OTHER INFORMATION

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About the Other Information Section

The Other Information section includes:

OFFICE OF INSPECTOR GENERAL'S (OIG) MANAGEMENT AND PERFORMANCE CHALLENGES FOR FISCAL YEAR 2023

The Management and Performance Challenges Report provides a summary of what the Office of Inspector General (OIG) believes are the Department's biggest challenges for FY 2023. The OIG identified the following five challenges: (1) Implementing Pandemic Relief Laws, (2) Oversight and Monitoring, (3) Data Quality and Reporting, (4) Improper Payments, and (5) Information Technology Security. The full report is available at the **OIG website**.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The Summary of Financial Statement Audit and Management Assurances provides information about the material weaknesses reported by the Department or through the audit process.

PAYMENT INTEGRITY INFORMATION ACT REPORTING

This section summarizes the U.S. Department of Education's (the Department) efforts to maintain payment integrity and to develop effective controls designed to prevent, detect, and recover improper payments. It also includes information regarding the Department's high-risk programs.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

This section reports on the Department's annual inflation adjustments to civil monetary penalties as required under the *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015*.

CLIMATE ADAPTATION PLAN

This section summarizes the Department's FY 2021 Climate Adaptation Plan.

THE GRANTS OVERSIGHT AND NEW EFFICIENCY ACT OF 2016 (GONE ACT) AND EDUCATION'S GRANT CLOSEOUT PROCESS

This section provides a high-level summary of the Department's expired, but not closed, federal grants and cooperative agreements.

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

December 13, 2022

TO: The Honorable Miguel Cardona
Secretary of Education

FROM: Sandra D. Bruce
Inspector General

SUBJECT: Management Challenges for Fiscal Year 2023

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

The Government Performance and Results Modernization Act of 2010 identifies major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse and mismanagement and where a failure to perform could seriously affect the ability of the Department to achieve its mission or goals. To identify management challenges, the OIG routinely examines past audit, inspection, and investigative work; reviews corrective actions that have not been completed; assesses ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyzes new programs and activities that could pose significant challenges because of their breadth and complexity. Our assessment also considers the accomplishments reported by the Department.

Our FY 2023 report identifies five management challenges facing the Department as it continues its efforts to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. We specifically retained all five management challenges from our FY 2022 report. Although the Department made progress in addressing these challenges, our work continues to identify vulnerabilities within each of these areas. Additional challenges may exist in areas that we have not recently reviewed.

We provided our draft report to Department officials and considered their comments in developing the final report. This report will be posted to our website at http://www2.ed.gov/about/offices/list/oig/managementchallenges.html. We look forward to working with the Department to address the FY 2023 management challenges in the coming year. If you have any questions or would like to discuss these issues, please contact me at (202) 245-6900.

400 MARYLAND AVENUE, S.W., WASHINGTON, DC 20202-1510

Promoting the efficiency, effectiveness, and integrity of the Department's programs and operations.

Office of Inspector General's (OIG) Management and Performance Challenges for Fiscal Year 2023

MANAGEMENT CHALLENGE 1— IMPLEMENTING PANDEMIC RELIEF LAWS

The U.S. Department of Education (Department) was provided with more than $280 billion under three major pandemic relief laws to assist States, schools, school districts, and institutions of higher education (IHE) in meeting their needs and the needs of students impacted by the pandemic. This included the Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted in March 2020; the Coronavirus Response and Relief Supplemental Appropriations Act, 2021, enacted in December 2020; and the American Rescue Plan Act (ARP), enacted in March 2021. Collectively, these laws established and funded new emergency relief programs, allowed the 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

Implementation of the pandemic relief laws poses 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. In addition to the programs funded by the pandemic relief laws, the Department must oversee more than 100 other grant and loan programs, including a Federal student loan portfolio that now surpasses $1.6 trillion.

New Grant Programs and Additional Federal Education Funds

As shown in Table 4, the pandemic relief laws included funding for State and local agencies, higher education, nonpublic schools, and other education-related entities.

Table 4

Education Stabilization Fund (ESF) Summary

Program	Funding	Overview
Elementary and Secondary School Emergency Relief Fund (ESSER)	$190 billion	ESSER funds are awarded to SEAs to provide formula-based subgrants to LEAs. ESSER funds can be used to support a wide range of activities, including purchasing and using technology for online learning, coordinating efforts with public health departments, addressing the needs of underrepresented student subgroups, planning for both school closures and reopenings, purchasing cleaning supplies, providing mental health services, and implementing summer learning and supplemental after-school programs.
Higher Education Emergency Relief Fund (HEER)	$76.2 billion	HEER funds are awarded to IHEs. HEER funds can be used to assist students with expenses related to the disruption of campus operations due to the pandemic, such as tuition, food, housing, healthcare, childcare, technology, and course materials; and to help IHEs, including Historically Black Colleges and Universities and Minority Serving Institutions, cover costs associated with significant changes to the delivery of instruction due to the pandemic, reimburse themselves for lost revenue resulting from the pandemic, and defray other expenses, such as those for faculty and staff trainings, payroll, campus safety measures and protocols, and student support activities.
Emergency Assistance to Nonpublic Schools (EANS)	$5.5 billion	EANS funds are awarded to Governors, who are responsible for complying with grantee oversight requirements, but SEAs are responsible for administering the program. EANS funds can be used to provide services or assistance to nonpublic schools.
Governor's Emergency Education Relief Fund (GEER)	$4.3 billion	GEER funds are awarded to Governors' offices to provide to LEAs, IHEs, or other education-related entities that each Governor determines to be most impacted by the pandemic or essential for carrying out emergency educational services, providing childcare and early childhood education, social and emotional support, and protecting education-related jobs. GEER funds can be used to support these entities' ongoing operations and efforts to provide educational services to students.

The pandemic relief laws also provided about $2.8 billion in funds for the Outlying Areas, Tribal education agencies and programs operated or funded by the Bureau of Indian Education, and homeless children and youth. The ARP provided an additional $3 billion to States to support infants, toddlers, children, and youth with disabilities served under the Individuals with Disabilities Education Act.

While the pandemic relief laws provided more than $161 million to the Department for student aid administration and $38 million for program administration, each of these 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 the pandemic. Because these 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 remain significant challenges 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 continue to 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 included student financial assistance provisions intended to provide emergency relief to borrowers and to allow institutions to meet student needs more easily. These provisions included borrower and teacher assistance provisions, waivers of student financial assistance refunds and loan cancellations, and adjustments to lifetime Federal Pell Grant (Pell) usage. The Department had 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 may be challenged to provide adequate oversight of existing student aid program participants while it continues to implement and oversee the student aid provisions in the CARES Act, resumes collections on Federal student loans in 2023, and implements plans to provide up to $20,000 in debt relief to eligible borrowers. 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 pandemic relief laws included several reporting provisions that were intended to provide transparency regarding the use of funds to alleviate the impact of the Coronavirus Disease 2019 (COVID-19). The Department also established additional reporting requirements for programs authorized under these laws. Grantees must report monthly on subcontracts and subgrants exceeding a certain threshold and submit annual performance reports. Administering the programs and operations funded by the pandemic relief laws requires the Department to collect, analyze, and report on data for many purposes, such as evaluating programmatic performance, assessing fiscal compliance, and informing management decisions. For this reason, the Department, its grant recipients and subrecipients, and other program participants must have effective systems, processes, and procedures in place to ensure that the reported data are accurate and complete.

The Office of Inspector General's (OIG) recent audit work within this area is shown in Table 5.

Table 5

OIG's Recent Reports Relating to Pandemic Relief Laws

Activities Reviewed	Review Results
GEER	We issued three audits from a series of work on States' administration of GEER fund grants. We found that one State designed awarding processes that would ensure GEER funds supported entities that were most significantly impacted by the coronavirus. However, we also found that the State did not always implement the awarding process as it was designed and could strengthen its monitoring process over entities' use of the GEER grant. We found that another State did not award all GEER grant funds to entities in accordance with the CARES Act, Federal regulations, and grant conditions. We also found that the State should strengthen its monitoring process and did not comply with the GEER grant award Federal cash management terms and conditions. Additionally, our work identified more than $650,000 in purchases that did not appear to be education-related. We found that an additional State did not maintain sufficient documentation to support its processes for awarding GEER funds to eligible entities. We also found that the State did not have a written plan to monitor its GEER grant subgrantees.
HEER	We have issued five reports relating to HEER funds. We issued a flash report that identified $73 million in duplicate HEER grant awards made by the Department. We found that the Department's processes did not always prevent or timely identify and correct duplicate HEER grant awards, and that the Department did not consistently document activities taken to correct duplicate awards. In our work related to the Department's oversight of HEER fund grants, we found that the Office of Postsecondary Education (OPE) did not perform or document several key activities that are essential to effective program oversight. This included developing a framework to guide its monitoring practices, procedures, and controls and designing and implementing a risk-based monitoring plan to provide assurance that HEER grant funds are used appropriately and performance goals are being met. We also found that OPE did not establish performance goals for the HEER fund program or specific metrics that would provide a basis to monitor individual schools' performance or report on outcomes at the program level. In the first two audits from a series of work on postsecondary schools' use of HEER funds, we found that two schools generally used the Student Aid portion of their HEER funds for allowable and intended purposes but did not always use the Institutional portion of their funds in accordance with Federal requirements. We also found that both schools did not minimize the time between drawing down and disbursing HEER funds nor deposit excess funds in an interest-bearing account, contrary to Federal regulations. We issued a flash report on HEER-related risks that shared observations on closed schools that received or had access to HEER funds. We found that 17 schools that had closed on or before December 31, 2020, applied for and were awarded more than $4.9 million in HEER funds. We also noted that eight of those schools had drawn about $1.26 million from these grants after closure dates listed in a Department system.
Flexibilities	We found improvements were needed in Federal Student Aid's (FSA) implementation of Teacher Education Assistance for College and Higher Education (TEACH) Grant CARES Act flexibilities. We found weaknesses in FSA's processes that may have resulted in inappropriate denials of CARES Act flexibilities to some eligible recipients and may have provided benefits to recipients who were not entitled to them. We also found weaknesses in processes associated with a contract modification that may have impacted FSA's assurance that the contractor properly approved or rejected certifications of recipients impacted by COVID-19.
Student Financial Assistance Program Requirements	We found that FSA took quick action to implement processes that generally achieved positive results in suspending and refunding most involuntary collections on defaulted Department-held loans. We specifically determined that FSA suspended administrative wage garnishments and Treasury offsets for over 96 percent of the borrowers that FSA collected payments for within 90 days of the start of the suspension period. We also found that FSA refunded 99 percent of administrative wage garnishments and Treasury offsets that were collected from March 13, 2020, through September 30, 2020. Although FSA refunded most administrative wage garnishments and Treasury offsets collected for the period of our review, it did not reprocess all refunds that were subsequently returned to Treasury and did not refund all wage garnishments and Treasury offsets collected. In addition, FSA did not develop procedures to obtain and track the U.S. Department of Justice's progress on suspending and refunding involuntarily collections on defaulted Department-held loans.
Data Quality and Reporting	We issued a flash report on ESF reporting in the Federal Audit Clearinghouse regarding the inconsistent reporting of subprogram expenditures by grantees and subgrantees. This included instances where grantees and subgrantees did not identify subprograms or used variations of subprogram identifying information. In our work relating to HEER reporting requirements, we found that 81 of the 100 recipients included in our nonstatistical sample complied with HEER Institutional portion reporting requirements. However, we were unable to locate Institutional portion reports on the websites of the 19 other recipients. As of September 30, 2020, those 19 recipients had drawn down over $5.5 million of the almost $29 million awarded to them. Our work on postsecondary schools' use of HEER funds also reviewed the timeliness and quality of the data that two schools reported on their use of HEER funds. We found that the information in both schools' required HEER reports were generally accurate, complete, and timely.

Activities Reviewed	Review Results
Department Operations	Our assessment of the Department's reconstitution plans following COVID-19 found that the Department generally incorporated available guidance, which was intended to provide for a safe and gradual return to Federal offices, in its Workplace Reconstitution Transition Plan. However, we noted that the Department did not address anti-retaliation, including practices for ensuring that no adverse or retaliatory action is taken against an employee who adheres to guidelines or raises workplace safety and health concerns, and did not periodically reassess and update self-screening questions as suggested by available guidance. We issued a Management Information Report that identified challenges that the Department may face as it implements and oversees the CARES Act. These included grantee oversight and monitoring, student financial assistance oversight and monitoring, and data quality and reporting. We noted that the Department should consider these persistent challenges and the lessons learned from its administration of the Recovery Act as it implements and administers the programs and provisions authorized under the CARES Act to reduce vulnerabilities to fraud, waste, abuse, noncompliance, and other issues that could impact a grantee's or subgrantee's ability to achieve intended programmatic results.

The OIG recent investigative activity within this area is shown in Table 6.

Investigations of Pandemic Relief Funding

Table 6

OIG's Recent Investigative Activity Relating to Pandemic Relief Funding

Area	Example of Related Investigative Activity
Institutions	OIG investigations have identified institutions that drew down funds when not entitled to them, drew down funds when knowingly closing, or drew down funds with no intent to provide them to students.
Program Participants	OIG investigations have identified students stealing the identity of others to fraudulently obtain HEER funds. OIG investigations have identified schemes associated with the HEER program where individuals target institutional accounts containing HEER funds or other individuals submitted applications in mass to multiple institutions to obtain funds.
Employees	OIG investigations have identified employees applying for non-ED pandemic related funds such as Paycheck Protection Program (PPP) for which they were not entitled to.

Ongoing and Planned Work

Our ongoing work in this area includes reviews of two States' oversight and use of ESSER funds; LEAs' use of ESSER funds for technology; a third school's use of HEER funds; FSA's use of pandemic assistance program administration funds; and FSA's processes for the return of Title IV of the Higher Education Act of 1965, as amended (Title IV) requirements, cancellation of borrower loans, and exclusion Pell lifetime usage.

Our planned projects relating to State and local programs within this area for fiscal year (FY) 2023 include reviews of additional States' oversight and use of ESSER funds, the Department's oversight of ESSER funds, the Department's oversight of HEER funds to replace lost revenue, and States' administration and oversight of EANS grant funds.

Our planned project relating to student financial assistance and higher education programs within this area for FY 2023 include a review of FSA's transition of Federal student loan borrowers back into repayment after the relief measures implemented in response to the pandemic expire.

Progress in Meeting the Challenge

The Department stated that it took steps to ensure appropriate interpretation of the legislative requirements in multiple pandemic relief laws. This included collaboration with Congressional Appropriations Committee staff and the Office of Management and Budget to help ensure that statutory requirements and program implementation priorities were met. The Department added that multiple offices coordinated to expedite the award of pandemic relief grants while administering its portfolio of existing programs and responding to accountability engagements of the Government Accountability Office and the OIG.

The Department stated that it leveraged pandemic hiring authorities to help address its increased administrative and oversight responsibilities. This included specific activities to support monitoring efforts related to the HEER, ESSER, GEER, and EANS programs. The Department added that it implemented multiple strategies to provide support and help ensure the quality of data collected. According to the Department, this included providing technical assistance, using risk-based monitoring approaches, ensuring relevant programs were included in guidance for non-Federal auditors, coordinating with the OIG, establishing processes for regular communication with grantees, and implementing structured data collection processes, with changes this year having been significantly informed by lessons learned from the initial ESF grantee data collection experience.

The Department added that it took steps to implement pandemic relief requirements related to the student financial assistance programs. This included suspending payments and interest accrual on Federal student loans, stopping wage garnishments for borrowers in default, and ensuring that flexibilities were applied to eligible TEACH Grant recipients. The Department also stated that it is making preparations to return all borrowers to a repayment status when the payment pause ends. According to the Department, its plan includes borrower outreach, servicer hiring, training and preparation, policy enhancements, and vendor and process oversight.

What the Department Needs to Do

The Department identified several actions it had taken to address the challenges posed by the pandemic relief laws. Its activities to provide guidance and assistance to recipients, implement certain requirements, and expand its oversight capabilities are generally responsive to this challenge. However, our work continues to identify weaknesses in areas that include recipients' program administration, the Department's programmatic oversight, and related data quality and reporting. Overall, the Department should continue its efforts, improve its implementation of controls to better ensure effective monitoring and oversight processes, and use the information it receives to identify and address risks as they emerge. It is also important that the Department implement activities in ways that allow it to assess their impact and whether they contribute to improved outcomes that demonstrate progress toward addressing this challenge.

Specifically, the Department should continue to employ strategies that effectively support its program staff and grantees. It should also assess the results of its monitoring efforts and other information collected from recipients to identify areas that could benefit from additional guidance or technical assistance. The Department should also continuously evaluate its oversight activities and refine them as necessary to enhance their effectiveness. Given the importance of spending these funds quickly and appropriately, it is important for the Department to obtain timely and accurate information and to respond quickly to emerging challenges identified by it or others, including Federal and non-Federal auditors. Continuing to use a lessons-learned approach, like the one cited above on changes to its data collection strategy, is a good way for the Department to continue to learn from and act on emerging issues.

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

MANAGEMENT CHALLENGE 2— 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.

Oversight and Monitoring—Student Financial Assistance Programs

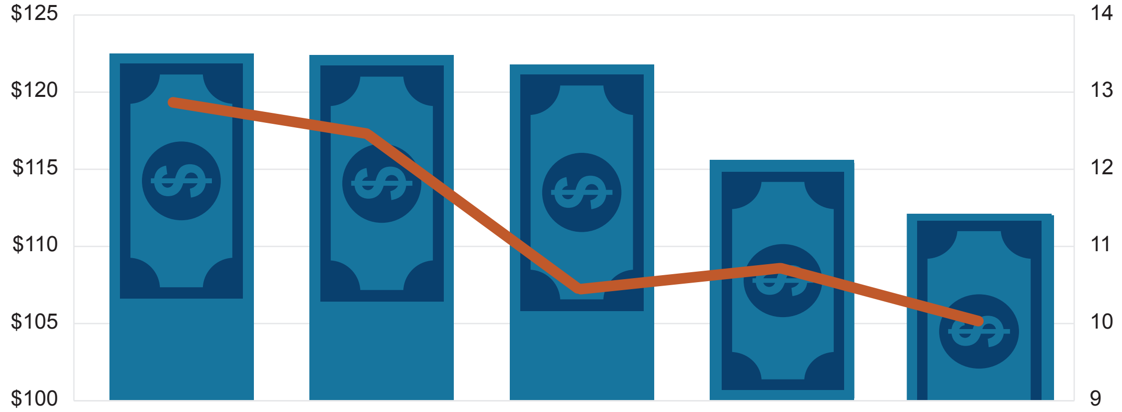
FSA, a principal office of the Department, seeks to ensure that all eligible individuals can access Federal financial aid so they can gain the benefits of education and training beyond high school. FSA is the nation's largest provider of student financial aid and is responsible for implementing and managing the Federal student financial assistance programs authorized under Title IV. 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 more than $1.6 trillion, representing about 216.9 million student loans to more than 43 million borrowers. FSA oversees the disbursement of more than $27 billion in grants to more than 6 million recipients.[11] FSA also oversees approximately 5,600 postsecondary institutions that participate in the Federal student aid programs.

In FY 2021, FSA performed these functions with an administrative budget of $1.9 billion and about 1,400 employees, along with contractors that provide outsourced business operations. From FY 2017 to FY 2021, FSA delivered an average of $118.9 billion in Federal student aid to an average of 11.4 million students.

11 Information relating to the amount of the loan portfolio, number of loans and borrowers, amount of grants, and number of recipients are from the Federal Student Aid Annual Report FY 2021.

Figure 14

Student Aid Delivered and Postsecondary Students Receiving Aid FYs 2017–2021



	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Federal Student Aid Delivered (in billions of $)	$122.5	$122.4	$121.8	$115.6	$112.0
Total Postsecondary Students Receiving Aid (in millions)	12.9	12.7	10.4	10.8	10.1

Source: Federal Student Aid Annual Report FY 2021

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

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 OIG's recent work within this area has covered a wide range of activities, as shown in Table 7.

Table 7

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

Activities Reviewed	Review Results
Accreditation	In an audit of the Department's processes for accessing the Accrediting Council for Independent Colleges and School's compliance with Federal regulatory criteria for recognition from 2016 through 2018, we determined that the Department did not comply with all regulatory requirements during its 2016 review of the Accrediting Council for Independent Colleges and School's petition for recognition renewal because its process did not consider all available relevant information during its review as required. We also determined that the Department implemented a process for assessing the Accrediting Council for Independent Colleges and School's compliance with recognition criteria following a court remand in 2018 that was permitted under applicable policies and regulations as well as the court's remand order.
Heightened Cash Management	We found that FSA consistently administered its heightened cash monitoring payment methods when utilizing this process for the top five reasons FSA placed a school on heightened cash monitoring. 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.
Professional Judgment	In the first of a series of audit work in this area, we found that a school did not adequately document special circumstances for more than 90 percent of the students in our nonstatistical random sample for whom it applied professional judgment. Because the school did not adequately document special circumstances, its application of professional judgment was not in accordance with the Higher Education Act (HEA) of 1965, as amended. In our second audit in this area, we found that a school improperly applied professional judgment across three classes of students and based on wedding expenses or standard living expenses rather than applying professional judgment on a case-by-case basis for special circumstances, as required by the HEA. The school also did not adequately document special circumstances for 57 percent of the students for whom it applied professional judgment for one or both award years covered by our audit.
Sales of Postsecondary Schools	We found that the Department did not take actions sufficient to mitigate significant financial responsibility and administrative capability risks posed by a non-profit company and the 13 for-profit postsecondary schools that it purchased in transactions occurring in November 2017 and February 2018. We also found that the Department did not follow several of its procedures relating to subsequent activities involving those schools. For example, the Department retroactively approved temporary interim nonprofit statuses for 2 of the 13 schools, to avoid a lapse in their eligibility to participate in the Title IV programs, without following its own procedures for ensuring that schools meet the regulatory definition of a nonprofit school. Additionally, the Department did not follow FSA's financial analysis procedures when it limited a letter of credit requirement despite lacking certain documentation for a transaction involving the resale of 4 of the 13 schools in 2019. We also found that the Department did not follow FSA policy when it extended the temporary provisional program participation agreements for the four schools without receiving evidence that the accrediting agencies and all State authorizing agencies had approved the changes in ownership. We also determined that the Department allowed the use of surety funds to pay the operating expenses of schools that were planned to close in December 2018. Allowing surety funds to be used for such purposes was unprecedented, and neither the Department nor FSA had policies or procedures for such a situation. Finally, we found that the Department's standard procedures were not rigorous enough to ensure the purchaser's compliance with requirements for drawing down and disbursing Title IV funds, including the payment of credit balances.

Activities Reviewed	Review Results
Total and Permanent Disability (TPD) Discharges	We found that FSA appropriately approved and rejected TPD applications and that its contractor generally serviced TPD accounts in accordance with Federal program requirements. However, we identified design weaknesses in FSA's control activities for the TPD 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 TPD discharge application review process, as well as weaknesses in FSA's monitoring of the TPD discharge process.
Verification of Free Application for Federal Student Aid (FAFSA) Data	We completed a series of eight audits within this area. In our review of FSA's controls over the school verification process, we found that FSA implemented five significant control activities over schools' processes for completing verification procedures and reporting verification results. However, we determined that FSA did not monitor four of those control activities on a regular basis and did not address all of the control issues identified in a separate internal evaluation of its processes to ensure schools performed verification. In a separate audit, we found that FSA did not evaluate its process for selecting Free Application for Federal Student Aid data elements that schools 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 8.

Table 8

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

Area	Example of Related Investigative Activity
Institutions	An OIG investigation identified instances where a school concealed making payments on students' loans to prevent defaulting on their loans and being counted against the school's cohort default rate.
School Officials	OIG investigations identified improper activities of school officials that included falsifying student eligibility information, deceiving school applicants, students, and donors into believing it was a top-ranked program.
Program Participants	OIG investigations identified schemes where a student underreported income and assets to obtain student financial assistance they were not eligible to receive; a man targeted veterans and student loan borrowers and offered to help them obtain discharges for Federal student loans in exchange for a fee; and a woman deceived borrowers into believing they qualified for student loan relief and charged fees to facilitate their loan discharge process.
Distance Education Fraud Rings	Distance education fraud rings are large, loosely affiliated groups of criminals who seek to exploit vulnerabilities in distance education programs. The OIG has investigated numerous instances where these groups use the identities of others (with or without their consent) to fraudulently obtain Federal student aid.

Ongoing and Planned Work

Our ongoing work in this area includes reviews of an additional school's use of professional judgment, FSA's transition to the Next Generation Loan Servicing Environment, the Department's process for terminating private collection agency contracts, three schools' compliance with career pathways and ability to benefit provisions, and reviews of FSA's processes for overseeing proprietary school compliance with 90/10 revenue requirements.

Additional planned projects for FY 2023 include FSA oversight of career pathway programs, FSA oversight of its contractor's acceptability review process for proprietary school annual audits, FSA's borrower defense to repayment loan discharge process, FSA's Student Aid and Borrower Eligibility Reform Initiative, and FSA's transition plans and oversight of Business Process Operations.

Progress in Meeting the Challenge

The Department stated that FSA established an Enforcement Office in October 2021 to strengthen its oversight of postsecondary schools participating in the Title IV programs. According to the Department, the Enforcement Office will proactively identify and address substantial misrepresentations and other misconduct by schools. The Department further stated that in FY 2023 the Enforcement Office plans to use a risk model to focus resources on schools that pose the highest risk to students, their families, and taxpayers.

The Department identified several other efforts undertaken by FSA that were intended to improve oversight and monitoring activities relating to the student financial assistance programs, including

- working to improve the usefulness of single audits as an oversight and monitoring tool;
- employing an analytical model to identify at-risk schools and prioritize its oversight resources to provide support to schools;
- proposing regulations relating to change of school ownership approvals that could limit potentially harmful agreements;
- implementing the Fostering Undergraduate Talent by Unlocking Resources for Education Act, which will allow FSA to receive income tax data more easily from the Internal Revenue Service. The Department stated that this data will help strengthen the oversight of participants in the student financial assistance programs by ensuring the accuracy of income information used to determine student aid eligibility and monthly payment amounts;
- continuing use of a model for verification selection that reduces the number of filers selected without sacrificing the overall degree of confidence;
- using a data match with the Social Security Administration to automatically discharge student loans for certain individuals that qualify for total and permanent disability relief;
- planning a long-term servicing strategy (Unified Servicing and Data Solution) that is intended to improve borrower experiences and increase servicer accountability; and
- working to raise public awareness of consumer scams through communications via social media, direct emails, and its website.

What the Department Needs to Do

The Department continued to report progress in improving its oversight and monitoring of student financial assistance programs. It specifically identified actions that were responsive to the subject areas of several recent OIG reports. This included activities intended to improve its processes relating to verification of FAFSA data, TPD discharges, and changes in postsecondary school ownership. While there has been progress, it is critical that the Department continue its improvement efforts. This includes effectively designing and implementing systems of internal controls and developing processes that allow an assessment of their effectiveness and their contributions towards the achievement of established goals. Further, it is important that the Department develop measures to evaluate its progress and demonstrate the impact of its initiatives relating to this challenge.

We continue to recognize that the Next Gen initiative has significant potential to improve FSA's ability to oversee contractors that service Federal student aid. It remains important for FSA to ensure that this initiative is effectively implemented, and once in place that it follows through to hold its contractors accountable for effectively administering their responsibilities.

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.

Oversight and Monitoring—Grantees

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

The Department administers more than 100 grant programs that annually serve about 56 million elementary and secondary students attending 98,000 public schools and 32,000 private schools, as well as about 9 million postsecondary students attending 5,600 colleges and universities. Many of these programs also serve other types of students, extending from early learning through adult education. The Department awards discretionary grants using competitive processes and priorities, and formula grants using formulas established by Congress. In all cases, the Department's activities are governed by the program authorizing legislation and implementing regulations. One of the key programs that the Department administers is Title I, Part A, which provided about $17.5 billion in FY 2022 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 Individuals with Disabilities Education Act, Part B Grants to States, which provided more than $13.3 billion in FY 2022 to help States and school districts meet the special educational needs of an estimated 7.4 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 grantee level 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 9.

Table 9

OIG's Recent Reports Relating to Grantee Implementation of Federal Education Grant Programs

Activities Reviewed	Review Results
Charter Schools	We have issued two audit reports relating to Charter School Program Grants for the Replication and Expansion of High-Quality Charter Schools. We found that two nonprofit charter management organizations did not fully comply with Federal grant reporting requirements and did not charge only adequately documented and allowable expenditures to their grants.
Disaster Recovery	We have issued eleven 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 at three SEAs relating to Restart allocations and uses of funds found that one 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 another entity failing to obtain control and ownership of materials, funded by the Restart program, at nonpublic schools. 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. We found that the third SEA appropriately allocated program funds but could improve its processes for ensuring that LEAs use program funds for allowable and intended purposes by better adhering to its established procedures for reimbursement of expenditures. Our work at four SEAs relating to the Temporary Emergency Impact Aid for Displaced Students (EIA) program found that all four SEAs did not ensure that the displaced student count data provided to the Department were accurate and complete or that LEAs accounted for EIA program funds received for students reported as children with disabilities in accordance with Federal requirements. We also found that three SEAs did not ensure that LEAs used EIA program funds to pay salaries only for employees who supported schools with displaced students. Our most recent report in this area found that an SEA received an estimated $6.5 million more in EIA program funds than it should have received because it incorrectly interpreted the Federal definition of a displaced student and lacked effective written procedures and system controls to ensure that accurate student enrollment and withdrawal data were entered in its student information system. We found that another SEA expensed more than $300,000 in EIA program funds for employees who worked at schools that did not support displaced students because it did not monitor LEAs' EIA program expenditures. We issued a Flash Report on the risk of an SEA's unallowable use of EIA program funds. We found that the SEA may have charged up to $1.3 million in payrolls costs to the EIA program for employees who were not employed by the SEA during the accrual periods applicable to the payments. In our most recent work in this area, we found that a postsecondary school used approximately $1.8 million in Emergency Assistance to Institutions of Higher Education program funds for lost tuition revenue and to purchase certain equipment that was not allowable in accordance with Federal requirements.

Activities Reviewed	Review Results
Individuals with Disabilities Education Act	We have issued two audit reports relating to SEAs' and selected LEAs' development and implementation of individualized education programs (IEP) for children with disabilities who attend virtual charter schools. We found that both SEAs generally had sufficient internal controls to ensure that LEAs developed IEPs in accordance with Federal and State requirements for children with disabilities who attend virtual charter schools and that these students were provided with the services described in their IEPs. However, we identified weaknesses at selected LEAs that included insufficient written procedures for IEP development and documenting the delivery of services, not ensuring that they maintained IEPs that included all of the required information describing the services that students needed, and not maintaining sufficient documentation to support that all special education services that were outlined in IEPs were provided.

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 10, our work included audits within several areas.

Table 10

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

Area Reviewed	Review Results
Charter Schools	We found that the Department did not track and report on whether charter schools that grant recipients opened and expanded with Federal funds remained open after the grant performance period ended. We also found that grant recipients did not always open or expand the number of charter schools committed to in their approved grant applications.
Disaster Recovery	We found that the Department designed policies and procedures that should have provided reasonable assurance that it awarded and monitored Defraying Costs of Enrolling Displaced Students in Higher Education 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.
Every Student Succeeds Act	We found that the Department has provided inadequate oversight of grantee performance and funds awarded under the Student Support and Academic Enrichment program. Specifically, we found that the Department has conducted only limited formal monitoring activities; has not ensured that SEAs are meeting all reporting requirements; and did not always develop, finalize, and implement monitoring plans to monitor grantees' performance and use of funds. As a result, the Department has little assurance that grantees are making progress toward program goals and objectives and limited insight regarding how grantees and subgrantees are using, or potentially misusing, grant funds. Our work on State plans required under the Every Student Succeeds Act found that the Department designed processes that would provide reasonable assurance of identifying and resolving potential instances of State plans' noncompliance with applicable requirements and complying with Department policy. However, the Department did not always implement these processes as designed. As a result, we could not determine why the Department selected certain peer reviewers, could not ensure that the Department considered conflict of interest information it collected from peer reviewers before assigning them to panels, 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.

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 11.

Table 11

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

Subject Area	Example of Related Investigative Activity
Contractors	OIG investigations identified instances where contractors invoiced for services that they did not perform, fraudulently obtained contracts, committed bribery, and made kickback payments.
SEA Officials	An OIG investigation identified an SEA official receiving financial benefits in exchange for leasing school space to a private company.
LEA Officials	OIG investigations identified instances where officials fraudulently enrolled private school students in virtual public schools and then falsely reported those students to the SEA. Another OIG investigation identified instances where LEA employees submitted false timecards for work not performed on Federally funded programs.
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 an SEA's use of Restart program funds, the Department's oversight of Charter School Program Grants for Replication and Expansion of High-Quality Charter Schools, reviews of selected SEAs' implementation of their Statewide accountability systems, and the Department's implementation of its rule concerning equity in the Individuals with Disabilities Education Act.

Planned projects for FY 2023 include the Department's oversight of the State Vocational Rehabilitation Services program, the Department's approval of alternative assessment waivers, and selected SEAs' oversight of spending and educational outcomes of Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At Risk.

Progress in Meeting the Challenge

The Department stated that it continues to employ a progressive improvement approach to addressing the longstanding management challenge on oversight and monitoring of grant recipients. The Department added that in FY 2022 this included focusing on the consistent application of risk-based and data-driven monitoring approaches to improve recipient and grant program outcomes. According to the Department, it implemented several initiatives to further these goals, to include

- implementing a grant monitoring solution (Virtual Monitoring Principles), intended to increase the efficiency, collaboration, and consistency of risk-based monitoring and technical assistance protocols across Department offices;
- providing technical assistance to Department offices that focused on grantee and subrecipient responsibilities, adhering to internal controls, subrecipient monitoring, data quality, and reporting;
- facilitating information sharing through monthly and quarterly grant policy forums on oversight and monitoring practices, solutions, and resources;
- continually assessing the grant-making process to identify improvement opportunities using data and collaboration;
- utilizing Grantee Satisfaction Survey results to inform improvements in the areas of technical assistance and grant performance reporting across program offices; and
- coordinating the oversight and monitoring of pandemic relief programs to ensure that funds were used for the purposes intended and that goals and objectives are achieved.

What the Department Needs to Do

The Department continues to report progress in enhancing its grantee oversight processes. The Department identified several actions it had taken to address this challenge, including a focus on risk-based monitoring approaches to improve outcomes. While this, and several other actions it identified, are responsive to this challenge, it remains critical that the Department develop and implement processes that allow it to assess the outcomes of these actions. This includes establishing measures against which it can assess the impact of its various initiatives and identify additional opportunities for improvement.

Given our ongoing findings under this challenge area, the Department should continue its efforts to implement innovative approaches to grantee oversight, offer common training to program staff, encourage collaboration and communication within and across program offices, and take steps to ensure that its technical assistance and monitoring activities are both risk-based and data-driven. The Department should especially focus on the actions taken by pass-through entities to provide oversight of their subrecipients. Importantly, concerning its actions in this area. 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.

MANAGEMENT CHALLENGE 3—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 17,000 public school districts and 98,000 public schools; about 5,600 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 12.

Table 12

OIG's Recent Data Quality Related Reports

Area Reviewed	Review Results
Charter Schools	We issued a report on the effectiveness of Charter School Programs in increasing the number of charter schools. We found that the Charter School Program office's processes did not result in grant recipients reporting clear, reliable, and timely information. Their processes also did not result in the Charter School Program office receiving all the information needed to assess grant recipients' performance or evaluate the overall effectiveness of the Charter School Program. We have issued two audit reports relating to Charter School Program Grants for the Replication and Expansion of High-Quality Charter Schools. We found that both grant recipients did not include complete and accurate information for all performance measures on which they were required to report in their annual performance reports. We also found that both grant recipients did not always retain records that supported the performance measures that they reported to the Department.
Clery Act	We found that two postsecondary institutions did not have effective controls to ensure they reported complete and accurate Clery Act crime statistics. We concluded that both schools' Clery Act crime statistics were not complete and accurate and as a result neither school provided reliable information to current and prospective students, their families, and other members of the campus community for making decisions about personal safety and security.
Digital Accountability and Transparency (DATA) Act	An independent public accountant, with OIG oversight, determined that the Department submitted data of excellent quality based on guidance provided by the Council of Inspectors General on Integrity and Efficiency. It also determined that the Department implemented and used the Government-wide financial data standards established under the DATA Act. However, it found that Department did not submit certain data completely, accurately, or timely, and identified internal control deficiencies over the Department's DATA Act submissions.

Area Reviewed	Review Results
Disaster Recovery	We found that four SEAs did not ensure that the displaced student count data provided to the Department under the EIA program were accurate and complete. This included instances where students who did not change schools or not did not transfer from a disaster area were included in displaced student counts, students withdrew from the school prior to the disaster or enrolled after the reporting date, and displaced student counts were not supported by adequate documentation.
Pandemic Relief	We found inconsistent reporting of subprogram expenditures by grantees and subgrantees in the Federal Audit Clearinghouse. This included instances where subprograms were not identified and variations in the information that was used to identify subprograms. As a result, Federal award expenditure data at the subprogram level cannot be reliably used by the Department and associated data on areas such as audit results, audit findings, and corrective action plans are not consistently reported at the subprogram level. In our work relating to HEER reporting requirements, we were unable to locate Institutional portion reports on the websites of the 19 percent of the recipients included in our nonstatistical sample. We also found that 22 percent of the recipients in our sample that reported expenditures in the 'Other Uses' category did not follow Department instructions or did not provide sufficient detail.

Ongoing and Planned Work

Ongoing work in this area includes FSA's processes for schools to report the return of Title IV waivers, the Department's reporting on experimental sites initiatives, and a school's use of professional judgment.

Progress in Meeting the Challenge

The Department stated that it identified the root causes for persistent data quality challenges in FY 2020 and concentrated its data quality efforts to collections associated with the ESF in the wake of the pandemic. According to the Department, it expanded a support contract to supplement existing staff resources and expertise. The Department added that this allowed for the development system architecture to identify potential data quality issues, many of which required resolution prior to acceptance of reports.

The Department stated that it provided several resources to support ESF grantees in response to these challenges. According to the Department, this included technical assistance (such as live and recorded webinars), business rule guides, and an ESF Reporting Help Desk. The Department stated that it also provided ESF grantees with clear expectations for reporting quality data in its ESF Year 2 Annual Performance Reports by communicating minimum data quality expectations for performance reporting and potential consequences for failure to report. The Department stated that its actions contributed to improved reporting compliance, and that it continued to review and address data quality issues across all collections. The Department provided examples of actions taken in FY 2022, including one Department office that applied special payment conditions to 40 noncompliant recipients. The Department also stated that another of its offices had just three grantees that had not submitted Year 2 reports.

The Department further stated that multiple Department-wide initiatives were completed, continued, initiated, or planned during FY 2022, including

- creating a performance metric focused on tracking instances where data collections lack data quality plans and working to update Information Quality Act Guidelines;
- completing a Data Quality Playbook that provides easily deployable strategies for program offices, especially their grant staff;
- initiating development of data quality training tailored to different audiences;
- continuing to modernize the EDFacts system and implement data quality checks; and
- developing tools such as a data quality dashboard, data catalog, and query management resources.

What the Department Needs to Do

The Department continued to report progress in addressing this challenge through its actions to improve the quality of education data. This included activities relating to pandemic relief programs and other Department-wide initiatives. While the Department completed multiple actions to advance data quality, several of our recent reports included findings within this area. As with the preceding challenges, it is important that the Department continue to build upon its improvement efforts. It is also critical that it develop processes to assess the effectiveness of these efforts. This includes implementing methods to assess the impact of its data quality initiatives against established goals and considering any lessons learned to refine existing processes or establish new ones.

MANAGEMENT CHALLENGE 4— IMPROPER PAYMENTS

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

The Payment Integrity Information Act of 2019 (PIIA) repealed and replaced several improper payments statutes, including the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and consolidated those laws' requirements. 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 is required to post those estimates to **PaymentAccuracy.gov**.

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 improper payment reduction targets, demonstrate improvements, and develop a plan to meet reduction targets; and (6) report improper payment rates of less than 10 percent.

Why This Is a Challenge

The Department must ensure that the billions of dollars entrusted to it reach the intended recipients. In FY 2021, the Pell and the William D. Ford Federal Direct Loan (Direct Loan) programs continued to be susceptible to significant improper payments. In FY 2020, the Department also identified the EIA, Restart, and Emergency Assistance to Institutions of Higher Education programs as susceptible to improper payments because each of the programs met OMB criteria as disaster-related programs with $10 million or more in outlays in a given fiscal year. For FY 2021, we found that the Department published unreliable improper payment estimates for the Title I, Part A; Pell; and Direct Loan programs. It is important for the Department to develop reliable estimates so that it can identify the root causes and take actions to prevent and reduce improper payments.

Audits and Inspections Involving Improper Payments

The OIG's review of the Department's compliance with improper payment reporting requirements for FY 2021 found that the Department did not comply with PIIA because it did not meet one of the six compliance requirements. Specifically, the Department reported an improper payment estimate for the Title I, Part A program that exceeded 10 percent. As shown in Table 13, our recent improper payment audits identified opportunities for improvement in multiple areas.

Table 13

Results of Recent OIG Statutorily Required Improper Payment Audits

FY of Department's Reporting	Complied with Reporting Requirements	Identified Concerns
2021	No	The Department published unreliable improper payment estimates for the Title I, Part A; Pell; and Direct Loan programs. We found that the Department's improper payment sampling and estimation plan for the Title I, Part A program was not adequate for SEAs that use certain advance payment processes. We also found that the Department's sampling and estimation plans for the Pell and Direct Loan programs were unreliable.
2020	No	The Department published improper payment estimates for all five required programs. However, its estimates were unreliable because they were not statistically valid. We found that the development of these estimates included the use of nonrandom samples, unsuitable sample weighting, or inaccurate and incomplete population sampling frames. We also found that the Department's improper payment risk assessment process needs strengthening. Specifically, the risk assessment performed for one program did not adequately support the Department's conclusion regarding its level of improper payment risk and the risk assessment the Department conducted on its contracts management activity was incomplete.
2019	Yes	The Department published improper payment estimates for the Pell, Direct Loan, EIA, Restart, and Emergency Assistance to Institutions of Higher Education 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.

Ongoing and Planned Work

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

Progress in Meeting the Challenge

The Department stated that it continued to prioritize efforts to ensure payment integrity and minimize improper and unknown payments across all programs in FY 2022, including programs considered "susceptible to significant improper payments" per OMB guidance. The Department specifically identified several activities that were intended to facilitate successful implementation of Payment Integrity Information Act of 2019 compliance activities including

- revising the sampling and estimation methodology and plan for the Title I, Part A program to address the root cause of reported improper payments and to ensure SEAs would be able to obtain supporting documentation from LEAs for sampled transactions;
- continuing to promote improper payment awareness and deliver payment integrity training for Department staff;
- continuing to employ the Payment Integrity Monitoring Application as a means of detecting anomalies in grants payment data; and
- continuing efforts to obtain OMB's approval of the sampling and estimation plans for the Pell Grant and Direct Loan programs.

What the Department Needs to Do

As the Department continues to work to improve its payment integrity initiatives, it is important that it ensures that its estimation methodologies for the programs deemed susceptible to significant improper payments produce reliable improper payment estimates. 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 2022 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 2022 PIIA audit. This is an annual focus of the OIG's work, and we will continue to monitor and report on the Department's progress on this Management Challenge Area.

MANAGEMENT CHALLENGE 5—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). According to information on ITDashboard.gov, the Department expects to spend more than $1 billion in information technology (IT) for FY 2023.

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.

For FY 2022 FISMA reporting, we evaluated the Department's security program using the 20 core Inspector General Reporting Metrics that were published for FY 2022 and issued by OMB. The OIG's assessment for FY 2022 showed improvements but was significantly different from the FY 2021's audit. The 20 core metrics evaluated for FY 2022 represented less than one third of the 66 metrics used to assess the Department's effectiveness for FY 2021.

Why This Is a Challenge

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

Audits and Inspections Involving IT Security

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 14, our recent FISMA audits and inspection included 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 security function's related metric domains. Our FY 2019 through FY 2021 FISMA audits concluded that the Department and FSA were not effective in any of the five security functions (Identify, Protect, Detect, Respond, and Recover) and we had findings in all eight metric domains for FYs 2019 through 2020, and all nine (supply chain risk management was added during FY 2021) for FY 2021. However, in FY 2022, based on the new metric scoring, the Department and FSA were found to be effective in four of the five security functions (Protect, Detect, Respond, and Recover), having findings in four of the nine metric domains.

Table 14

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

Domain	FY 2019	FY 2020	FY 2021	FY 2022
Identify: Risk Management	Audit Finding	Audit Finding	Audit Finding	-
Identify: Supply Chain Risk Management	NA	NA	Audit Finding	-
Protect: Configuration Management	Audit Finding	Audit Finding	Audit Finding	Inspection Finding
Protect: Identity and Access Management	Audit Finding	Audit Finding	Audit Finding	Inspection Finding
Protect: Data Protection and Privacy	Audit Finding	Audit Finding	Audit Finding	Inspection Finding
Protect: Security Training	Audit Finding	Audit Finding	Audit Finding	-
Detect: Information Security Continuous Monitoring	Audit Finding	Audit Finding	Audit Finding	-
Respond: Incident Response	Audit Finding	Audit Finding	Audit Finding	Inspection Finding
Recover: Contingency Planning	Audit Finding	Audit Finding	Audit Finding	-

In previous FISMA reports from FY 2019 through FY 2021, the OIG recommended ways the Department and FSA could increase the effectiveness of their information security program so that they could fully comply with all applicable requirements. In FY 2022, the Department and FSA improved its maturity rating for eight of nine metric domains. Although the Department's overall information security program was assessed to be effective in FY 2022 based on the 20 core FISMA metrics, the OIG made recommendations in several areas where the Department and FSA could strengthen their controls. We noted that until the Department improves in these areas, it cannot ensure that its overall information security program adequately protects its systems and resources from compromise and loss.

Although the Department's security program was assessed as effective based on the 20 core Inspector General Reporting Metrics for FY 2022, IT security will continue to remain a management challenge given that this was the first year under the new metrics and that there are significant areas with remaining recommendations. In addition, we note that the Department's technology environment is constantly evolving, bringing new threats and cybersecurity requirements. As technology environments evolve, it is important that the Department continues to ensure that it implements the respective security controls to protect its information and resources.

Recent audits of the Department's financial statements, performed by an independent public accountant with OIG oversight, have repeatedly identified IT controls as a significant deficiency. In its FY 2021 report, the independent public accountant noted that FSA management demonstrated progress in implementing corrective actions to remediate some prior-year deficiencies. However, they reported that management had not fully remediated prior-year deficiencies in areas such as logical access administration, separated or transferred user access removal, user access reviews and recertification, and configuration management. In addition, new and existing control deficiencies were reported for FY 2021 covering security management, access controls, segregation of IT duties, application change management, and logical access. The independent public accountant also reported that entity level controls were not designed and implemented appropriately to remediate identified internal control deficiencies in a timely manner. The independent public accountant concluded that ineffective IT controls increases the risk of unauthorized use, disclosure, disruption, modification, or destruction of information and information systems that could impact the integrity and reliability of information processed in the associated applications.

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

FY 2023, we have planned an inspection to determine whether the Department is effectively monitoring the oversight and approval of its IT contracts in accordance with applicable Federal requirements and guidelines.

Progress in Meeting the Challenge

The Department stated that its advancements in the IT security program encompassed both technological capabilities as well as improvements in knowledge management and internal controls. The Department identified several specific actions taken to help address this management challenge, including

- implementing a new cybersecurity policy framework;
- implementing an ongoing security assessment and authorization program that is intended to result in more frequent system stakeholder engagement and timely risk visibility;
- maturing its risk management processes;
- enhancing its automated cybersecurity reporting;
- expanding the Vulnerability Disclosure Policy program to cover all internet accessible Department systems;
- onboarding a zero-trust architecture program manager and releasing a Department strategy and project schedule for full implementation by the end of FY 2024;
- developing analytics capability to assist FSA in identifying applicants that met criteria of potential fraud and grouping them for identity verification activities;
- completing the global password change for StudentAid.gov;
- completing Multifactor Authentication Phase 1, making multifactor authentication mandatory for all new users on StudentAid.gov; and
- planning for completion of Multifactor Authentication Phase 2 in FY 2023. This is expected to provide FSA with the capability to enforce multifactor authentication enablement for existing users on a rolling basis.

What the Department Needs to Do

The Department continued to identify actions that were responsive to this challenge, addressed vulnerabilities, and improved its IT security program. However, we continue to identify significant weaknesses in our annual FISMA reviews. 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, data protection and privacy, and incident response. It is critical that the Department continue to focus on the timely and successful implementation of corrective actions in response to our audit work. In addition, the Department needs to remain on the forefront of emerging information security strategies and solutions, such as Zero Trust[12] Architecture, to ensure that controls are continually integrated into its security program.

Our FISMA and discretionary information security audit and inspection work will continue to assess the Department's efforts within this area, and IT security 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 deficiencies, continue to provide mitigating controls for vulnerabilities, and implement planned actions to correct weaknesses.

12 Zero trust focuses on resource protection and the premise that trust is never granted implicitly but must be continually evaluated. Zero trust architecture is an end-to-end approach to enterprise resource and data security that encompasses identity (person and nonperson entities), credentials, access management, operations, endpoints, hosting environments, and the interconnecting infrastructure. The initial focus should be on restricting resources to those with a need to access and grant only the minimum privileges (e.g., read, write, delete) needed to perform the mission.

DEPARTMENT COMMENTS

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF FINANCE AND OPERATIONS

November 8, 2022

TO: Sandra D. Bruce
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 2023 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) 2023 Management Challenges.*

The Department values the OIG's perspective on risks and vulnerabilities related to programs and operations. Similar to last year's report, the inclusion of five challenges in the following areas are well-aligned with the Department's own assessment of enterprise risks and respective targeted management efforts:

- Implementing Pandemic Relief Laws
- Oversight and Monitoring
- Data Quality and Reporting
- Improper Payments
- Information Technology Security

The Department is pleased to report several significant steps to address the identified challenges. This memo contains a summary of the Department's progress in meeting each of the five challenges, organized by challenge title.

Attached, you will also find a supplemental document that provides technical corrections to other sections of the draft report.

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

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The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

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CHALLENGE 1: IMPLEMENTING PANDEMIC RELIEF LAWS

New Grant Programs and Additional Federal Education Funds; Data Quality

Congress passed multiple COVID-19 relief bills in FY 2020 and FY 2021 (i.e., the Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021, and the American Rescue Plan Act of 2021) (collectively, Education Stabilization Fund (ESF)) that provided a total of $282.3 billion in education-related assistance to prevent, prepare for, and respond to the COVID-19 emergency. The Department took comprehensive steps to ensure appropriate interpretation of the legislations' requirements and subsequent policy and operational implications.

The Office of Finance and Operations (OFO) and the Office of Planning, Evaluation, and Policy Development coordinated Department efforts – and worked with the Office of Postsecondary Education (OPE) and the Office of Elementary and Secondary Education (OESE) – to successfully award an extraordinary number and size of ESF grants on expedited timelines, on top of the ongoing administration of the agency's $70+ billion annual portfolio of existing programs. Additional collaborations with Congressional Appropriations Committee staff and the Office of Management and Budget (OMB) helped ensure statutory requirements and program implementation priorities were met. The Department also responded to several accountability engagements with the Office of Inspector General (OIG) and the Government Accountability Office (GAO) regarding the implementation of these pandemic relief laws while simultaneously implementing the ESF programs themselves.

To address the additional administrative, monitoring, and oversight workload associated with administering the pandemic relief funding, the Department strategically leveraged the COVID-19 excepted service hiring authority, per the Office of Personnel Management, to augment staffing resources for OPE and OESE. The additional staff allowed OPE to create the Emergency Response Unit, which enabled OPE to have dedicated staff to monitor and support the Higher Education Emergency Relief Fund (HEERF) program, and OESE's Office of State and Grantee Relations to administer, monitor and support all the elementary and secondary ESF programs, including the Elementary and Secondary School Emergency Relief Fund (ESSER), the Governor's Emergency Education Relief Fund (GEER), and the Emergency Assistance to Non-Public Schools (EANS).

To ensure effective and timely support to eligible applicants, grantees, and stakeholders while also balancing the need for high quality data collection and reporting processes, the Department implemented several strategies, including:

- Establishing structured processes for data collection and reporting, including both annual and quarterly reporting requirements.
- Implementing preventative funds control measures for accurate tracking and reporting of funds in real time.
- Adopting risk-based approaches to administering program funding, and targeted and comprehensive monitoring.
- Providing regulatory flexibilities, training, written guidance, webinars, and direct technical assistance to new grantees.
- Conducting thorough progress reviews and providing clear and transparent reporting (via the ESF Transparency Portal launched in November 2020). The Public Transparency Portal allows the Department to track performance, hold grantees accountable, and provide transparency to taxpayers and oversight bodies.
- Issuing early and comprehensive communications to grantees outlining clear data quality and timing expectations.
- Working with OMB to ensure relevant programs were included in the 2020, 2021, and 2022 Compliance Supplements, which issues guidance relied upon by independent third-party auditors who review or audit federal programs. Beginning with the FY 2021 supplement, the Department sought and received approval from OMB for a "higher risk" designation for ESF grant funds.
- Creating a HEERF proprietary institution auditing requirement and working with OIG to develop the HEERF Audit Guide for proprietary schools.
- Creating a Required Proprietary Institution Certification form to ensure appropriate accountability regarding

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proprietary institutions receiving ARP HEERF (a)(4) grant funding.

- Establishing procedures in OPE for quality control of grant obligations to institutions of higher education (IHEs), including application and award verification procedures, quality assurance reviews of obligated HEERF awards, and the correction and documentation of erroneous awards in a timely manner for potential use in future emergency programs.
- Taking various coordinated accountability actions (OPE) using enhanced processes, corrected any errors on expedited basis and identified compliance concerns when needed among 5,000+ HEERF grantees. Such actions include the de-obligation of funds, restricting access to funds, and/or requiring an IHE to return funds to the Department.
- Coordinating (OESE) with OIG on a monthly basis to address audits and investigations and ensure alignment to reduce burden on grantees and share information.
- Establishing processes (weekly workgroups) (OPE and OESE) to respond to grantee questions with consistency and in accordance with regulatory and statutory requirements.
- Establishing (OESE) routine touch points with grantees via monthly check-ins and quarterly reviews.
- Continuing to provide (OPE and OESE) comprehensive training to ensure employees possess the knowledge, tools, and resources to successfully perform the tasks and responsibilities of the grant-making processes, which includes quality controls for pre- and post-obligations, as well as for monitoring the ESF grants.
- Conducting (OPE) a complete post-award analysis of all HEERF grants awarded in concert with our G5 grant system and Budget Service and memorializing this process to ensure that OPE comprehensively identifies and corrects any errors in funding in the future.

Lessons learned from the initial ESF grantee data collection experience significantly informed the processes for the year two annual collection. Through these collections, the Department will be better able to assess the use of funds, providing visibility into the equitable recovery of schools and students as well as the capacity to promote learning.

Student Financial Assistance Program Requirements

The COVID-19 relief legislation and administrative actions provided crucial support to student loan borrowers. Nearly all federal loan payments on Department-held loans were suspended and made interest free beginning in March 2020, and after many extensions, through December 31, 2022. FSA also acted quickly and effectively to stop all federal wage garnishments and collection, as well as interest accrual, for borrowers with federally held loans in default; FSA went even further by refunding over 99% of involuntary payments made during that period. FSA also continued to monitor the receipt of funds for an extended period to identify employers that did not comply with the Department's instructions to stop wage garnishments and to issue further refunds to borrowers.

Similarly, FSA was also highly effective in ensuring CARES Act flexibilities were applied to eligible TEACH Grant recipients, and when appropriate OESE and OPE also applied authorized flexibilities. To further improve its implementation of these flexibilities, FSA increased communications to eligible recipients and improved guidance to servicers about how to implement these flexibilities. FSA also will continue for more than two years to provide direct oversight and review of TEACH Grant recipients who are denied these flexibilities.

On August 24, 2022, the Biden-Harris administration announced that the Department will implement historic student debt relief, which includes targeted debt cancellation of up to $20,000 for borrowers with certain federal loans earning income below specified thresholds. The details of this effort are complex and evolving, but the Department is working intensively to deliver on President Biden's promise.

As the payment pause nears its end on December 31, 2022, the Department is diligently preparing to meet the unprecedented challenge of returning all borrowers to a repayment status and helping them maintain their current repayment status. The goal is to achieve a smooth transition that minimizes the risk of borrower harm due to confusion, lack of awareness, or insufficient servicing capacity.
The Department's comprehensive plan for returning borrowers to repayment combines elements of borrower outreach; servicer hiring, training and preparation; policy enhancements; and vendor and process oversight.

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In discussing ongoing challenges, it is important to acknowledge that resource limitations from working under a long-term Continuing Resolution rather than an approved FY 2023 budget may impact the Department and FSA as they seek to implement planned initiatives and achieve their stated objectives.

CHALLENGE 2: OVERSIGHT AND MONITORING

Student Financial Assistance Programs

FSA improved its oversight and monitoring of institutions of higher education (IHEs) participating in Title IV programs. On October 8, 2021, FSA established the Enforcement Office to strengthen oversight of postsecondary schools that participate in the federal student loan, grant, and work-study programs. This includes initiating enforcement actions against schools as appropriate. The Enforcement Office will proactively identify and address substantial misrepresentations and other misconduct by schools that are shown to impose outsized costs on borrowers and taxpayers. During FY 2023, the Enforcement Office plans to continue refining and implementing the use of a risk model aimed at identifying schools and service providers that may be engaged in those costly misrepresentations or other misconduct. It will seek to use the model to focus its investigatory resources on a limited number of those schools deemed to pose the highest risk to students, their families, and taxpayers. Where warranted, the Enforcement Office will initiate enforcement actions, which could include fines, limitation actions, or termination from the Title IV program. Finally, the office will continue to administer the Borrower Defense program, through which borrowers who were defrauded by their schools can receive a discharge of their federal student loans.

FSA has worked on addressing weaknesses in the single audit process to improve the single audit's use as an oversight and monitoring tool for IHEs' disbursements of Pell Grants and Direct Loans. On September 30, 2022, FSA submitted a report to OMB supporting changes in reporting under the single audit to improve its usefulness as an oversight and monitoring tool. FSA continues to use and improve its analytical model to continually monitor partner data and performance, thus improving the ability to identify IHEs most at-risk and allow more effective use of oversight resources by informing and prioritizing support for IHEs.

On July 28, 2022, the Department issued proposed regulations that will require IHEs to provide information about a change of ownership 90 days prior to that change; will significantly modify the definition of a nonprofit institution; and strengthen FSA's ability to place conditions on any approvals to limit potentially harmful agreements between entities or when an institution wishes to convert from for profit to nonprofit. FSA has also informed schools that it may require additional signatures on a school's Program Participation Agreement when a school seeks initial certification or recertification or when it undergoes a change of ownership. This requirement will provide more accountability and better protect taxpayers in the event of a school closure, approved borrower defense claims, or when other liabilities are owed to the Department.

Implementation of the *Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act* began in FY 2020 and will continue through FY 2024. This Act will allow FSA to receive income tax data more easily from the Internal Revenue Service (IRS) to administer the *Free Application for Federal Student Aid* (FAFSA®) and income driven repayment plans. Using the IRS tax data will help strengthen the oversight of participants in the Title IV programs by ensuring the accuracy of income information used to determine student aid eligibility and monthly payment amounts.

To provide better borrower outcomes, improve cybersecurity, and address pending contract expirations, the Department has established a long-term servicing strategy named the Unified Servicing and Data Solution (USDS). The USDS contract award is anticipated by early in calendar year 2023. By leveraging multiple system and process improvements made since the Next Gen initiative launched in 2017, among other benefits, the implementation of USDS will improve borrower experiences in both interactions with servicers and accessing their loan information as well as increasing servicer accountability.

For borrowers participating in income driven repayment (IDR) plans, FSA has taken steps to improve the accuracy of IDR payment counts, borrower information, and communications to improve the overall customer experience and accurately provide forgiveness. Additional phased improvements will include changes to ensure accurate payment counts, borrower self-service options

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to view payment counts, and standardized guidance to servicers on administering IDR plans.

In 2019, FSA implemented an improved model for verification selection and evaluation of data elements from the FAFSA. The model provides the Department with a better way to choose filers for verification and to reduce improper payments by targeting fewer filers without sacrificing the overall degree of confidence. In recent years, the verification rate of FAFSA filers has dropped from a high of 30% during the 2016-17 FAFSA cycle to 10% today. For the 2023-24 FAFSA cycle, the Department anticipates that just 7.5% of FAFSA filers will be selected for verification.

FSA appropriately administered the total and permanent disability (TPD) discharge application process and its contractor generally serviced TPD accounts in accordance with Federal program requirements. Nonetheless, FSA further enhanced its oversight and monitoring of the contractor by updating its sampling methodology and documenting improved processes. To continue those improvements, in 2021, the Department established a data match with the Social Security Administration to grant discharges more easily to over 350,000 borrowers with total and permanent disabilities. This data match enables the Department to automatically discharge student loans more efficiently and effectively as individuals meet the standards to qualify for relief.

For some time, FSA has been actively combating a growing number of consumer scams that target borrower interest in student loan forgiveness programs. Congress passed the Stop Student Debt Relief Scams Act in 2019, and FSA has been implementing its requirements. Most recently, FSA's efforts to raise public awareness of scams have included communications via social media, direct emails, and the website. FSA has also produced a brief video to alert and inform borrowers about how to identify and avoid these scams.

Oversight of an accrediting agency or state approval agency happens through the Department's recognition process and/or through follow up on issues brought to the Accreditation Group's attention. These are complex processes that take time to gather information and require detailed staff reviews. An entity seeking recognition from the Secretary of Education (Secretary) must meet the Department's regulatory criteria for the recognition of accrediting agencies and state approval agencies and must have a Federal Link (Higher Education Act (HEA) or non-HEA). Only agencies recognized by the Secretary can provide the gate-keeping function to allow institutions they accredit to participate in the federal student aid programs under the HEA. Accrediting agencies that accredit only educational programs located in institutions of higher education apply for recognition for non-HEA purposes. The recognition process involves reviews by the Department's Accreditation Group (AG) staff and the National Advisory Committee on Institutional Quality and Integrity (NACIQI). Both the (AG staff and NACIQI) recommendations are submitted to the Senior Department Official designated by the Secretary who makes the decision regarding recognition. State agencies for the approval of public postsecondary vocational education and for the approval of nursing education must meet separate sets of recognition criteria and their applications for recognition also undergo review by the AG staff and the NACIQI.

The recognition process is outlined in Section 496 of the HEA and in regulation at 34 CFR 602. There are limitations on the Secretary's authority on review of accrediting agencies. The Secretary may only establish criteria for accrediting agencies or associations that are required by the statute. The HEA specifically notes that the Secretary may not establish any criteria that specifies, defines, or prescribes the standards that accrediting agencies or associations use to assess any institution's success with respect to student achievement. The Department of Education Organization Act also prohibits us from "exercis[ing] any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution, school, or school system, over any accrediting agency or association, or over the selection or content of library resources, textbooks, or other instructional materials by any educational institution or school system, except to the extent authorized by law."

Grantees

The Department continues to employ a progressive improvement approach to addressing the longstanding management challenge on oversight and monitoring of grant recipients. In FY 2021, the Department prioritized the enhancement of its grantmaking processes through capacity building and collaboration across the Department's grantmaking Principal Office Components (POCs) to ensure effective programmatic and financial stewardship of taxpayer funded investments. In FY 2022, the Department

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expanded its focus to include the consistent application of risk-based, and data-driven approaches to monitoring to improve recipient and grant program outcomes through the following initiatives:

- Improved effectiveness and efficiency of grants trainings by categorizing oversight and monitoring courses according to the level of experience and expertise of both internal and external stakeholders and expanded the number of asynchronous trainings for grantees and subrecipients, i.e., Subrecipient Monitoring for the Grantee Community.
- Implemented Virtual Monitoring Principles, a grant monitoring solution intended to enhance the user's experience, while increasing efficiency, collaboration, and consistency of risk-based monitoring and technical assistance protocols across POCs, and grantee cohorts.
- Provided technical assistance to POCs focused on grantee and subrecipient responsibilities, adhering to internal controls, subrecipient monitoring, data quality, and reporting.
- Used innovative monitoring approaches to learn with and from grantees, promoting effective implementation and timely policy feedback.
- Facilitated program staff information sharing and collaborative resolution through sharing challenges in monthly and quarterly grant policy forums on oversight and monitoring practices, solutions, and resources.
- Continually assessed the grant-making process to identify opportunities for improvements through the use of data and collaboration.
- Targeted the utilization of Grantee Satisfaction Survey data results to better define challenges, successes, and inform improvements in the areas of technical assistance and grant performance reporting across program offices.
- Leveraged inter-agency coordination to POCs in their effective oversight and monitoring of 2020 CARES Act and 2021 American Rescue Plan Act programs and operations to ensure that funds were used for the purposes intended and that goals and objectives are achieved.
- Utilized the annual Grantee Satisfaction Survey to obtain from the Department's grant community their experiences with the FSRS.gov (Federal Funding Accountability and Transparency Act Subaward Reporting System) system and reporting process. Documented and identified grantees' successes and challenges with FSRS.gov and provided to GSA.gov a list that included resolutions to challenges identified along with overall recommendations for improvements.

CHALLENGE 3: DATA QUALITY AND REPORTING

While the Department's grantees—states, institutions of higher education, and others—serve as important intermediaries and partners, our programmatic funds ultimately serve our nation's students and teachers. The Department requires quality data from its grantees to ensure students and teachers are benefiting from these funds in expected ways. These data are also used to build evidence, determining whether these funds could have been used in more efficient or effective ways. Failure to address the root cause of poor-quality data, therefore, may harm our ultimate beneficiaries.

Thematically aligned with the findings identified by the OIG, the Department identified in FY 2020 the root causes for its persistent data quality challenges. In the wake of the COVID-19 pandemic, the Department reported to the OIG that it would concentrate these data quality efforts and apply its strategy to key data collections associated with the Education Stabilization Fund (ESF). The Department renegotiated and expanded a support contract to supplement existing staff resources and expertise. This allowed for the development system architecture to identify potential data quality issues, many of which required resolution prior to acceptance of reports.

The Department recognizes the challenge that limited grantee resources presents to quality reporting. This manifests itself not only in the grantee's reporting to the agency, but also in evaluating the quality of data it received from any applicable subgrantees. To address capacity challenges for grantees, the Department launched an array of resources to support ESF grantees, many of which are conveniently located on the ESF **Grantee Help Portal** for asynchronous access. Covering each of the major ESF programs—specifically, HEER, EANS, GEER, ESSER, and outlying area equivalent Funds—resources included a variety of technical assistance mediums from live and

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recorded webinars to business rule guides to the provision of an ESF Reporting Help Desk.

The Department has acknowledged that it historically has not conveyed to its grantees a credible expectation for reporting quality data. To address challenges associated with credible communication, the agency reaffirmed with the Department's Office of General Counsel (OGC), Office of the Secretary (OS), and program office leadership its strategy in 2021, recognizing that poor-quality data can harm the ultimate beneficiaries of Department grants—that is, may harm our nation's teachers and students. To support collection of ESF Year 2 Annual Performance Reports (APRs), the Department made clear to grantees minimum data quality expectations for performance reporting, as well as the potential consequences for failure to report.

Due in part to these efforts, the Department experienced improved reporting compliance, especially considering the scope and recency of the programs and collections, as well as the prolonged challenges associated with the pandemic. The Department, of course, continues to review and address isolated data quality issues across all collections, especially in areas where known gaps in controls exist. However, more serious deficiencies—that is, those where data is not of sufficient quality to publish—are rarer. The Office of Postsecondary Education (OPE) placed noncompliant institutions of higher education (IHEs) that had a remaining balance on route payment. In FY 2022, this was a total of 40 IHEs that were placed on route payment or that were already on route or stop payment for other compliance concerns. The Office of Elementary and Secondary Education (OESE) works to ensure timely, accurate reporting and accountability through the provision of robust technical assistance, direct communication with senior leadership in state educational agencies, and gradual escalation of compliance measures. By the close of FY 2022, three grantees have outstanding Year 2 reports: two for the outlying area equivalent of the GEER fund and one for the outlying area equivalent of the ESSER Fund. In an effort to improve the quality of the data in the ESF Transparency Portal, OESE continues to: 1. track reporting issues and FSRS (GSA's system) Helpdesk tickets to ensure States submit accurate Federal Funding Accountability and Transparency Act (FFATA) and subaward data; 2. collaborate with OFO to provide direct assistance to grantees; and 3. escalate grantees' system challenges to GSA and OMB to resolve systematic problems with the FSRS that are outside of the Department's control.

In addition, a number of other agency-wide initiatives were completed, continued, initiated, or planned during FY 2022. As a part of the agency's FY 2022–26 Strategic Plan, the agency created a performance metric focused on tracking instances where data collections lack data quality plans and worked to update the Department's Information Quality Act (IQA) Guidelines, expected to be finalized in the first quarter of FY 2023. The Department also completed development of a Data Quality Playbook to provide easily deployable strategies for program offices, especially their grant staff. The Department also began developing data quality training tailored to different audiences.

In FY 2022, work also continued to modernize the EDFacts system and related processes, including data quality checks that states can use to supplement their own downstream data quality work and disseminating a more standardized and complete set of data validation rules applied to the data collected via EDFacts. The National Center for Education Statistics completed a successful pilot of the new process with the Common Core of Data survey, which led to more complete and accurate data, better data quality notes where data needed to be explained, and earlier publication of the data. Federal Student Aid (FSA) developed an internal dashboard to track the quality of the data it receives from its servicers and ingested into the National Student Loan Data System (NSLDS) and Enterprise Data Warehouse & Analytics (EDWA), allowing stakeholders to monitor data processing and identify specific or systemic problem areas by servicer and record type. FSA also deployed the Alation data catalog and query management tool to consolidate metadata, business rules, and edit processing into one enterprise tool that, in addition to becoming the complete data catalog, will also provide an effective knowledge management tool for FSA.

CHALLENGE 4: IMPROPER PAYMENTS

The Department continued to prioritize efforts to ensure payment integrity and minimize improper and unknown payments across all programs in FY 2022, including programs considered "susceptible to significant improper payments" per OMB guidance (OMB Circular A-123, Appendix C, implemented by OMB Memorandum **M-21-19**). Collaboration between financial management and grants administration staff aimed to facilitate successful implementation of Payment Integrity Information Act of 2019 (PIIA) compliance activities (e.g., improper payment

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risk assessment or estimation of programs and activities in scope). Improvement action items included:

- Revising the Sampling & Estimation Methodology and Plan (S&EMP) for the Title I, Part A program in FY 2022 to address the root cause of reported improper payments. Additionally, the Department further coordinated with its State Educational Agencies (SEAs) to ensure they would be able to obtain requested financial documentation from their Local Educational Agencies (LEAs) to support sampled payment transactions;
- Reviewing the completed payment test plans for the Title I, Part A program to ensure they accurately represent the data used by statistician to develop the estimated improper payment rate, as quality control improvement responding to OIG's review of the Department's FY 2021 compliance with improper payment reporting requirements;
- Continuing to promote improper payment awareness and deliver payment integrity training for Department staff through, for example, webinars and dialogue regarding improper payment sampling and testing with dozens of grantees and the Department's grant monitoring and grants policy communities; and
- Continuing to employ the Payment Integrity Monitoring Application (PIMA) as a means of detecting anomalies in grants payment data (i.e., case management files for payment anomalies are established within the application for follow-up investigation by the Department's grants program officials to validate improper payments and determine root causes).

As reflected in its report for 2021, the OIG determined that the payment integrity reporting for the Pell Grant and Direct Loan programs complied with all PIIA reporting requirements. However, the OIG asserted its opinion that FSA's use of non-random student-level sampling in some compliance audits conducted under the Single Audit Act to calculate the estimates affected the appropriateness and accuracy of the confidence intervals. As noted in the report, FSA believes that compliance audits, which do not always require random sampling, provide quality data necessary to calculate statistically valid improper payment estimates and confidence intervals. The OIG determined that FSA's proposed actions of requesting and obtaining OMB's approval of FSA's sampling and estimation plan or requiring random student-level samples to be used in Single Audit compliance audits, if successfully implemented, were responsive to the OIG's recommendations.

FSA completed the following corrective actions this year:

- FSA continued efforts to obtain OMB's approval that its sampling and estimation plan is acceptable considering program resources and characteristics. FSA continued to engage OMB Office of Federal Financial Management staff in discussions regarding OMB approval of FSA's improper payment sampling and estimation methodology plan (S&EMP) pursuant to the provisions in PIIA section 3352(c)(1)(A). During FY 2022 and as of FY 2022 year end, these discussions were ongoing to address FSA's formal request for approval.
- FSA continued to collaborate with OMB, the OIG, Departmental components, and the independent audit community to include requirements for random sampling in compliance audits conducted under the Single Audit Act. However, the OIG and the independent audit community strongly opposed inclusion of the random sampling requirement, stating that it would compromise auditor independence. Consequently, FSA agreed to retract its recommendation of random sampling. However, FSA successfully advocated to retain language in the FY 2022 OMB Compliance Supplement of prior updates to clarify the procedures auditors must perform and information auditors should provide to the Department. These updates better align the requirements for compliance auditors in the Compliance Supplement with the payment integrity requirements for Federal agencies in OMB Circular A-123, Appendix C.

CHALLENGE 5: INFORMATION TECHNOLOGY SECURITY

FY 2022 advancements in the information technology security program encompass both technological capabilities as well as improvements in knowledge management and internal controls. The Department took a comprehensive approach to addressing this management challenge, including:

- Implemented a new cybersecurity policy framework aligned with Executive Order (EO) 14028 Improving the Nation's Cybersecurity and National Institute of

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Standards and Technology (NIST) Special Publication 800-53, Revision 5.

- Implemented the Ongoing Security Assessment & Authorization (OSA) program, which will reduce steps and modify artifacts to improve efficiency. The overall outcome is more frequent system stakeholder engagement and timely risk visibility.
- Continued to mature its risk management processes through enhancements to the Cybersecurity Framework (CSF) Risk Scorecard to monitor status of program-level business continuity planning and testing activities.
- Enhanced its automated cybersecurity reporting to track and report compliance to ED 14028 mandates including, but not limited to, Multifactor Authentication (MFA), encryption, and resiliency.
- Expanded the Vulnerability Disclosure Policy (VDP) program to cover all internet accessible Department systems.
- Updated our internal vulnerability management procedures in accordance with Binding Operational Directive (BOD) 22-01 Reducing the Significant Risk of Known Exploited Vulnerabilities.
- Took action to address M-22-09 Moving the U.S. Government Toward Zero Trust Cybersecurity Principles by creating, funding, and onboarding a GS-15 zero-trust architecture (ZTA) program manager and released a Department Strategy and project schedule for full implementation by the end of FY 2024.
- Received the initial transfer of Technology Modernization Fund (TMF) funds to establish a ZTA Program Management Office (PMO) and completed the recompete of Enterprise Identity, Credential, and Access Management (ICAM) program, and obtained Secure Access Service Edge (SASE) & Security Orchestration Automation & Response (SOAR) capabilities.
- FSA Enterprise Cybersecurity Group and FSA Enterprise Data Directorate worked together to develop a fraud detection analytics capability in partnership to identify occurrences of potential fraud. This initial model permits FSA to identify applicants that met criteria of potential fraud and put them into the Suspect Identify File (SIF) so that they would be selected for identity verification. This model is being fine-tuned for accuracy with the goal to become part of the FSA data science toolkit on fraud detection.
- FSA Enterprise Cybersecurity Group implemented a formal quality assurance process to ensure account recertifications are conducted in accordance with Department requirements.
- FSA Identity and Access Management (IAM) team in the Technology Directorate recently completed the Global Password Change for StudentAid.gov, FSA ID user accounts in the Person Authentication Service (PAS) system. Over 22.7 million of our 83 million users have already logged in and changed their passwords.
- In July 2022, MFA Phase 1 was successfully deployed, making MFA mandatory to all new users as part of the Create Account process on StudentAid.gov. MFA Phase 2 will be deployed, allowing FSA the capability to enforce MFA enablement for existing users on a rolling basis. Due to the timing of the MFA rollout coinciding with other high priority FSA initiatives, it is being recommended the MFA Phase 2 rollout start February 2023, to be completed July 2023.

These enhancements contributed to the OIG's FY 2022 Federal Information Security Modernization Act of 2014 (FISMA) assessment of the Department's cybersecurity capabilities as "Effective," or a Level 4 Cybersecurity Maturity Level for FY 2022, which marks a significant improvement from FY 2021 and the first time the Department has achieved this level with seven of nine FISMA domains increasing in score.

Summary of Financial Statement Audit and Management Assurances

The following tables provide a summarized report on the Department's financial statement audit and its management assurances. For more details, the auditors' report can be found beginning on page 104 and the Department's management assurances on page 25.

SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion: Disclaimer of Opinion
Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	1	1	0	1	1

SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control Over Financial Reporting—*Federal Managers' Financial Integrity Act* (FMFIA) 2

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

The Department had no material weaknesses in the design or operation of the internal control over financial reporting.

Effectiveness of Internal Control Over Operations—FMFIA 2

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Conformance With Financial Management System Requirements—FMFIA 4

Statement of Assurance: The Department systems conform to financial management system requirements.

Nonconformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Nonconformances	0	0	0	0	0	0

Compliance with *Federal Financial Management Improvement Act of 1996* (FFMIA)

	Agency	Auditor
1. System Requirements	No lack of compliance noted	No lack of compliance noted
2. Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. U.S. Standard General Ledger at Transaction Level	No lack of compliance noted	No lack of compliance noted

Payment Integrity Information Act Reporting

All program outlays can be categorized into one of three payment type categories: proper payments, improper payments, and unknown payments. OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, defines an improper payment as a payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. The term improper payment includes any payment to an ineligible recipient; any payment for an ineligible good or service; any duplicate payment; any payment for a good or service not received, except for those payments where authorized by law; any payment that is not authorized by law; and any payment that does not account for credit for applicable discounts. OMB Circular A-123, Appendix C, also defines an unknown payment as a payment that could either be proper or improper, but it cannot be determined whether the payment was proper or improper because of insufficient or lack of documentation.

The Department places a high value on maintaining the integrity of all types of payments made to ensure that the billions of dollars in federal funds it disburses annually reach intended recipients in the right amount and for the right purpose. The Department ensures payment integrity by establishing effective policies, business processes, systems, and controls over key payment activities, including those pertaining to payment data quality, cash management, banking information, third-party oversight, assessments of audit reports, and financial reporting. The number and dollar value of improper and unknown payments are key indicators of payment integrity. Accordingly, the Department maintains a robust internal control framework that includes internal controls designed to help prevent, detect, and recover improper and unknown payments. In designing controls, the Department attempts to strike the right balance between making timely and accurate payments and ensuring that controls put in place are not too costly or overly burdensome and thereby deter intended beneficiaries from obtaining funds they are entitled to receive. Additionally, the Department must rely heavily on controls established by external entities that receive Department payments, including federal, state, and private organizations and institutions, because they further distribute funds received from the Department to subordinate organizations and individuals. Due to these third-party controls being outside of the Department's operational management, they present a higher risk to the Department, as evidenced by its root cause analysis. When control deficiencies are detected, either within the Department or at external entities, the Department seeks to identify their root causes, develop corrective action plans, and track corrective actions through to completion.

To further promote payment integrity, the Department continues to develop its Payment Integrity Monitoring Application (PIMA), which detects anomalies in grants payment data. Case management files for payment anomalies are established within the application for follow-up investigation by the Department's grants program officials to validate improper payments and determine root causes. Additionally, the Department continues to develop its internal control framework to address gaps, strengthen internal control processes, and align assessments with enterprise risk management. Both efforts reflect the Department's recognition of the critical importance that payment integrity plays in demonstrating financial stewardship to the American taxpayer.

DESCRIPTION OF RISK-SUSCEPTIBLE AND HIGH-PRIORITY PROGRAMS

In FY 2022, the Federal Pell Grant, William D. Ford Federal Direct Loan, and Title I, Part A programs continued to be designated as programs that are "susceptible to significant improper payments" (referred to as Phase 2 per OMB Circular A-123, Appendix C guidance). The Federal Pell Grant program remained an OMB-designated high-priority program. Additionally, at the conclusion of the FY 2021 improper payment risk assessment, the Department identified the Education Stabilization Fund (ESF) and the Special Education Grants to States, Individuals with Disabilities Education Act (IDEA) programs as being susceptible to significant improper payments.

The Department continues to place additional emphasis to ensure payment integrity and minimize improper and unknown payments in these important programs as required by OMB guidance. Readers can obtain a detailed breakdown of information on improper and unknown payment estimates, root causes, and corrective actions for the programs at **https://paymentaccuracy.gov**.

FEDERAL PELL GRANT

The Pell Grant Program, authorized under Title IV of the *Higher Education Act of 1965* (HEA), provides need-based grants to low-income undergraduate and certain post-baccalaureate students to promote access to postsecondary education.

WILLIAM D. FORD FEDERAL DIRECT LOAN

The Direct Loan Program, added to HEA in 1993 by the *Student Loan Reform Act of 1993*, authorizes the Department to make loans through participating schools to eligible undergraduate and graduate students and their parents.

SPECIAL EDUCATION GRANTS TO STATES

The Special Education Grants to States, Individuals with Disabilities Education Act (IDEA) program provides formula grants to assist the 50 states, the District of Columbia, Puerto Rico, the Department of the Interior, Outlying Areas, and the Freely Associated States in meeting the excess costs of providing special education and related services to children with disabilities. To be eligible for funding, states must serve all children with disabilities between the ages of 3 through 21, except that they are not required to serve children aged 3 through 5 or 18 through 21 years if services are inconsistent with State law or practice or the order of any court. A state that does not provide a free appropriate public education (FAPE) to children with disabilities aged 3 through 5 cannot receive base payment funds attributable to this age group or any funds under the Preschool Grants program. Funds are allocated among states in accordance with a variety of factors, as outlined in the funding formula under section 611(d) of the Individuals with Disabilities Education Act (IDEA).

EDUCATION STABILIZATION FUND

On Friday, March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. It was a $2 trillion package of assistance measures, including $30.75 billion for an Education Stabilization Fund. The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA Act), was signed into law on December 27, 2020, and provided an additional $81.9 billion to the Education Stabilization Fund. Additionally, on March 11, 2021, the American Rescue Plan (ARP) was signed into law and provided an additional $169.5 billion. To date, eight grant programs were created: Education Stabilization Fund Discretionary Grants, Governor's Emergency Education Relief Fund, Elementary and Secondary School Emergency Relief Fund, Homeless Children and Youth, Emergency Assistance to Non-Public School, Outlying Areas, Bureau of Indian Education, and Higher Education Emergency Relief Fund.

TITLE I, PART A

Title I, Part A (Title I) of the *Elementary and Secondary Education Act*, as amended by *Every Student Succeeds Act* (ESEA) provides financial assistance to LEAs and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. Federal funds are currently allocated through four statutory formulas that are based primarily on census poverty estimates and the cost of education in each state

In FY 2022, the Department used statistically valid sampling and estimation methodologies to estimate the improper payment rates for the Pell Grant, Direct Loan, IDEA, ESF and Title I programs. The methodologies used for each of these programs are described in detail on the Department's **improper payments website**.

For detailed information on Pell Grant, Direct Loan, IDEA, ESF and Title I improper payment estimates in FY 2022 and prior years, please visit **https://paymentaccuracy.gov**.

IDENTIFIED AND RECAPTURED IMPROPER PAYMENTS

Agencies are required to conduct recovery audits for all programs and activities that expend more than $1 million in a fiscal year, if conducting such audits would be cost-effective. The Department has determined that payment recapture audits would not be cost effective for any of its loan and grant programs or for contracts. A comprehensive report on the cost effectiveness of the various recapture audit programs can be found in the Department's **FY 2012 Report on the Department of Education's Payment Recapture Audits**.

The Department identifies and recovers improper payments through sources other than payment recapture audits and works with grantees and Title IV (FSA) program participants to resolve and recover amounts identified in compliance audits, OIG audits, and Department-conducted program reviews. The Department also analyzes the return of grant funds from recipients to determine if they are due to improper payments. When an improper payment is detected and deemed collectable, the Department establishes an account receivable and pursues collection. Recoveries are also made through grant program, payroll, and other offsets. Recipients of Department funds can appeal management's decisions regarding funds to be returned to the Department or they may go bankrupt before the Department can collect, thereby delaying or decreasing the amounts the Department is able to collect. Additionally, the Department has wide discretion to decide not to collect improper payments from grantees in cases where it determines that pursuing collections would cause more harm to the federal interest. For these and other reasons, not all identified improper payments will ultimately be collected and collections will not necessarily be made in the same year the improper payments were identified.

The Department continues to work to improve its methods to identify, collect, and report on improper payment collections. For detailed information on identified and recovered improper payments in FY 2022, readers can visit **https://paymentaccuracy.gov**.

Civil Monetary Penalty Adjustment for Inflation

The *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015*, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. To improve compliance with the act, and in response to multiple audits and recommendations, agencies should report annually in the Other Information section the most recent inflationary adjustments to civil monetary penalties to ensure penalty adjustments are both timely and accurate.

Location for Penalty Update Details:

https://www.federalregister.gov/documents/2022/04/20/2022-08222/adjustment-of-civil-monetary-penalties-for-inflation

Table 15

Penalty	Authority	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level
Failure to provide information for cost of higher education	20 USC 1015(c)(5)	02-03-21	04-20-22	$ 42,163
Failure to provide information regarding teacher-preparation programs	20 USC 1022d(a)(3)	02-03-21	04-20-22	35,119
Violation of Title IV of the HEA	20 USC 1082(g)	02-03-21	04-20-22	62,689
Violation of Title IV of the HEA	20 USC 1094(c)(3)(B)	02-03-21	04-20-22	62,689
Failure to disclose information to minor children and parents	20 USC 1228c(c)(2)(E)	02-03-21	04-20-22	1,850
Improper lobbying for government grants and contracts	31 USC 1352(c)(1) and c(2)(A)	02-03-21	04-20-22	22,021 to 220,213
False claims and statements	31 USC 3802(a)(1) and (a)(2)	02-03-21	04-20-22	12,537

Climate Adaptation Plan

Climate change impacts on students, families, schools, and communities across the country are present, severe, and worsening. Pathways through which climate change affects student achievement include school closures due to extreme weather or unsafe conditions, poor environmental conditions within schools that impede learning, students' own personal health and safety, increased social and emotional anxiety related to climate change and extreme weather events, and increased migration and economic disruption for households and communities.

In September 2021, the Department released a new **FY 2021 Climate Adaptation Plan**. With this new plan, the Department acknowledges that climate change is affecting the Department's mission and the need for comprehensive and urgent action to promote adaptation and resilience through the Department's programs and operations. This plan builds on the lessons learned from the Department's past sustainability action plans, climate change adaptation plans, and environmental justice plans to offer new actions that the Department can undertake to better adapt to climate change and develop agency resilience and resilience across the nation's schools.

The Grants Oversight and New Efficiency Act of 2016 (GONE Act) and Education's Grant Closeout Process

The goal of the *Grants Oversight and New Efficiency Act of 2016* (GONE) (Pub. L. No. 114-117) was to close out grants and cooperative agreements that are in manual closeout with zero dollars and undisbursed balances and whose period of performance has exceeded two years. Although the Grants Oversight and New Efficiency Act reporting requirements have expired, the Office of Management and Budget Circular A-136, Section II.4.9, Grants Programs (August 10, 2021) requires similar information to be reported in the Other Information section. See Table 16 below.

Starting with an October 3, 2016, baseline of 8,948 grants and cooperative agreements totaling approximately $2 billion in various statuses of the closeout process, the Department succeeded in closing out 100 percent of the required grants and cooperative agreements during FY 2018. As of September 30, 2022, the Department had 239 grants and cooperative agreements totaling approximately $131.1 million in various statuses of the closeout process.

In FY 2020, the Department's Office of Inspector General (OIG) performed a risk assessment of the Department's grant closeout process and issued their results via memorandum. They identified risks with the reliability of grant data and related GONE Act reporting, as well as the Department's grant closeout policies and procedures, including a policy allowing older grants to be closed in compliance without required reports being provided by the grantee. In addition, the OIG found that both the volume of expired grants and amount of undisbursed grant funds significantly increased between the date of initial *GONE Act* reporting (September 30, 2017) and January 30, 2020, indicating that grant closeout is less of a focus now that *GONE Act* reporting is over. The memorandum is available at **https://www2.ed.gov/about/offices/list/oig/auditreports/fy2020/s19u0002.pdf**.

Overall, the Office of Finance and Operations (OFO) agreed with the OIG assessment and noted its intention to move forward with grant policy deliberation consistent with the results of the assessment. Approved in July 2020, the Handbook for the Discretionary Grants Process (**Handbook**) includes policy requirements that align with the OIG recommendations. (6.16.1) (A) (3)

Each year the Office of Acquisition, Grants, and Risk Management (OAGRM) offers a financial monitoring curriculum for formula and discretionary grants aligned with the *Standards for Financial Management* in 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, addressing cash management and drawdown activity of grantees' utilization of funds consistent with an approved scope of work aimed at reducing issues associated with grant closeouts.

Table 16

Category	2–3 Years	3–5 Years	> 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	108	5	-
Number of Grants/Cooperative Agreements with Undisbursed Dollar Balances	119	7	-
Total Amount of Undisbursed Balances	$49,336,249	$14,523,161	-

Source: G5, grants management system linked to the Department's general ledger system. Data is based on the performance end date of September 30, 2021.

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