparation, and response to COVID-19. An additional $349 million is provided to postsecondary institutions that the Department determines have the greatest unmet needs related to COVID-19. Postsecondary institutions must use no less than 50 percent of funds received under Section 18004(a)(1) of the CARES Act to provide emergency financial aid grants to students.
Elementary and Secondary School Emergency Relief Fund	$13.2 billion	Provided formula grants to SEAs, who in turn provide subgrants to LEAs to address the impact of COVID-19 on elementary and secondary schools. Funds may be used for activities authorized by several Federal education laws and a broad range of activities necessary to maintain operations and continuity of services, respond to COVID-19, and continue to employ existing staff.

Program	Funding	Overview
Governor's Emergency Education Relief Fund	$3 billion	Provided formula grants to Governor's offices, who in turn provide subgrants to postsecondary institutions and LEAs that have been most significantly impacted by COVID-19, as well as other essential education-related entities. Funds are intended to support the impacted entities' ability to continue to provide educational services. The Department encouraged investment of these funds in technology infrastructure and professional development to improve capacity in providing high-quality, accessible, distance education or remote learning.
Discretionary Grants to States	$307.5 million	Provided discretionary grants to States with the highest COVID-19 burden. The Department awarded funds through two separate grant competitions. Education Stabilization Fund-Rethink K-12 Education Models grants ($180 million) provided support to SEAs to address educational needs of students, their parents, and teachers. Education Stabilization Fund-Reimagining Workforce Preparation grants ($127.5 million) provided support to help States create new educational opportunities and pathways to help citizens return to work, small businesses recover, and new entrepreneurs thrive.
Other Funding	$307.5 million	Provided funding for programs operated or funded by the Bureau of Indian Education and for outlying areas.

Each of the new programs must be effectively implemented and monitored by the Department to ensure that the legislation is followed, and that States, elementary and secondary schools, and postsecondary institutions and students receive support in response to COVID-19. Overall, the effective oversight and monitoring of CARES Act funds are critical to ensure that they are used for the purposes intended and that goals and objectives are achieved. Because the CARES Act programs have different purposes, allowable uses of funds, and grant recipients, it is vital that the Department provides effective guidance, training, technical assistance, and outreach. These additional responsibilities pose a significant challenge to the Department given the large amount of funding involved, the number of entities receiving funds, and the need to administer its existing programs. Additionally, the Department must ensure that the primary recipients, such as Governors' offices and SEAs, effectively fulfill their critical role in overseeing and monitoring subrecipients, such as LEAs.

Student Financial Assistance Program Requirements

The CARES Act includes student financial assistance provisions intended to provide emergency relief to borrowers and to allow institutions to meet student needs more easily. These provisions include borrower and teacher assistance provisions, waivers of student financial assistance refunds and loan cancellations, and adjustments to lifetime Pell and subsidized William D. Ford Federal Direct Loan (Direct Loan) usage. The Department will need to provide guidance to and rely on postsecondary institutions, contracted servicers, collection agencies, guaranty agencies, and accrediting agencies to effectively implement these and other provisions. The Department will be challenged to provide adequate oversight of existing student aid program participants while it implements and oversees the student aid provisions in the CARES Act. Additionally, the Department

faces the challenge of ensuring that postsecondary institutions continue to meet financial responsibility requirements, as the pandemic may negatively impact the enrollment and financial health of many institutions.

Data Quality

The CARES Act includes several reporting provisions that are intended to provide transparency regarding the use of funds and their estimated impact on the economy. For example, institutions that receive Higher Education Emergency Relief funds and all grantees that receive more than $150,000 in CARES Act funding are required to publicly report on their use of funds. Administering the programs and operations funded by the CARES Act will require 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 CARES Act reported data are accurate and complete.

Ongoing and Planned Work

Our ongoing audit and inspection work related to the CARES Act in this area includes reviews of multiple schools' use of professional judgment to adjust Free Application for Federal Student Aid (FAFSA) data elements, Federal Student Aid's (FSA) implementation of temporary borrower relief to suspend involuntary collections on defaulted student loans, States' monitoring related to Governor's Emergency Education Relief Fund awards, and the Department's plan for returning employees to Federal offices in the wake of the coronavirus pandemic.

Additional planned projects for FY 2021 are identified in Table 2.

Table 2. Anticipated FY 2021 CARES Act Related Work

Program Area	Anticipated Work
State and Local	**Elementary and Secondary School Emergency Relief Fund** • Department oversight of the Elementary and Secondary School Emergency Relief Fund • LEAs' use of funding under the Elementary and Secondary School Emergency Relief Fund for technology purchases
State and Local	**Discretionary Grants** • Department monitoring of Rethink K–12 Education Models Grants • Department awarding and monitoring of Reimagining Workforce Preparation Grants
Higher Education	**Higher Education Emergency Relief Fund** • Department oversight of the Higher Education Emergency Relief Fund • Schools' use of funding under the Higher Education Emergency Relief Fund

Program Area	Anticipated Work
Higher Education	**Student Financial Assistance Program Requirements** • Cancellation of Borrower Loans and Implementation of Return of Title IV Waiver Requirements • Exclusion of Subsidized Loan Usage and Federal Pell Grant Lifetime Usage • Department's processes to implement flexibilities to Teacher Education Assistance for College and Higher Education grant service obligations

Progress in Meeting the Challenge

The Department stated that CARES Act grant oversight and monitoring has been a continued focus of senior leadership and managers. The Department added that it took immediate steps to ensure appropriate interpretation of CARES Act requirements, which included establishing a formal Steering and Operations Committees to administer new grant programs and additional Federal education funds. The Department stated it implemented processes that (1) established preventative controls; (2) ensured statutory requirements were met; (3) communicated and shared information on program implementation, execution, data collection, and reporting; (4) and collaboratively resolved issues. According to the Department, these activities enabled it to make nearly all CARES Act formula grant funds available within 1 month of enactment, about twice as fast as the first awards under the American Recovery and Reinvestment Act of 2009.

The Department stated that its staff has provided support that included written guidance, blog posts, webinars, technical assistance, and post-award calls. The Department added that it approved the addition of 25 temporary staff to assist with CARES Act related administrative, monitoring, and oversight workload. The Department further indicated that it plans to develop a centralized portal that will disseminate information regarding Education Stabilization Funds and serve as a tool for grantees to submit data to address annual reporting requirements.

The Department noted that the CARES Act contained provisions to provide substantial relief for student loan borrowers. The Department stated that it took actions to (1) reduce the interest rate for all federally held student loan borrowers to zero, (2) place all borrowers in administrative forbearance status, which allowed them to temporarily stop making monthly loan payments, (3) refund involuntary payments made by borrowers with defaulted loans who were subject to having certain Treasury payments offset or wage garnishment, and (4) ensure all eligible borrowers were notified of the benefits afforded to them under the CARES Act. The Department added that the $40 million in CARES Act funds provided for student aid administration supports communication to borrowers explaining changes in loan terms and flexibility provisions as well as FSA system changes to implement the CARES Act provisions.

What the Department Needs to Do

To effectively oversee the CARES Act programs, the Department should provide appropriate technical assistance to grantees, especially for those who may not be familiar with Federal grant requirements; closely monitor grant implementation;

and ensure that published data are of sufficient quality for use in assessing program compliance and effectiveness.

To implement the student financial assistance related CARES Act provisions, waivers, and flexibilities, the Department needs to continue to provide guidance to and work with postsecondary institutions, contracted servicers, collection agencies, guaranty agencies, and accrediting agencies. The Department also needs to monitor and oversee these entities to ensure that the provisions are implemented effectively. Lastly, when these provisions expire, the Department will need to carefully reinstate the student loan provisions for which the relief was temporarily provided.

Related Reports and Statuses[1]

Report Category, Title, and Status as of October 1, 2020
CARES Act Implementation
• Challenges for Consideration in Implementing and Overseeing the CARES Act (X20DC0003, September 2020) **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 or that the report had no recommendations for corrective action.

Oversight and Monitoring

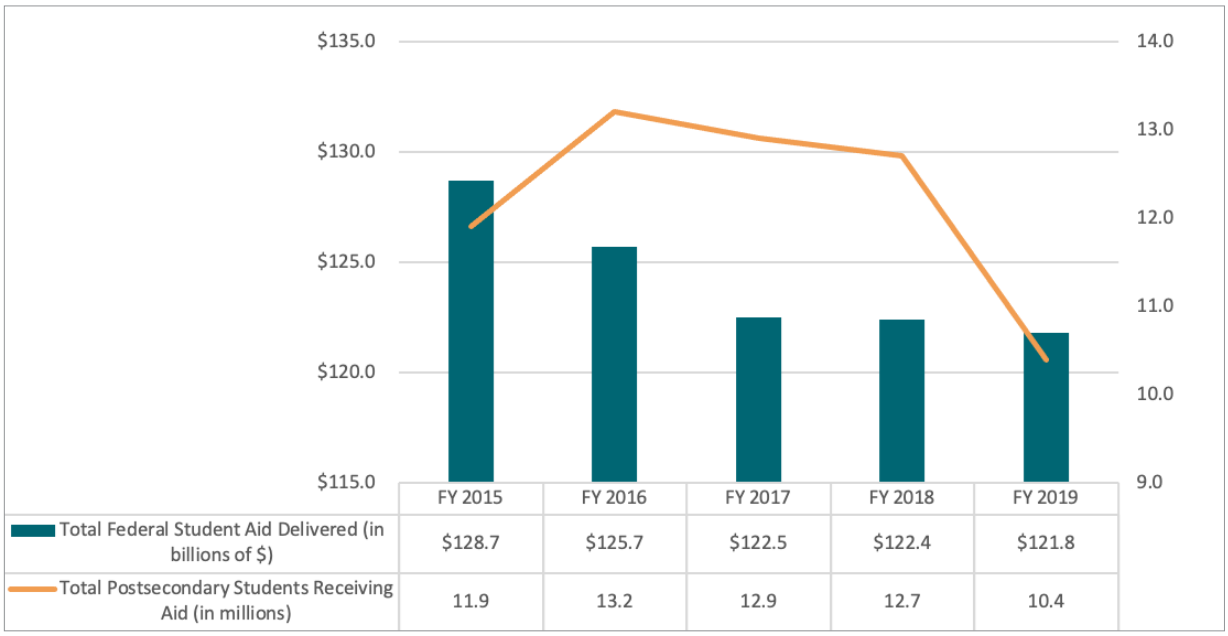
Effective oversight and monitoring of the Department's programs and operations are critical to ensure that funds are used for the purposes intended and programs are achieving goals and objectives. This is a significant responsibility for the Department given the numbers of different entities and programs 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, 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 directly manages or oversees a loan portfolio of over $1.5 trillion, representing almost 210 million student loans to more than 45 million borrowers. FSA also oversees about 6,000 postsecondary institutions that participate in the Federal student aid programs.

In FY 2019, FSA performed these functions with an administrative budget of $1.7 billion and 1,251 employees, along with contractors that provide outsourced business operations. From FY 2015 to FY 2019, FSA delivered an average of $124.2 billion in Federal student aid to an average of 12.2 million students.

Figure 2. Student Aid Delivered and Postsecondary Students Receiving Aid FYs 2015–2019



	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Federal Student Aid Delivered (in billions of $)	$128.7	$125.7	$122.5	$122.4	$121.8
Total Postsecondary Students Receiving Aid (in millions)	11.9	13.2	12.9	12.7	10.4

Source: Federal Student Aid Annual Reports FY 2015–FY 2019

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.

Audits Relating to Student Financial Assistance Programs

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 Office of Inspector General's (OIG) recent audit-related work within this area has covered a wide range of activities, as shown in Table 3.

Table 3. OIG's Recent Reports Relating to the Oversight and Monitoring of Student Financial Assistance Programs

Area Reviewed	Review Results
Accreditation	We found that the Department's process for reviewing agency petitions for recognition did not provide reasonable assurance that the Department recognized only agencies meeting Federal criteria. We also reported that the Office of Postsecondary Education'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 the information 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 to ensure that all contractor employees had appropriate security screening.
Heightened Cash Management	We found that FSA consistently administered its heightened cash monitoring payment methods when utilizing this process for one of the top five reasons. We also concluded that FSA's use of heightened cash monitoring was an effective oversight tool. However, we noted opportunities for FSA to improve its controls to better ensure that it (1) consistently places schools on a heightened cash monitoring payment status when they submitted late annual financial statements or had composite scores that fell below the minimum financial responsibility score, (2) tracks a school's method of payment status from the time of recommendation for heightened cash monitoring placement until the placement was made, and (3) retains all required documentation.
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.
Total and Permanent Disability Discharges	We found that FSA appropriately approved and rejected total and permanent disability applications and its contractor generally serviced total and permanent disability accounts in accordance with Federal program requirements. However, we identified design weaknesses in FSA's control activities for the total and permanent disability discharge application review process that may negatively affect the operating efficiency and effectiveness of the process and increase the risk that FSA approves applications that are inaccurate or incomplete. We also found weaknesses in FSA's documented procedures and its quality control review for its total and permanent disability discharge application review process, as well as weaknesses in FSA's monitoring of the total and permanent disability discharge process.
Verification of 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 six schools covered by these audits, three did not always complete verification of applicant data in accordance with Federal requirements, and two did not always accurately report verification results to FSA.

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 4.

Table 4. OIG's Recent Investigative Activity Relating to the Student Financial Assistance Programs

Area Reviewed	Review Results
Institutions	OIG investigations have identified instances where schools 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.
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.

Ongoing and Planned Work

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, the Department's involvement in and oversight of activities related to the sale and operations of a chain of career colleges, FSA's controls over the FAFSA verification process, FSA's accountability as a performance based organization, and selected schools' controls over Clery Act reporting. Additional planned projects for FY 2021 include audits of schools' compliance with career pathway programs and ability to benefit provisions, the Department's plans and processes to proactively monitor the financial health of postsecondary schools, 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 it has taken steps and has additional plans to improve its oversight and monitoring of the student financial assistance

programs. This included activities related to schools, accreditors, and its FAFSA verification process. FSA stated that it worked to address weaknesses in the single audit process that will improve its usefulness as a school oversight tool and that it deployed an analytical model that will improve its ability to identify at-risk schools and better prioritize support. The Department stated that it plans to implement additional procedures to identify accrediting agencies having a higher risk of noncompliance with statutory and regulatory requirements and would subsequently prioritize oversight of those agencies. FSA also stated that it implemented an improved model for verification selection and evaluation of data elements from the FAFSA. According to FSA, this will allow the Department to better identify applicants for whom errors would result in a change in their Federal aid award, potentially reducing improper payments.

FSA further noted that the Fostering Undergraduate Talent by Unlocking Resources for Education Act could help it ensure the accuracy of income information used to determining Pell eligibility and allow borrowers to more easily recertify their income to stay enrolled in income-driven repayment plans.

What the Department Needs to Do

The Department needs to continue its efforts to enhance its oversight of student financial assistance programs, participants, and partners. This includes taking steps to ensure that its management of related internal control systems is effective to ensure that they are appropriately designed and implemented, operating as intended, and correcting identified weaknesses in a timely manner. The Department further needs to ensure its oversight functions work together to effectively provide the intended additional protections to students and taxpayers. While FSA's Next Gen 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 being implemented. 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 assess 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. 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, 2020
Accreditation
• U.S. Department of Education's Recognition and Oversight of Accrediting Agencies (A09R0003, June 2018), **Resolved**

Report Category, Title, and Status as of October 1, 2020
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), **Closed**
• Federal Student Aid's Contractor Personnel Security Clearance Process (A19R0003, April 2018), **Completed**
Heightened Cash Management
• Federal Student Aid's Oversight of the Heightened Cash Monitoring Payment Methods (A03Q0006, February 2020), **Resolved**
Satisfactory Academic Progress
• Federal Student Aid's Oversight of Schools' Compliance with Satisfactory Academic Progress Regulations (A04S0012, July 2019), **Closed**
Total and Permanent Disability Discharges
• Federal Student Aid's Total and Permanent Disability Discharge Process (A02Q0006, June 2020), **Unresolved**
Verification of FAFSA Data
• The University of Southern California's Compliance with Federal Verification and Reporting Requirements (A05T0008, February 2020), **Resolved**
• South Florida Institute of Technology's Compliance with Federal Verification and Reporting Requirements (A06T0004, September 2019), **Closed**
• 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), **Closed**
• 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), **Closed**

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 18,400 school districts and more than 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, which provided about $17 billion in FY 2020 for local programs that provide extra academic support to help an estimated 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 provided more than $12.7 billion in FY 2020 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.

Audits Relating to Federal Education Grant Programs

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 programs and activities identified in Table 5.

Table 5. OIG's Recent Reports Relating to SEA and/or LEA Implementation of Federal Education Grant Programs

Area 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.
Charter Schools, Replication and Expansion Grants	In the first of a series of audit work in this area, we found that a nonprofit charter management organization did not fully comply with Federal grant reporting requirements and did not always spend grant funds in accordance with Federal cost principles and its grant application.

Area Reviewed	Review Results
Disaster Recovery	We have issued five audit reports relating to disaster recovery funding authorized under the Bipartisan Budget Act of 2018. • Our work at two SEAs relating to internal controls over the Immediate Aid to Restart School Operations (Restart) program identified weaknesses in programmatic monitoring processes, internal audit division staffing, processes to assess fraud risks, internal controls over procurement, and segregation of duties. • Our work relating to Restart allocations and uses of funds found that one audited SEA established and implemented effective controls over Restart allocations and uses of funds. However, we identified instances of noncompliance that included one district inappropriately charging unallowable personnel expenditures to the program and failure by another entity to obtain control and ownership of materials at nonpublic schools funded by the Restart program. We found that another SEA also established and implemented effective controls over Restart allocations and uses of funds but could better maintain and manage its records for the Restart program. • Our work relating to the Temporary Emergency Impact Aid for Displaced Students (EIA) program found that an SEA did not ensure that LEAs accounted for program funds received for students reported as children with disabilities in accordance with Federal requirements and that LEAs did not use program funds to pay salaries only for employees who supported schools with displaced students.
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.

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. As noted in Table 6, our work included audits within several areas.

Table 6. OIG's Recent Reports Relating to the Department's Oversight and Monitoring of Federal Education Grant Programs

Area Reviewed	Review Results
Disaster Recovery	We found that the Department designed policies and procedures that should have provided reasonable assurance that it awarded and monitored Defraying Costs of Enrolling Displaced Students in Higher Education Program and Emergency Assistance to Institutions of Higher Education 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.

Area Reviewed	Review Results
Every Student Succeeds Act	We found that the Department designed processes that would provide reasonable assurance of (1) identifying and resolving potential instances of State plans' noncompliance with applicable requirements and (2) complying with Department policy. However, the Department did not always implement these processes as designed. As a result, we could not determine why the Department selected certain peer reviewers, ensure that the Department determined whether some peer reviewers had conflicts of interest or the appearance of conflicts of interest, and could not always determine whether the Department considered the results of the peer review process when providing States feedback to strengthen the technical and overall quality of their plans.
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.
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.

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 7.

Table 7. OIG's Recent Investigative Activity Relating to Federal Education Grant Programs

Area Reviewed	Review Results
Contractors	OIG investigations identified instances where 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 investigations identified instances involving charter school founders and senior officials who participated in conspiracy, fraud, theft, money laundering, false bankruptcy declarations, and other scams, abusing their positions of trust for personal gain.

Ongoing and Planned Work

Ongoing work in this area includes reviews of the Charter School Program Grants for Replication and Expansion of High-Quality Charter Schools, Restart, and EIA programs, and oversight of virtual charter schools' implementation of selected requirements under the Individuals With Disabilities Education Act. Planned projects for FY 2021 include work on Statewide accountability systems under the Every Student Succeeds Act, controls over Student Support and Academic Enrichment Program grants, and the effectiveness of Charter School Program Grants in increasing the number of high-quality charter schools.

Progress in Meeting the Challenge

The Department indicated that it has taken steps to improve its oversight and monitoring of grantees. This included implementing activities to define skills needed by grants administration staff and improve their expertise, enhancing policy and related training opportunities, advancing and standardizing award and virtual monitoring processes, and improving grants management systems.

The Department stated that it has prioritized building the capacity of grants administration staff to provide appropriate oversight and monitoring. This included creating a competency model, career map, and training plan for the grant management job series. The Department stated that this initiative was intended to identify core competencies and training opportunities needed to close competency gaps.

The Department added that it revised the discretionary grant policy to provide a more comprehensive guide for administering grants in a standardized manner across program offices. The Department also stated that it developed and provided comprehensive training resources and continuing education workshops for program office staff and technical assistance resources related to internal controls requirements for grant recipients.

The Department noted that it reviewed the continuation award process to encourage cross-office alignment and provided training to promote a stronger continuation funding process. The Department added that it continued to leverage virtual monitoring approaches to provide necessary oversight and support to grant recipients, updated a resource related to virtual monitoring, and acquired contractor assistance to develop a standard virtual monitoring program for its discretionary and formula grant programs.

The Department stated that it has implemented initiatives intended to ensure that grants management systems can be used to effectively collect grantee data, analyze performance, and detect risk. This includes plans to create a more modern, modular, secure, and user-friendly grants management system that meets the needs of all internal and external users. The Department added that it has continued to enhance its Entity Risk Review capabilities to conduct risk assessments for grant applicants recommended for initial or continuation funding. This application provides administrative, financial, and internal controls information by linking disparate data sets.

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 continue its efforts to offer common training, encourage 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. The Department should also ensure that pass-through entities are providing effective oversight of their subrecipients and identifying and correcting any instances of noncompliance. Further, to the extent that it is using contractors to assist in improving and modernizing its grants management capabilities, the Department should ensure that deliverables are received timely and meet specifications. Lastly, 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 the Office of Management and Budget (OMB) 2 Code of Federal Regulations 200, Subpart F, given its generally limited staffing in relation to the amount of Federal funding that it oversees.

Related Reports and Statuses

Report Category, Title, and Status as of October 1, 2020
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), **Resolved**
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**
Charter Schools
• IDEA Public Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools (A05S0013, November 2019), **Resolved**

Report Category, Title, and Status as of October 1, 2020
Disaster Recovery
• Florida Department of Education's Administration of the Immediate Aid to Restart School Operations Program (A04T0005, September 2020), **Closed**
• Texas Education Agency's Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A02T0001, March 2020), **Open**
• Texas Education Agency's Administration of the Immediate Aid to Restart Schools Operation Program (A06T0001, February 2020), **Open**
• 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 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), **Closed**
Department Oversight of Education Programs and Grantees
• The U.S. Department of Education's Awarding and Monitoring Grantees' Uses of Disaster Recovery Funds for Postsecondary Schools (A09T0007, September 2020), **Open**
• 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), **Open**
• Nationwide Audit of Oversight of Closed Charter Schools (A02M0011, September 2018), **Completed**
• The Department's Oversight of the Indian Education Formula Grant Program (A19Q0002, September 2018), **Completed**
• Office of Special Education Programs' Differentiated Monitoring and Support (A09R0004, October 2018), **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 18,400 public school districts and 98,000 public schools; about 6,000 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.

Audits and Inspections Involving Data Quality and Reporting

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 8.

Table 8. OIG's Recent Data Quality Related Reports

Area Reviewed	Review Results
Adult Education	We found that an SEA used incomplete data obtained from two educational regions, two adult education centers, and one 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.
Clery Act	In the first of a series of audits, we found a postsecondary institution did not have effective controls to ensure that it reported complete and accurate Clery Act crime statistics. We concluded that the school's Clery Act crime statistics were not complete and accurate and did not provide reliable information to current and prospective students, their families, and other members of the campus community for making decisions about personal safety and security.
Disaster Recovery	We found that an SEA did not ensure that the data it provided to the Department were accurate and complete.
Graduation Rates	In a series of reports on SEAs' processes to calculate and report graduation rates, we concluded that internal controls at each of the SEAs that we reviewed did not provide reasonable assurance that reported graduation rates were accurate and complete. 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 and Planned Work

Ongoing work in this area includes additional reviews of the accuracy and completeness of displaced student count data provided by SEAs under the EIA program, and an additional review of the accuracy and completeness of a school's campus crime statistics under the Clery Act. Planned projects for FY 2021 include additional work related to the EIA program and reviews of Charter School Program grants.

Progress in Meeting the Challenge

The Department stated that it is developing a 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. The Department added that it has taken comprehensive steps to promote cohesive data governance initiatives, build staff capacity around data, and improve data management practices and systems.

The Department stated that it established an agency-wide Data Governance Board to take agency-wide action in developing an open data culture, improving the Department's capacity to leverage data as a strategic asset for evidence building and operational decisions, and developing the data skills of staff. The Department noted that the Data Governance Board initiated the Department's first data maturity assessments that will allow the Department to evaluate itself against documented best practices, determine gaps, and identify priority areas for improvement. The Department expects the assessments to provide a baseline to measure progress and growth and to be used to guide the creation of its inaugural data strategy and inform program office investment decisions.

The Department stated that it also identified an approach to address root causes and improve data quality that included ensuring grantee awareness of their data responsibilities and consequences for noncompliance. The Department noted that the approach also includes provisions to improve the varying capacity of grantees in reporting data and among Department staff in reviewing grantee-reported data. The Department expects this effort will include technical assistance to grantees, additional resources for data quality review, and expanded use of technological solutions to automate and reduce the need for manual reporting and review.

The Department stated that it initiated a process to develop a data strategy to realize the full potential of data to improve education outcomes. The Department stated that this effort includes agency-wide discussions about data priorities that will help improve data maturity and will focus on the Department's capabilities to leverage data, operationalize and optimize data governance, and drive cultural change for the benefit of all stakeholders.

The Department also identified system- and program-specific activities that included improving the quality and use of Government and Performance Results Act measures, launching a new annual performance reporting tool for the Office of Special Education Programs formula grantees, and implementing a central unified data platform for FSA aid lifecycle data.

What the Department Needs to Do

The Department's efforts to improve the quality of data are critically important to program management. While the Department has made progress in strengthening grantees' data quality processes, findings from our recent audit reports show that this area remains an ongoing challenge.

The Department should continue its efforts to promote strong data management practices across its program offices, from the development of sound data collection protocols to the implementation of comprehensive data verification processes.

As discussed in its response, the Department should ensure that it uses the results of its data maturity assessments to measure progress and growth and to guide the creation of its inaugural data strategy and related action plans, inform program office investment decisions, and track its returns on those investments. The Department should also continue performing outreach to States and other entities that report data to the Department to reinforce requirements and expectations around good data quality practices—of particular importance given the substantial amount of funding for new programs and emphasis on transparency and accountability under the CARES Act. Lastly, 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 its grantees and subgrantees.

Related Reports and Statuses

Report Category, Title, and Status as of October 1, 2020
Adult Education
• Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds (A04O0004, February 2018), **Resolved**
Borrower Defense
• Federal Student Aid's Borrower Defense to Repayment Loan Discharge Process (I04R0003, December 2017), **Resolved**
Clery Act
• University of North Georgia's Controls Over Reporting Clery Act Crime Statistics (A09T0006, September 2020), **Open**
Disaster Recovery
• Texas Education Agency's Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A02T0001, March 2020), **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), **Closed**
• 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), **Closed**

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), reorganized and revised several existing improper payments statutes, including the Improper Payments Elimination and Recovery Act of 2010 (IPERA). PIIA 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 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

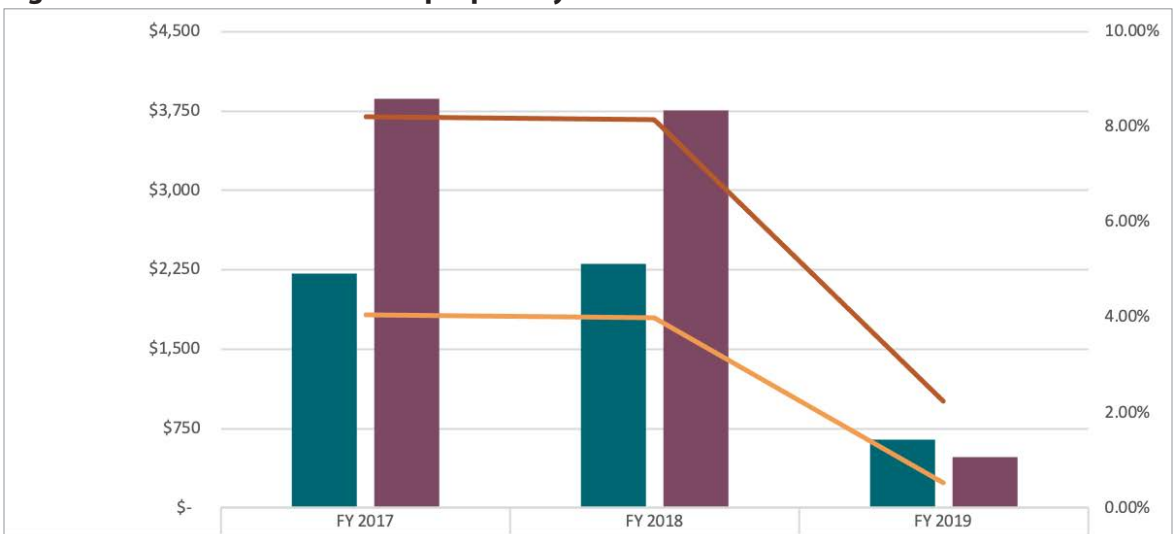
payments made by each program and activity. The agency must include those estimates in the accompanying materials to its annual Agency Financial Report.

PIIA 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 PIIA, 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 Pell and the 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. The Department changed its improper payment estimation methodologies for both the Pell and Direct Loan programs for FY 2019 and reported a significant decrease in improper payments in those programs from FY 2018. However, we found that its FY 2019 estimates for the Pell and Direct Loan programs were unreliable because they were not statistically valid. It is important for the Department to develop valid and reliable estimates so that it can identify the root causes and take actions to prevent and reduce improper payments. Figure 3 shows the reported improper payment estimates for these two programs from FY 2017 through FY 2019.

Figure 3. Pell and Direct Loan Improper Payment Estimates FY 2017–2019



	FY 2017	FY 2018	FY 2019
Pell Program Estimate (in millions of $)	$2,210	$2,302	$646
Direct Loan Estimate (in millions of $)	$3,863	$3,753	$483
Pell Program Percentage Estimate	8.21%	8.15%	2.23%
Direct Loan Program Percentage Estimate	4.05%	3.99%	0.52%

Source: U.S. Department of Education Agency Financial Reports (FY 2017–FY 2019)

The authorizing legislation for the Restart (total FY 2019 outlays of $34 million) and EIA (total FY 2019 outlays of $160 million) programs designated them as susceptible to significant improper payments, thereby requiring the Department to report improper payment estimates for these programs beginning with its FY 2019 Agency Financial Report.

Audits and Inspections Involving Improper Payments

The OIG's most recent statutorily required work found that the Department complied with improper payment reporting requirements. However, as shown in Table 9, our audits identified opportunities for improvement in multiple areas.

Table 9. Results of Recent OIG Statutorily Required Improper Payment Audits

FY	Complied with IPERA	Identified Concerns
2019	Yes	The Department published improper payment estimates for the Pell, Direct Loan, EIA, and Restart programs as required by IPERA. However, we found that the published estimates for three of these programs were unreliable because the methodologies used to develop them were not statistically valid.
2018	Yes	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.
2017	No	The Department did not meet all requirements for compliance with IPERA because it did not meet its reduction target for the Pell program.

Other audit work has identified potential improper payments in the student financial assistance programs and by SEAs and LEAs. Our semiannual reports to Congress from April 1, 2017, through March 31, 2020, included more than $725 million in questioned costs from audit activity and more than $94 million in restitution payments from investigative activity. These examples demonstrate that there may be other potential opportunities for the Department to identify and prevent improper payments.

Ongoing and Planned Work

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 the required risk assessment of the Department's purchase card program and, if deemed necessary, conduct an audit of Department purchase card transactions. Our planned activities for FY 2021 include multiple projects involving grant recipients where improper payments could be identified.

Progress in Meeting the Challenge

The Department stated that it is addressing this management challenge on several fronts. The Department stated that it performed compliance activities in FY 2020 that included improper payment estimation of programs deemed susceptible to significant improper payments and qualitative and quantitative improper

payment risk assessments for programs and activities. The Department added that it reviewed and revised its methodology for the EIA program in FY 2020 and that it strengthened its risk assessment process to include an improper payment threshold analysis of all its programs and activities.

According to the Department, FSA implemented a daily pre-payment interface with the Department of the Treasury's Do Not Pay web service that matches intended recipients with multiple data sources to identify potential improper payments. The Department noted that it is participating in a pilot with the Do Not Pay analytics team to research possible payment integrity checks that could be applied to the Department's payment data.

According to the Department, FSA continued to refine its methodology to estimate improper payments. The Department also noted that FSA worked with OMB to gain increased support for using compliance audit data as improper payment estimation and added requirements for compliance auditors to provide FSA with population and sample information necessary to estimate improper payments. Additionally, the Department stated that FSA also implemented enhanced quality control procedures over its improper payment estimation process to increase validation of compliance audit data and calculations and ensure only sustained questioned costs, rather than questioned costs, identified in compliance audits are used in improper payment estimates.

What the Department Needs to Do

The Department needs to ensure that revised estimation methodology for the EIA program is properly implemented and documented. The Department needs to ensure that the refined estimation methodologies for the Pell and Direct Loan programs produce statistically valid and rigorous improper payment estimates that are consistent with the requirements in OMB Circular A-123 Appendix C. In addition, the Department needs to properly implement its enhanced quality control procedures over its improper payment estimation process. The OIG has not assessed the Department's FY 2020 estimation methodologies or the accuracy and validity of the Department's estimates. The OIG will review the accuracy and validity of these measurements as part of the FY 2020 PIIA audit. Depending on whether the OIG finds issues with these estimation methodologies and estimates, this Management Challenge Area is subject to review and reconsideration.

Related Reports and Statuses

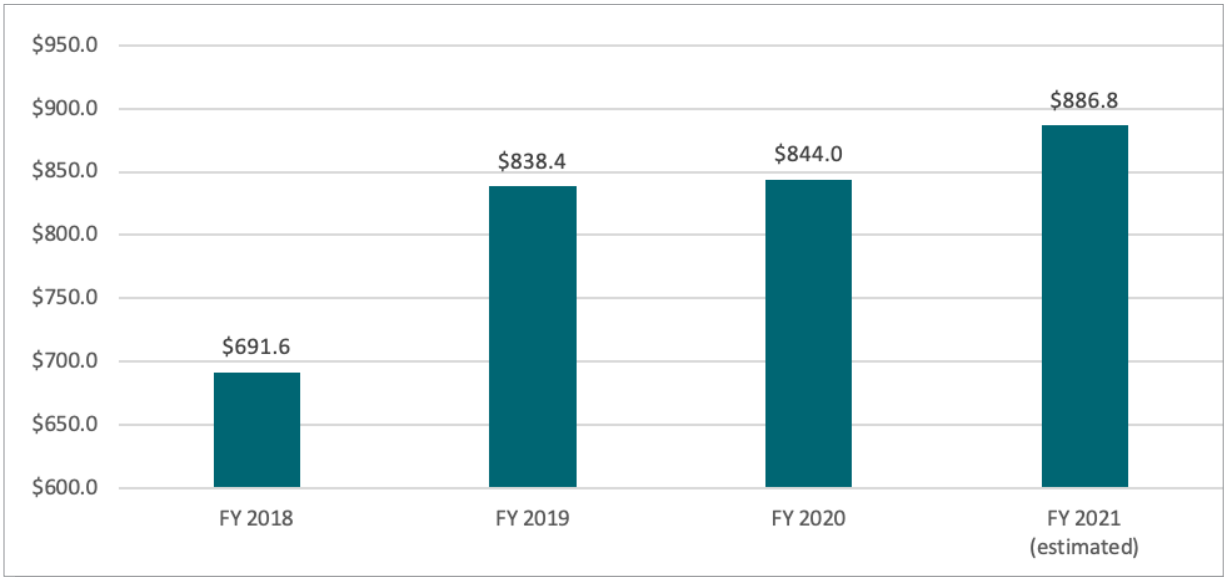
Report Category, Title, and Status as of October 1, 2020
IPERA Audits
• U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2019 (A04U0001, July 2020), **Open**
• U.S. Department of Education's Compliance with Improper Payment Reporting Requirements 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**

Report Category, Title, and Status as of October 1, 2020
Other Audits that Identified Potential Improper Payments
• Texas Education Agency's Administration of the Temporary Emergency Impact Aid for Displaced Students Program (A02T0001, March 2020), **Open**
• Texas Education Agency's Administration of the Immediate Aid to Restart School Operations Program (A06T0001, February 2020), **Open**
• The University of Southern California's Compliance with Federal Verification and Reporting Requirements (A05T0008, February 2020), **Resolved**
• IDEA Public Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools (A05S0013, November 2019), **Resolved**
• University of Houston's Compliance with Verification and Reporting Requirements (A06S0007, November 2018), **Closed**
• Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds (A04O0004, February 2018), **Resolved**
• Western Governors University Was Not Eligible to Participate in the Title IV Programs (A05M0009, September 2017), **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 4, as of September 30, 2020, the Department reported $844 million in total information technology (IT) spending for FY 2020 and estimated that it would spend more than $886 million on IT in FY 2021. The estimated FY 2021 spending is a 28.2 percent increase from the reported FY 2018 level.

Figure 4. Department Total IT Spending FY 2017–2020 (Dollars in Millions)



Source: Department of Education IT Agency Summary, ITDashboard.gov, as of September 30, 2020

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. OCIO is responsible for implementing the operating principles established by legislation and regulation, establishing a management framework to improve the planning and control of IT investments, and leading change to improve the efficiency and effectiveness of the Department's operations. 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.

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 IT 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, IT

security audits and financial statement audits have identified security controls that need improvement to adequately protect the Department's systems and data.

Audits Involving IT Security

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 10, our recent FISMA audits included audit 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 security function's related metric domains. Our FY 2017 through FY 2019 FISMA audits concluded that the Department and FSA were not effective in any of the five security functions—Identify, Protect, Detect, Respond, and Recover.

Table 10. Results of OIG FISMA Audits—Cybersecurity Framework Security Functions and Metric Domains with Audit Findings

FY	Identify: Risk Management	Protect: Configuration Management	Protect: Identity and Access Management	Protect: Data Protection and Privacy	Protect: Security Training	Detect: Information Security Continuous Monitoring	Respond: Incident Response	Recover: Contingency Planning
2019	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding
2018	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding	Audit Finding
2017	Audit Finding	Audit Finding	Audit Finding	N/A[2]	Audit Finding	Audit Finding	Audit Finding	Audit 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 2019 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) fully implementing two-factor authentication (identity and access management); (4) performance of timely reviews of system Privacy Impact Assessments (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 repeatedly identified IT controls as a significant deficiency. In its most recent report, the independent public accountant noted that the Department and FSA management demonstrated progress implementing corrective actions to remediate some prior year deficiencies in addressing some of the deficiencies. However, they reported that management

[2] Data protection and privacy was not a metric domain for the FY 2017 FISMA audit.

had not fully remediated prior-year deficiencies in several areas and identified IT control deficiencies in areas such as access controls, segregation of duties, and application change controls. The independent public accountant concluded that ineffective IT controls increase 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.

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 a student's login credentials and then using this information to access the 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 IT 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 has made significant progress in addressing this ongoing challenge. This included improvements in a wide range of areas such as metric scoring, management of Plans of Actions and Milestones, communication and capacity building, data loss prevention, and access management.

The Department noted that it established an improved methodology for quarterly cybersecurity performance improvement metric scoring and dashboarding capabilities to gauge specific progress in this area. The Department added that the new methodology encompasses the composite scoring from several sources to determine the overall percentage of achievement towards the Department's cybersecurity objectives.

The Department also stated that significant progress had been in its management of Plans of Actions and Milestones. The Department reported that the average time to close a Plan of Actions and Milestones was reduced from 167 days in FY 2019 to 47 days in FY 2020 and that it achieved a 68 percent net reduction in past due Plans of Actions and Milestones since starting the reporting period on October 1, 2019. The Department believed that those positive metrics are direct indicators of the progress achieved in maturing risk management capabilities and reduction capabilities.

The Department stated that it provided targeted briefings on subjects including Cybersecurity Framework Risk Scorecard results, phishing exercises, and current cyber threats to increase communication and build capacity for its stakeholders. The Department also noted that it significantly improved its phishing readiness through the deployment of the 'Report Phishing' button to all its Outlook email clients that resulted in the highest reporting rates since the launch of the phishing program in FY 2014.

The Department stated that it deployed Data Loss Prevention desktop agents to enhance the identification of personally identifiable information such as Social Security and credit card numbers. Following the passive monitoring phase of the deployment, the Department expects that additional Data Loss Prevention policies will become operational and enhance overall Data Loss Prevention capabilities.

According to the Department, notable progress has been demonstrated in the development of an enterprise Identity Credential and Access Management solution. The Department expects this solution to provide the ability to manage enterprise identity, user accounts, and user roles centrally and securely within and across Department systems and applications. The Department stated that it began working to identify system candidates to begin building out identities in FY 2020 and plans to deploy the Single Sign-On integration in FY 2021.

What the Department Needs to Do

The Department relies on IT 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 IT 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 IT 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 its efforts to address these weaknesses and continuing to place a priority on improving its IT security program. Our FISMA report for FY 2019 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 IT security controls, particularly in the areas of configuration management, identity and access management, and information security continuous monitoring.

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

Related Reports and Statuses

Report Category, Title, and Status as of October 1, 2020
FISMA Audits
• The U.S. Department of Education's Federal Information Security Modernization At of 2014 Report for Fiscal Year 2019 (A11T0002, October 2019), **Resolved**
• 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), **Closed**
Financial Statement Audits
• FY 2019 Financial Statements Audit—U.S. Department of Education (A17T0001, November 2019), **Resolved**
• FY 2019 Financial Statements Audit—Federal Student Aid (A17T0002, November 2019), **Resolved**
• FY 2018 Financial Statements Audit—U.S. Department of Education (A17S0001, November 2018), **Closed**
• FY 2018 Financial Statements Audit—Federal Student Aid (A17S0002, November 2018), **Closed**
• 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**

Appendix A. Acronyms and Abbreviations

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
COVID-19	coronavirus disease 2019
Department	U.S. Department of Education
Direct Loan	William D. Ford Federal Direct Loan Program
EIA	Temporary Emergency Impact Aid for Displaced Students
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
IT	information technology
LEA	local educational agency
OCIO	Office of Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
Pell	Federal Pell Grant
PIIA	Payment Integrity Information Act of 2019
Restart	Immediate Aid to Restart School Operations
SEA	State educational agency

Appendix B. Department Comments

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF FINANCE AND OPERATIONS

October 30, 2020

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

FROM: Denise Carter
Acting Assistant Secretary
Office of Finance and Operations

SUBJECT: Response to Office of Inspector General Draft Report, "U.S. Department of Education FY 2021 Management Challenges"

Thank you for the opportunity to provide input on the Office of Inspector General (OIG) draft report, *U.S. Department of Education (Department) Fiscal Year (FY) 2021 Management Challenges*.

The Department values the OIG's perspective on emerging and continued risks and vulnerabilities related to programs and operations. As in recent years, the inclusion of four challenges in areas of Oversight and Monitoring; Data Quality and Reporting; Improper Payments; and Information Technology Security are well-aligned with the Department's own assessment of enterprise risks and respective management efforts. The additional identification of a fifth challenge—related to the implementation of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)—is similarly of marked importance for us, as we recognize that successful implementation and effective oversight require a comprehensive and intentional approach, given the magnitude of funding provided and the critically interconnected operational processes and respective risks involved with the implementation and continued administration of the CARES Act programs.

The Department is pleased to report that we have taken a number of significant steps to address the persistent and evolving challenges documented by the OIG and have identified opportunities to incorporate Enterprise Risk Management practices into strategic initiatives aimed at managing programmatic and operational risk in a coordinated, cohesive manner.

This memo contains a summary of the Department's progress in meeting each of the five challenges, organized by challenge title. Attached, you will find a supplemental document that provides technical corrections to other sections of the draft report.

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

CHALLENGE 1: IMPLEMENTING THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES ACT)

New Grant Programs and Additional Federal Education Funds; Data Quality

When the CARES Act was passed in March 2020, the Department took comprehensive steps to ensure appropriate interpretation of the legislation's requirements and subsequent policy and operational implications. To successfully administer the new grant programs and additional federal education funds provided by the Act, the Department immediately established two formal committees comprised of Senior Leaders with the expertise needed to make decisions and execute against the plans with accuracy and urgency, as required by the crisis.

The Steering Committee was responsible for the overarching policy decisions and oversight for implementation at the highest level. The Operations Committee was charged with programmatic implementation of the decisions made by the Steering Committee, which included confirming appropriate systems, processes, and procedures were in place to make awards and ensure necessary funds control and reporting transparency. With representation from Senior Leaders across the Department—the Office of the Secretary (OS), the Office of the Under Secretary (OUS), the Office of Finance and Operations (OFO), the Office of the General Counsel (OGC), the Office of Planning, Evaluation, and Policy Development (OPEPD), the Office of Elementary and Secondary Education (OESE), and the Office of Postsecondary Education (OPE)—the Committees considered recommendations for policy options, as well as business process modifications from additional experts in supporting working groups.

Specifically, OFO took comprehensive steps to ensure preventative funds control at the onset by establishing the necessary account structures and funds control measures to maintain segregation from other grant funding to ensure ease of tracking and reporting of status of CARES Act funds in real time from the General Ledger. Experts from grantmaking offices worked with program attorneys and Budget Service to ensure statutory requirements were appropriately met. The Office of Legislation and Congressional Affairs, Budget Service, and OPEPD met weekly with Congressional Appropriations Committee staff to provide status updates on program implementation and execution and to collaboratively troubleshoot any issues relating to timelines or other policy questions. The OFO/Office of Financial Management (OFM) provided regular reports to the Office of Management and Budget (OMB) on status of grant awards, and OPEPD worked with OMB on decisions related to program implementation and the Department's approach to data collection and reporting requirements.

This collaborative process facilitated appropriate allocation methodologies, preventative funds control measures, and development of criteria for non-formula awards; as a result, the Department allocated and awarded CARES Act formula grant funds with unprecedented speed, making nearly all funds available within one month of enactment, roughly twice as fast as the first awards under the American Recovery and Reinvestment Act of 2009. The Committees met regularly until funds were dispersed and continue to meet on an ad hoc basis, as needed.

The Department recognized from the beginning that oversight and monitoring of grants would be a management challenge, and this has been a continued focus of senior leadership, as well as line managers; the overall progress the Department has made in this area can be found detailed in the Challenge 2 section below. However, since the CARES Act awards represent a significant portion of the grants portfolio, several efforts will be called out specifically in this Challenge area.

Despite the extraordinary number and size of CARES Act awards and expedited grantmaking timeline, which was undertaken on top of the ongoing administration of the Department's $70 billion annual portfolio of existing programs, Department staff collaborated effectively to provide effective and timely support to eligible applicants, grantees, and stakeholders. This support included written guidance, blog posts, webinars with stakeholders, direct technical assistance to new grantees, post-award calls, "office hours" on reporting requirements, and a dedicated shared mailbox: COVID-19@ed.gov to handle inquiries. The Department also approved the addition of 25 temporary Full Time Equivalent staff for OPE and OESE to support the additional administrative, monitoring, and oversight workload required by the CARES Act.

The Steering Committee charged OPEPD's Office of the Chief Data Officer (OCDO) with the development of a centralized public-facing portal that will disseminate relevant data and information to the public regarding the Education Stabilization Funds and their use, as well as a tool for grantees to submit data to address annual reporting requirements. The portal and data collection capability solution will provide comprehensive reporting features and will be bundled with end user help desk support and data quality services. The portal and platform are intended to leverage data from existing Department systems and will be developed using an Agile approach to software development—ensuring, where possible, that tools are integrated with existing systems.

Student Financial Assistance Program Requirements; Data Quality

In addition to the almost $31 billion provided by the CARES Act, the Act contained provisions that provided substantial relief for student loan borrowers. Following the passage of the CARES Act in March, the Department began reducing the interest rate for all federally held student loan borrowers to 0.0 percent. The Office of Federal Student Aid (FSA) worked with its loan servicers to ensure that more than 99.98 percent of federally held student loans were placed on a 0.0 percent interest rate within a matter of weeks. The remaining loans are newly disbursed loans that enter the systems at the statutorily required rates and are immediately adjusted down to 0.0 percent for the duration of the CARES Act suspension period. Servicers are updating new loans to 0.0 percent interest status on a daily or weekly basis, retroactively back to the date the borrower entered repayment status. On August 8, 2020, President Trump signed an executive action that extended Student Loan Relief, continuing the temporary cessation of payments and setting interest rates to 0.0 percent through December 31, 2020. The current student loan relief programs were set to expire on September 30, 2020.

The Department automatically placed all borrowers in administrative forbearance status, which allowed them to temporarily stop making monthly loan payments. Once the payment suspension period ends on December 31, 2020, all non-defaulted borrowers in the federal student loan portfolio will be in a current repayment status. FSA closely tracks data related to repayments to identify the impact of borrowers' decisions regarding repayment to understand current revenue and cost to the federal government. FSA has refunded more than 99 percent of involuntary payments made by borrowers with defaulted loans who were subject to having certain Treasury payments offset or wages garnished. FSA notified those employers that continued to garnish wages against FSA directions. Additionally, FSA worked with its loan servicers to ensure all eligible borrowers received personalized communications informing them of the benefits afforded to them under the CARES Act, e.g., suspension of interest and payments, and payment credits. As new borrowers have received student loans and entered repayment, servicers notify them of these same benefits.

The $40 million provided for Student Aid Administration supports extensive communications and notifications to borrowers explaining changes in loan terms and flexibility provisions as well as FSA system changes to implement the CARES Act provisions. Student loan model assumptions, cost estimates, and related execution transactions for these provisions were performed by OFO/Budget Service and officially approved by Department Senior Leaders and OMB.

CHALLENGE 2: OVERSIGHT AND MONITORING

Student Financial Assistance Programs

To improve oversight and monitoring of institutions of higher education (IHEs) 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 IHEs' disbursements of Pell Grants and Direct Loans. In FY 2020, FSA deployed an analytical model to continually monitor partner data and performance. This will improve the ability to identify IHEs most at-risk and allow more effective use of oversight resources by informing and prioritizing support for IHEs.

Over the next several years, the Department will implement additional risk-based procedures to evaluate an accrediting agency's ability to effectively determine and measure IHE compliance with accreditation

standards and to identify accrediting agencies at higher risk of failing to meet statutory and regulatory requirements and additional procedures to prioritize oversight of those higher-risk agencies.

FSA implemented an improved model for verification selection and evaluation of data elements from the Free Application for Federal Student Aid (FAFSA) that allows the Department to better identify applicants for whom errors will result in a change in their federal aid award, potentially reducing improper payments.

The President signed the Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act in December 2019, which will help ensure the accuracy of income information used for determining Pell Grant eligibility. One of the primary causes of improper payments in the Pell Grant program is failure to accurately verify financial data. The FUTURE Act provides an exception to the Department of Education from restrictions of Section 6103 of the Internal Revenue Code to allow the Department to more easily receive income tax data from the Internal Revenue Service (IRS), thereby simplifying and improving the accuracy of FAFSA filing by prepopulating certain fields. This exception will also allow borrowers to more easily recertify their income to stay enrolled in Income Driven Repayment plans. At this time, Congress has not provided funding to support implementation of the FUTURE Act.

Grantees

The Department has prioritized building capacity of grants administration staff to provide appropriate oversight and monitoring practices to be effective stewards of taxpayer funded investments. To that end, the Department has considered monitoring approaches across the agency with particular attention to the balance between compliance and performance. In FY 2020, OFO/Office of Human Resources (OHR) partnered with OFO/Office of Acquisition and Grants Administration (OAGA) to create a competency model, career map, and training plans for the grants management job series/category. This initiative aims to identify core and technical competencies and the respective training opportunities needed to achieve competency gap closure. OFO/OHR is in the process of identifying a tool to assess and track proficiency levels.

The Department recently revised the Handbook for the Discretionary Grants Process, an Administrative Communications System Directive, to provide a more robust, comprehensive guide for administering grants in a standardized manner across program offices. To support consistent interpretation and implementation of the revised policies and procedures, OFO/OAGA has developed and provided comprehensive training resources and continuing education workshops (e.g., monitoring for outcomes and success, risk assessment and mitigation, financial management, and use of a consistent grant slate memorandum) for program office staff and technical assistance resources related to internal controls requirements for grant recipients.

In addition, the Department reviewed the continuation award process to promote cross-office alignment and provided early training on competition planning to support making earlier awards, which will promote a stronger continuation funding process (i.e., if grantees receive awards well in advance of the start of a school year, their annual progress reports will better align with continuations decisions).

Given the transition to telework for most Department staff and many grantees due to the COVID-19 pandemic, the Department continues to leverage virtual monitoring approaches to provide necessary oversight and support to grant recipients. OFO/OAGA updated a resource related to virtual monitoring and is developing additional resources to support increased use of virtual monitoring resources. The Department examined monitoring practices and needs with all program offices and identified best practices for sharing monitoring tools and strategies (e.g., conducting "Table Talks" discussions for grant staff to communicate schedules, and consider establishing optional generic monitoring protocols).

The most recent efforts to build grant staff capacity allowed the Department to respond swiftly to the COVID-19 pandemic and provisions and requirements of the CARES Act. The Department has already shifted focus to support grant staff to conduct all monitoring activities in a virtual environment. In this light, the Department has procured a contract solution to develop a standard virtual grantee monitoring

program for ED's discretionary and formula grant programs. The contractor will perform a comprehensive assessment of the Department's "Current State" that includes documentation, interviews, and a comparative/gap analysis; provide draft recommendations; and work with a stakeholder group to define final recommendations to achieve the "Target State", i.e., a Department-wide, standard, virtual grantee monitoring program to include practices, processes, and virtual collaboration tools; and develop and deliver a training course that is based on the actual practices, processes, and tools to be used by staff when implementing the entire virtual grantee monitoring program.

The Department also established a grants management acquisition program to resolve non-inherently governmental grant award and administrative service gaps experienced by program offices. The program is anchored by the Education Grants Management Support Services-Blanket Purchase Agreement (EDGMSS-BPA), which sourced a cadre of grant services contractors with capacity and know-how to support a range of functions related to program offices' monitoring and oversight responsibilities.

In addition to the steps taken to enhance monitoring and oversight capabilities of staff responsible for managing grants, the Department has implemented a number of initiatives aimed at ensuring grants management data systems can similarly provide the support necessary to collect grantee data, analyze performance, and detect risk.

To effectively address the needs of all users—and to maximize the return on the Department's existing investment in G5, the Department's grants management system—OFO conducted a business process re-engineering (BPR) analysis to inform next steps in the G5 Modernization Initiative. The Department envisions a modern, modular, secure, and user-friendly G5 that meets the grants management needs of all internal and external users. The BPR analysis ensured appropriate stakeholder involvement in the identification of comprehensive system requirements. Ultimately, a final deliverable detailed a comprehensive list of core requirements for a modernized G5 system.

The Department prioritized the reduction of grantee reporting burden by standardizing data collection across various information requests. The data elements across a collection of 24 unique discretionary annual performance reports (APR) were streamlined and standardized into a single APR. The implementation of the single APR furthers the Department's priority, while providing 1) staff with common and accessible data sets to monitor grantees' progress in meeting program objectives and 2) standard data requirements for an enterprise APR tool, as part of the G5 Modernization Initiative.

Additionally, the Department has continued to enhance its Entity Risk Review (ERR) capabilities to conduct risk assessments for grant applicants recommended for initial or continuation funding, in accordance with 2 CFR 200.205. The ERR application supports Department staff in assessing applicant and/or grantee risks by providing administrative, financial, and internal controls information by linking disparate data sets and applying business logic to the data. The data are used to inform the Department's grant administration, oversight, and monitoring through the use of a standardized set of risk indicators; facilitate program offices' efforts to analyze grantee risk prior to making awards and during the life of a grant project; make Single Audit findings and other information about organizations' fiscal health available and accessible to program staff; and facilitate data sharing across grant programs and among Department offices.

The data logic and capabilities of the ERR have been well documented and have been referenced during functional requirements gathering processes for the data collection and reporting portal being developed to address the CARES Act data collection requirements (as mentioned in Challenge 1) and to inform the Department's comprehensive and cohesive efforts to modernize the G5 Grants Management system to address the significant data needs related to collecting, analyzing, and reporting on grantee performance data—much needed oversight capabilities that are similarly referenced in Challenge 3.

The Department continues to assess technology solutions and other best practices for improving monitoring capabilities across the grants lifecycle. The OMB Memorandum M-19-16, *Centralized Mission Support Capabilities for the Federal Government*, created the Quality Service Management Offices (QSMOs) for select mission-support function, tasking QSMOs with offering and managing a marketplace of effective and efficient solutions to be implemented across the government. The

Department of Health and Human Services (HHS) was pre-designated as the Grants Management QSMO to transform government-wide grants management end-to-end, and the Department has been actively involved in these collaborative efforts to share its unique perspectives and help identify best practices and process improvements. To that end, the Department is partnering with HHS on several initiatives designed to identify enhanced tools and services to support grants management across the government. Because of the ERR's successful implementation across program offices, the Department is well-positioned to pilot the HHS Grant-recipient Digital Dossier risk management tool during FY 2021 to assess capabilities and benefits to pre- and post-award monitoring processes.

CHALLENGE 3: DATA QUALITY AND REPORTING

In response to additional authorities granted by the President and Congress to manage education data as a strategic asset, the Department 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. To specifically improve the quality and accuracy of data collected from grantees, the Department has taken comprehensive steps to promote cohesive data governance initiatives, build staff capacity around data, and improve data management practices and systems.

An agency-wide Data Governance Board (DGB) was established and met for the first time in November 2019. The DGB is charged with taking agency-wide action to develop an open data culture, improve the Department's capacity to leverage data as a strategic asset for evidence building and operational decisions, and develop the data skills of staff throughout the agency. In the spring of 2020, the DGB initiated the Department's first data maturity assessment (DMA), conducted both at the agency and individual Principal Office (PO) level. These assessments allow the Department to evaluate itself against documented best practices, determine gaps, and identify priority areas for improvement. The DMA assessed maturity levels for data quality across three process areas: Data Quality Strategy, Data Quality Assessments, and Data Cleansing. These process areas describe best practices for detecting, assessing, and cleansing data defects to ensure fitness for intended uses in business operations, decision making, and planning. The results of the DMA will provide the baseline for the Department and program offices to measure progress and growth in FY 2021 and will be used to guide the creation of agency's inaugural data strategy, inform program office investment decisions, and provide agency leadership with the ability to track year-over-year return on those investments.

The Department also identified a multi-pronged approach to address root causes and improve data quality during FY 2020. The approach includes ensuring grantees are aware of their data responsibilities under the conditions of their grants and of the credible consequences for noncompliance—ranging from additional informal monitoring through termination of the grant. It also includes provisions to improve the varying capacity of grantees in reporting data and varying capacity among Department staff in reviewing grantee-reported data. When fully deployed, this effort is largely expected to take the form of technical assistance to grantees, additional resources for the Department for data quality review, and expanded use of technological solutions to automate and reduce the need for manual reporting and review.

Exigent circumstances, volume of new grant funds, and other challenging environmental factors led the Department to immediately deploy a variation of that strategy for key data collections associated with the Education Stabilization Fund—specifically, the Higher Education Emergency Relief, Governor's Emergency Education Relief, Elementary and Secondary School Education Relief, and equivalent Outlying Area funds. The Department executed a contract to develop a data collection portal, implement a data management solution to support internal and external reporting, and launch a public transparency website. In addition to early communications to grantees about expectations for data quality, several components of the data collection process include explicit data quality components, including auto-population of known data values in the collection instrument, help desk services for grantees submitting performance data, a data management platform that imposes business rules to improve data quality, and established phases for opening, closing, and reopening the tool for grantees to submit data quality corrections.

In the summer of FY 2020, the DGB also initiated a process to develop an ED Data Strategy to realize the full potential of data to improve education outcomes. Finalization and adoption of that formal Data Strategy is expected in November 2020. This Department-wide effort includes agency-wide discussions about data priorities that will help improve data maturity and will focus on the Department's capabilities to leverage data, operationalize and optimize data governance, and drive cultural change for the benefit of all stakeholders. The DGB identified the following four goal areas to guide data modernization, improvement efforts, and future investments: strengthening agency-wide data governance; building human capacity to leverage data; advancing the strategic use of data; and improving data access, transparency, and privacy. At least one objective within this strategy is expected to focus on data quality and development of an action plan to deploy the multi-pronged approach outlined in paragraph three, above.

These coordinated, cross-agency efforts are in addition to a variety of system-specific or office-specified efforts accomplished in FY 2020. The OCDO launched a partnership with Budget Service, the Grants Policy Office, and OAGA to improve the quality and use of Government and Performance Results Act measures. As part of this initiative, OCDO supported OESE and the Office of Special Education and Rehabilitative Services in the development of new and updated measures for grant programs. Additionally, the Department launched a new annual performance reporting tool in FY 2020 for the Office of Special Education Programs formula grantees, providing an online system to submit responses and review data in a user-friendly format. The tool reduces reporting burden and improves data quality by using EDFacts to pre-populate data and match the format needed for the performance indicators. It meets current security standards and addresses issues identified with prior tools.

Through its Next Gen initiative, FSA began the development and implementation of the Enterprise Data Management and Analytics Platform Services (EDMAPS) which will provide a central unified data platform for FSA aid lifecycle data. In FY 2020, FSA implemented a master data management platform (pMDM) and a data lake (Data Lake) for the swift ingestion, presentation, and management of structured and unstructured data from various internal and external sources. In FY 2021, FSA will co-locate pMDM, Data Lake, and the Enterprise Data Warehouse and Analytics into the single EDMAPS system hosted in the FSA Cloud General Support Services in Amazon Web Services. This effort will provide FSA a central hub for system data and enable the re-engineering of FSA siloed legacy systems such as National Student Loan Data System, the Central Processing System, and the Debt Management and Collection System, as well as the consolidation of the multiple loan servicers into one ED-owned servicing system. In collaboration with the IRS, FSA also initiated changes to its programs to help ensure the accuracy of income information used for determining Pell Grant eligibility, which are now possible as a result of the FUTURE Act which was signed into law in December 2019. As indicated previously, implementation of the FUTURE Act will allow FSA to receive income tax data directly from the IRS which would simplify FAFSA filing and improve accuracy.

CHALLENGE 4: IMPROPER PAYMENTS

Most of the assistance that the federal government provides to students comes through its student loan programs and the Federal Pell Grant Program. A primary cause of improper payments is the Pell Grant and Direct Loan Programs. The Department is addressing this management challenge on several fronts.

OFO/OFM continued to perform Improper Payments Elimination and Recovery Act compliance activities in FY 2020, including improper payment estimation of programs deemed susceptible to significant improper payments, as well as qualitative and quantitative improper payment risk assessments for programs and activities in scope. The Department reviewed and revised its methodology for the Emergency Impact Aid program and implemented the revised methodology in FY 2020. Written procedures are in development and due at the end of December 2020. The Department also strengthened its risk assessment process to include an improper payment threshold analysis of all its programs and activities.

In September 2020, FSA implemented a daily pre-payment interface with the Department of the Treasury's Do Not Pay web service that matches intended recipients with multiple data sources to identify

potential improper payments. OFO/OFM is also participating in a pilot with the Do Not Pay analytics team to research possible payment integrity checks that could be applied to the Department's payment data.

Lastly, FSA continued to refine the statistically valid methodology it implemented in FY 2019 to estimate improper payments, including random sampling from a population of more than 5,700 schools. It used improper payment data from Single Audit Act compliance audits of the sampled schools. FSA worked with OMB to gain increased support of using compliance audit data for improper payment estimation and added requirements for compliance auditors to provide FSA with population and sample information necessary to estimate improper payments. FSA also collaborated with OMB to revise and clarify the requirements in OMB Circular A-123 Appendix C for statistically valid and rigorous improper payment estimation methodologies. OMB's draft revisions of sections of the Circular removed references to randomized sampling from the requirements for statistically valid estimation methodologies. The draft sections also require IGs, in performing their annual audits, to evaluate the adequacy of Sampling and Estimation Methodology Plans when determining program compliance and whether the improper payment estimate is representative of the program's annual improper payments. If the IG determines that a program is non-compliant for this criterion, the final IG report must provide concrete recommendations regarding the specific actions and steps the program must take to achieve compliance with this criterion. FSA also implemented enhanced quality control procedures over its improper payment estimation process to increase validation of compliance audit data and calculations and ensure only sustained questioned costs, rather than questioned costs, identified in compliance audits are used in improper payment estimates.

CHALLENGE 5: INFORMATION TECHNOLOGY SECURITY

The Department has made significant progress in addressing the ongoing challenge of information technology security. To gauge specific progress in this area, the Department established an improved methodology for quarterly cybersecurity performance improvement metric scoring and dashboarding capabilities, leveraging the Federal IT Acquisition Reform Act (FITARA) cyber scoring methodology (Department Federal Information Security Management Act (FISMA) Risk Management Assessment/IG FISMA maturity score). The new methodology encompasses composite scoring from the Quarterly Risk Management Assessment score, the Cybersecurity Framework Risk Scorecard results, the previous year's IG FISMA maturity score, and the Department of Homeland Security Cyber Hygiene Scorecard, to determine the overall percentage of achievement towards the Department's cybersecurity objectives.

Significant progress has been made to maintain an accurate system inventory, communicate the impact of identified cybersecurity risks, and actively manage the Plans of Actions and Milestones (POA&Ms)—i.e., the management tools for tracking the mitigation of cybersecurity program and system level findings and weaknesses. The Department's Office of the Chief Information Officer (OCIO) publishes Cybersecurity Framework Risk Scorecards that serve as a tool to prioritize and mitigate risks to the Department's information systems. The Scorecard was recently enhanced to include privacy scoring and daily reporting, enabling stakeholders to manage cybersecurity risks more effectively in near-real time and in concert with privacy risks to further reinforce the relationship between the Department's Information Security and Privacy Programs. To that end, OCIO leaders also engaged with the National Institute of Standards and Technology's Security and Privacy Implementation Collaboration Tiger Team to promote more effective integration of cybersecurity and privacy across government.

To increase communication and build capacity for Department stakeholders, OCIO has provided targeted briefings on a variety of subjects, including Cybersecurity Framework Risk Scorecard results, phishing exercises, and current cyber threats. Through continued outreach and communication with principal office leadership and operational stakeholders, the Department saw the average time to close a POA&M reduced from 167 days in 2019 to 47 days in FY 2020. The number of accepted risk POA&Ms also dropped from 53 to 29 during the same time period. At the closing of FY 2020, the Department achieved a 68 percent net reduction in past due POA&Ms since starting the reporting period on October 1, 2019. These positive metrics are direct indicators of the progress achieved in maturing risk management capabilities and

reduction capabilities. The Department significantly improved its phishing readiness through the deployment of the 'Report Phishing' button to all Department Outlook email clients, allowing users to directly report suspicious emails with a single click of a button—a simple solution that resulted in the highest reporting rates since the launch of the phishing program in FY 2014 and continues to yield a substantial increase in reports.

The Department deployed Data Loss Prevention (DLP) desktop agents on Department endpoint devices to further enhance the identification of personally identifiable information, such as Social Security and credit card numbers. Following the passive monitoring phase of the deployment, additional DLP policies will become operational and further enhance overall DLP capabilities.

Notable progress has been demonstrated in the development of an enterprise Identity Credential and Access Management solution. This solution is expected to provide the ability to manage enterprise identity, user accounts, and user roles centrally and securely within and across Department systems and applications. In FY 2020, the Department began working to identify system candidates to begin building out identities, and the deployment of Single Sign-On integration is planned for FY 2021.

Lastly, to mitigate impacts of the COVID-19 pandemic on remote stakeholders, OCIO acted promptly to ensure the appropriate infrastructure was in place to support the shift to a fully virtual work environment. To that end, OCIO identified, analyzed, and recommended a cloud-based solution to provide rapid expansion of the Department's virtual private network capacity to support extensive teleworking capabilities. Additionally, the Department delivered an alternative multi-factor authentication solution to provide continuity of critical business functions during the pandemic. OCIO provided targeted outreach to proactively address threats to teleworking employees (e.g., warning them of increased phishing attempts and other cybercriminal scams that target largely at-home workers).

Attachment:

Management Challenges FY 2021 – Department of Education Technical Edits to Draft Report

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