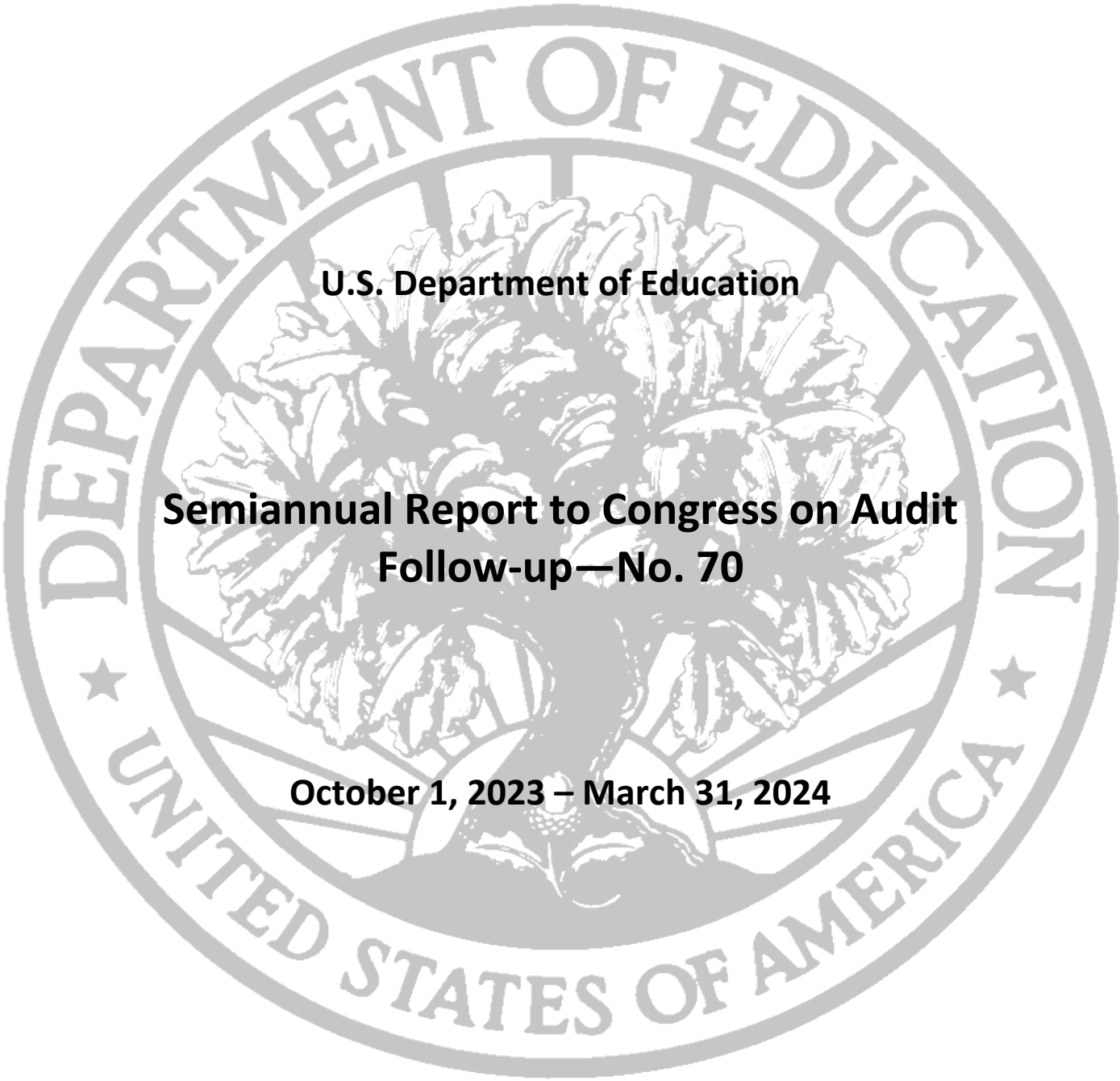


The seal of the U.S. Department of Education is a large, circular emblem in the background. It features a central sunburst design with rays emanating from a central point. The words "DEPARTMENT OF EDUCATION" are written in a circular path around the top half of the sunburst, and "UNITED STATES OF AMERICA" is written around the bottom half. Two stars separate the top and bottom text on the right side.

U.S. Department of Education

**Semiannual Report to Congress on Audit
Follow-up—No. 70**

October 1, 2023 – March 31, 2024

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Semiannual Report to Congress on Audit Follow-up—No. 70

October 1, 2023 – March 31, 2024

U.S. Department of Education
Office of Finance and Operations

U.S. Department of Education

Miguel A. Cardona, Ed.D.

U.S. Secretary of Education

Office of Finance and Operations

Denise L. Carter

Delegated the Duties of the Assistant Secretary, Office of Finance and Operations

Office of Acquisition, Grants, and Risk Management

Calvin J. Mitchell Jr., CFCM

Deputy Assistant Secretary, Office of Acquisition, Grants, and Risk Management

May 2024

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MEMORANDUM

TO: Miguel A. Cardona, Ed.D.
U.S. Secretary of Education

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

SUBJECT: Semiannual Report to Congress on Audit Follow-up, No. 70

In accordance with requirements of 5 U.S.C. 405(c) (formerly section 5(b) of the *Inspector General Act of 1978*, I am pleased to submit the U.S. Department of Education's (Department's) 70th *Semiannual Report to Congress on Audit Follow-up*, which covers the six-month period of October 1, 2023, through March 31, 2024.

This report highlights the Department's accomplishments in implementing recommendations included in Departmental audits conducted by the Office of Inspector General. Additionally, it provides statistical tables as specified in 5 U.S.C. 405(c)(2) and (3), and statements with respect to audit reports for which management decisions have been made. Further, the report also notes where final action has not been taken under 5 U.S.C. 405(c)(5).

Over the reporting period, the Department continued to implement recommendations to correct deficiencies reported by the auditors in a timely manner. The Department remains committed to making measurable progress to ensure that effective oversight of the post audit process will assist in our continuous improvement efforts and support the achievement of the Department's mission, goals, and objectives.

Attachment

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CONTENTS

MEMORANDUM: From the Delegated Assistant Secretary, Office of Finance and Operations.....	iii
ABBREVIATIONS	vi
OVERVIEW.....	1
INTERNAL AUDIT TABLES.....	2
EXTERNAL AUDIT TABLES	7
APPENDIX: Brief Overview of Audit Follow-up at the Department.....	11
AUDIT FOLLOW-UP RESPONSIBILITIES.....	11
AUDIT TRACKING SYSTEM	11
THE DEPARTMENT’S AUDIT RESOLUTION PROCESS	12
DEFINITIONS.....	13

ABBREVIATIONS

AARTS	Audit Accountability and Resolution Tracking System
ACN	Audit Control Number
APR	Annual Performance Report
BUF	Better Use of Funds
CMO	Charter Management Organization
COMPS	Charter Online Management Performance System
COR	Contracting Officer Representative
CSP	Charter School Program
Department	U.S. Department of Education
ESEA	Elementary and Secondary Education Act of 1965
FDICD	Financial Data Integrity and Control Division
FERPA	Family Educational Rights and Privacy Act (§ 444 of the General Education Provisions Act)
FPR	Final Performance Report
FSA	Federal Student Aid
FY	Fiscal Year
ICAM	Identity, Credential, and Access Management
IP	Improper Payment
LEA	Local educational agency
NPRM	Notice of Proposed Rulemaking
OFO	Office of Finance and Operations
OCIO	Office of the Chief Information Officer
OCPO	Office of the Chief Privacy Officer
OCR	Office for Civil Rights
OCTAE	Office of Career, Technical, and Adult Education
OESE	Office of Elementary and Secondary Education
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education
OPEPD	Office of Planning, Evaluation, and Policy Development
OSERS	Office of Special Education and Rehabilitative Services
OSEP	Office of Special Education Programs
PIIA	Payment Integrity Information Act of 2019
POs	Principal Offices
PRDE	Puerto Rico Department of Education
S&EMP	Sampling and estimation methodology plan
SAR	Semiannual Report
SEA	State educational agency
TIC	Trusted Internet Connections
UIC	University of Illinois at Chicago

OVERVIEW

The U.S. Department of Education (Department) submits this *Semiannual Report to Congress on Audit Follow-up—No. 70* in accordance with requirements of 5 U.S.C. 405(c) (formerly section 5(b) of the *Inspector General Act of 1978*.) This report provides audit resolution and follow-up activity information on the Department’s Office of Inspector General (OIG) audits for the six-month period from October 1, 2023, through March 31, 2024.

The Department maintains similar but distinct processes to manage efficiently and effectively the two broad categories of OIG audits:

- **Internal audits** are audits that typically focus on the efficiency or effectiveness of the Department’s internal business processes, including grant management and oversight, and financial statement presentation and reporting. Internal audits are conducted by OIG headquarters and regional staff and contracted Independent Public Accountants. Internal audits identify deficiencies in, and recommend improvements to Department operations and management efforts, and internal and external financial reporting. Internal audits report on whether the Department’s funds are used effectively and efficiently, program goals are accomplished, and external financial reporting is fairly presented. Individual Principal Offices (POs) that are the focus of any particular internal audit are usually directly responsible for resolving recommendations contained in such audits.
- **External audits** are reviews of entities receiving Department grants, entities participating in student financial assistance programs, or other activities of organizations external to, but doing business with, the Department. External audits are normally issued by the OIG or independent auditors (Single Audits). The Office of Finance and Operations (OFO) is generally responsible for resolving external audit findings stemming from reviews of all discretionary or competitively awarded grant programs, along with certain kinds of findings stemming from formula awards (e.g., cash management and subrecipient monitoring). Individual POs are generally responsible for resolving external audit findings stemming from formula grant awards.

INTERNAL AUDIT TABLES

Internal-Table 1:

OIG Internal Audit Report Activity

Office	Number of Reports Open 10/01/2023	Number of Reports Issued During SAR 70	Number of Reports Resolved During SAR 70	Number of Reports Unresolved as of 03/31/2024	Number of Reports Completed as of 03/31/2024	Number of Reports Closed During SAR 70	*Number of Reports Open as of 03/31/2024
FSA	5	1	3	0	1	1	5
IES	0	0	0	0	0	0	0
OFO	4	1	2	0	1	0	5
OCIO	3	0	1	0	0	0	3
OCR	0	0	0	0	0	0	0
OCTAE	0	0	0	0	0	0	0
OESE	4	0	0	1	0	1	3
OPEPD	1	0	0	0	0	0	1
OPE	0	0	0	0	0	0	0
OSERS	0	0	0	0	0	0	0
Total	17	2	6	1	2	2	17

Source: U.S. Department of Education, Audit Accountability and Resolution Tracking System (AARTS).

*The number of Reports Open as of 3/31/2024 (17) is the Number of Reports Open 10/01/2023 (17) plus the Number of Reports Issued during SAR 70 (2) minus the Number of Reports Closed During SAR 70 (2).

This table provides information on the audit follow-up activity from issuance to closure.

Internal-Table 2:

OIG Internal Audit Reports Pending Final Action One Year or More
After Issuance of a Management Decision by Principal Office and Issue Date

	ACN	Audit Title	Principal Office	Issue Date	Date of Management Decision
1	A19-R0003	REVIEW OF FSA CONTRACTOR SECURITY SCREENING PROCESS	FSA	4/17/2018	8/20/2018

Status: Resolved. The Department is building an agency-wide Identity, Credential, and Access Management (ICAM) solution. Once the foundation is built out by the Department, Federal Student Aid (FSA) will begin building a specific access request workflow. FSA is identifying at least one system to be enrolled in the solution and will be gathering screenshots showing this system using the tool. FSA plans to complete the work by the identified due date of September 30, 2024.

	ACN	Audit Title	Principal Office	Issue Date	Date of Management Decision
2	A09-R0008	OCPO'S CONTROLS OVER THE PROCESSING OF FERPA COMPLAINTS	OPEPD	11/26/2018	1/28/2019

Status: Resolved. The Student Privacy Policy Office has continued to work with the Office of the General Counsel (OGC) as the Department plans to propose to amend the Family Educational Rights and Privacy Act (FERPA) regulations, 34 CFR part 99, through a notice of proposed rulemaking (NPRM) to update, clarify, and improve the current regulations by addressing outstanding policy issues, including issues that have impeded the ability to resolve certain FERPA complaints. The planned completion date for this audit will coincide with the submission of the Final Rule to the Office of Management and Budget (OMB) targeted for March 31, 2027.

	ACN	Audit Title	Principal Office	Issue Date	Date of Management Decision
3	A11-T0002	FY 2019 FISMA	OCIO	10/31/2019	4/23/2020

Status: Resolved. The Office of the Chief Information Officer (OCIO) has resolved 36 of the 37 recommendations for this audit. OCIO is working diligently to complete the remaining recommendation by ensuring the Department's websites comply with the requirements as part of the Trusted Internet Connections (TIC) 3.0 initiative and Executive Order 14028. The planned completion date for this audit is March 31, 2025.

	ACN	Audit Title	Principal Office	Issue Date	Date of Management Decision
4	A05-S0001	DEPARTMENT'S INTERNAL CONTROL FOR STATE PLAN REVIEWS	OESE	9/28/2020	1/20/2022

Status: Resolved. The remaining work to be completed is contingent on the Elementary and Secondary Education Act of 1965 (ESEA) being reauthorized. Once reauthorized, the work will be carried out as soon as reasonably possible. The planned completion date for this audit is December 31, 2028.

	ACN	Audit Title	Principal Office	Issue Date	Date of Management Decision
5	A11-U0001	FY 2020 FISMA	OCIO	10/30/2020	2/16/2021

Status: Resolved. OCIO has resolved 23 of 24 recommendations for this audit. OCIO is implementing corrective actions for the remaining recommendation. The planned completion date for this audit is September 30, 2024.

	ACN	Audit Title	Principal Office	Issue Date	Date of Management Decision
6	A21-FS0021	FY 2021 ED FINANCIAL STATEMENT AUDIT	OFO	11/19/2021	3/22/2022

Status: Completed. The audit is now completed and with the Financial Data Integrity and Control Division (FDICD) for review for closure. The projected date of closure is June 14, 2024.

	ACN	Audit Title	Principal Office	Issue Date	Date of Management Decision
7	A21-FS0022	FY 2021 FSA FINANCIAL STATEMENT AUDIT	FSA	11/19/2021	3/11/2022

Status: Completed. The audit is now completed. FDICD is reviewing for closure. The projected date of closure is June 14, 2024.

	ACN	Audit Title	Principal Office	Issue Date	Date of Management Decision
8	A21-IL0034	EFFECTIVENESS OF CHARTER SCHOOL PROGRAMS IN INCREASING THE NUMBER OF CHARTER SCHOOLS	OESE	9/21/2022	1/6/2023

Status: Resolved. The Charter School Program (CSP) is working with a data collection contractor to streamline all reporting requirements for CSP grantees through the development of a performance management platform. The platform titled the Charter Online Management Performance System will combine the current data collection tables, annual performance report, and the final performance report requirements for the state educational agency (SEA), charter management organization, and Developer grant programs and other business processes into one system that serves as a repository for grantee implementation data. The planned completion date for this audit is September 20, 2024.

	ACN	Audit Title	Principal Office	Issue Date	Date of Management Decision
9	A22-GA0050	U.S. DEPARTMENT OF EDUCATION'S COMPLIANCE WITH IMPROPER PAYMENT REPORTING REQUIREMENTS FOR FISCAL YEAR 2021	OFO	6/27/2022	10/25/2022

Status: Resolved. FSA maintains that their sampling and estimation methodology plan (S&EMP) for developing improper payment (IP) rates for the Federal Pell Grant and Direct Loan Programs will produce appropriate and accurate confidence intervals and statistically valid and reliable estimates of the rates and amounts of IPs, in accordance with the OIG's recommendation and in accordance with the provisions in the Payment Integrity Information Act of 2019 (PIIA) §3352(c)(1)(A). FSA is awaiting OMB's approval of FSA's FY22 S&EMP as an acceptable plan considering the program resources and characteristics. The planned completion date for this audit is September 30, 2025.

Source: U.S. Department of Education, AARTS.

EXTERNAL AUDIT TABLES

External-Table 1:

U.S. Department of Education Audit Recovery Activities Related to Disallowed Costs as of March 31, 2024

Final Actions	Number of Reports	Disallowed Costs
Balance reported at the end of the previous period	3	\$1,968,459
Audit reports with management decisions made during the period (includes interest, penalty, and fine accruals)	0	\$0
Total audit reports pending final action during the period	3	\$1,968,459
Audit reports with action taken during the period (includes collections and other reductions)	0	(\$0)
Audit reports with final action taken during the period (includes collections and other reductions)	1	(\$587,994)
Total audit reports pending final action at the end of the period	2	*\$1,380,465

Source: U.S. Department of Education, Financial Management Support System (FMSS).

*Decrease in Disallowed Cost for this period is due to a Settlement Agreement for AU011916620A-1 that was closed and paid in full.

This table presents statistical information on the Department's audit recovery activities related to disallowed costs (see definition in Appendix) for external OIG audits.

External-Table 2:

U.S. Department of Education External OIG Audit Activities Related to Better Use of Funds as of March 31, 2024

Recommendations and Final Actions	Number of Reports	Dollar Value ¹
Audit reports with management decisions on which final actions had not been taken at the beginning of the period	7	\$0
Audit reports on which management decisions were made during the period	0	\$0
Total: Audit reports pending final action during the period (total of two variables above)	7	\$0
Minus: Audit reports on which final action was taken during the period (value of two variables directly below)	3	\$0
Value of recommendations implemented (completed)	3	\$0
Value of recommendations that management concluded should not or could not be implemented or completed	0	\$0
Audit reports needing final action at the end of the period (total less computed value directly above)	4	\$0

Source: External audit reports prepared by OIG.

This table presents data on the Department's activities related to recommendations for Better Use of Funds (BUF).

¹ "Dollar Value" is OIG's assessment, measured in dollars, of the potential efficiency in the use of funds if certain actions and recommendations stemming from audit reports are followed. The dollar amount reported as "Dollar Value" in this table is not meant to be recovered by the Department. Rather, the "Dollar Value" represents efficiencies that may be realized if the actions noted on the following page are taken.

External-Table 3:

U.S. Department of Education OIG External Audit Reports Pending Final Action One Year or More after Issuance of a Management Decision by Principal Office and Issue Date

ACN	Audit Title	Principal Office	Issue Date	Disallowed Costs	BUF	Status*
05D0017	UNIVERSITY OF ILLINOIS AT CHICAGO (UIC) ADMINISTRATION OF THE GEAR-UP GRANT PROJECT	OFO	1/14/2004	\$1,018,212	\$0	2
A03I0006	SALLIE MAE SUBSIDIARY, NELLIE MAE'S SPECIAL ALLOWANCE PAYMENTS (SAP) UNDER 9.5% FLOOR	FSA	8/3/2009	\$22,378,905	\$0	3
A04O0004	PRDE REL OF PROGRAM PERFORMANCE DATA & USE OF ADULT ED FUNDS	OCTAE	2/22/2018	\$97,481	\$0	1
A20IL0001	PROF JUDGMENT: NATIONAL AVIATION ACADEMY OF TAMPA BAY'S COMPLIANCE WITH PROFESSIONAL JUDGMENT REQUIREMENTS	FSA	9/24/2021	\$0	\$0	2
A20IL0005	BAIS HAMEDRASH AND MESIVTA OF BALTIMORE'S USE OF PROFESSIONAL JUDGEMENT	FSA	3/31/2022	\$155,845	\$0	3

Source: U.S. Department of Education, AARTS.

This table lists external OIG audit reports on which final action was not taken within one year after issuance of a management decision as of April 1, 2024. In this category, the Department has a total of five reports, with disallowed costs amounting to \$23.6 million. Please note that some of these amounts have been recovered, and some are in the process of being recovered. The lead PO is responsible for initiating the closure process by following the Department's *Process for Closing ED-OIG External Audits* when audits are ready to be closed. The closure of each audit requires receipt of the PO's official request for closure and supporting documentation.

*Reasons why external OIG audits were resolved but not closed within one year after management decisions were made:

1. Pending further evidence to support implementation of corrective actions
2. Disallowed costs in recovery
3. Disallowed costs under appeal
4. Closure in progress

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APPENDIX: Brief Overview of Audit Follow-up at the Department

AUDIT FOLLOW-UP RESPONSIBILITIES

Office of Management and Budget (OMB) Circular A-50, *Audit Follow-up*, provides that agency heads are responsible for designating a top management official to oversee audit follow-up, including resolution, corrective action implementation, and closure of individual audit recommendations. The Assistant Secretary, Office of Finance and Operations (OFO), is the Department's designated audit follow-up official, whose duties and responsibilities are:

- Ensuring that a system of cooperative audit resolution and follow-up is documented and in place;
- Ensuring that timely responses are made to all audit recommendations;
- Ensuring follow-up on corrective actions; and
- Resolving disputes regarding audit-related matters.

While general authority for program monitoring and oversight of audit follow-up under OMB Circular A-50 is delegated to the Assistant Secretary, OFO, responsibility for responding to the audits, developing corrective actions to resolve findings, and closing the audits is dispersed throughout the Department. At least six different POs play a role in external audit follow-up, and individual POs are directly responsible for resolving and closing recommendations contained in internal audits. Senior officials across the Department are charged with the timely resolution of audit reports and ensuring that appropriate corrective actions have been taken on agreed-upon audit recommendations within their PO. As required by OMB Circular A-50, all audit recommendations are to be resolved within six months of issuance of an audit report.

AUDIT TRACKING SYSTEM

The Audit Accountability and Resolution Tracking System (AARTS) is the Department's system of record for audit tracking for all POs. AARTS is used to track, monitor, and report the status of all formally issued single audits, as well as Office of Inspector General (OIG) internal and external audits and alternative products. Alternative products are reports or memoranda issued by OIG that are not audit reports but raise issues that may need to be addressed by management. AARTS has been designed as a

centralized data source, allowing Department staff to reduce duplication of effort and obtain and share data in a more efficient and effective manner. This system helps to facilitate the coordination of various activities across Department POs, including progress monitoring.

THE DEPARTMENT'S AUDIT RESOLUTION PROCESS

The audit resolution process begins with the issuance of a final internal or external audit report and proceeds through the following stages (as tracked in AARTS).

Stages	Internal Audits	External Audits
Open	The audit is open when the Department receives a final audit report and there are audit findings to be resolved.	The audit is open when the Department receives a final audit report and there are audit findings to be resolved.
Unresolved	An internal audit is unresolved when an agreement has not been reached between OIG and the PO on the recommended corrective actions identified in an internal audit.	An external audit is unresolved when a management decision, in the form of a Program Determination Letter, has not yet been issued.
Resolved	Resolution occurs when agency management and the OIG agree on action to be taken on reported findings and recommendations, or, in the event of disagreement, when the audit follow-up official determines the matter to be resolved.	Resolution occurs when a management decision is issued. This is when the audit organization and agency management agree on action to be taken on reported findings and recommendations, or, in the event of disagreement, when the audit follow-up official determines the matter to be resolved. A management decision contains two parts: 1) an evaluation of the validity of the findings and recommendations cited in the audit report; and 2) a decision about the course of action needed to correct any deficiencies.

Stages	Internal Audits	External Audits
Completed	An internal audit is completed when the responsible office indicates all corrective actions have been implemented.	This stage is not applicable in external audits housed in AARTS.
Closed	Audits are closed when every recommendation has been addressed by a corrective action. To close the audit in AARTS, OFO will verify supporting documentation for corrective actions and issue a closure memo.	Audits are closed when every finding has been addressed by a corrective action, and all funds have been collected as required. To close the audit in AARTS, OFO will verify supporting documentation for corrective actions and issue a closure memo.

DEFINITIONS

- **Disallowed costs** are charges to an award that the Federal awarding agency determines to be unallowable in accordance with the applicable Federal cost principles or other terms and conditions contained in the award. For the disallowable costs, repayments are due to the Federal government.
- **Better Use of Funds (BUF)** is a term used to track and report any audit recommendation that is intended to promote greater efficiency, accountability, or internal control through funds or other resources being “put to a better use.” BUF includes both monetary and nonmonetary efficiencies. The IG Act defines BUF as “a determination that includes a potential efficiency in the use of funds if certain actions to implement and complete recommendations were followed that may include any of the following: 1) reductions in outlays; 2) deobligation of funds from programs or operations; 3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; 4) not incurring costs by implementing recommended improvements related to the operations of the Department, a contractor, or grantee; or 5) any other savings that are specifically identified.”

If you would like additional copies of this report, please send your request to:

Semiannual Report to Congress on Audit Follow-up—No. 70
U.S. Department of Education
Office of Acquisition, Grants, and Risk Management
400 Maryland Avenue, S.W.
Washington, DC 20202

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