

The seal of the U.S. Department of Education is a large, circular emblem in the background. It features a central sunburst with rays extending to the outer edge. The words "DEPARTMENT OF EDUCATION" are written in a circular path at the top, and "UNITED STATES OF AMERICA" is at the bottom, separated by two stars.

**U.S. Department of Education**

**Semiannual Report to Congress on Audit  
Follow-up—No. 68**

**October 1, 2022 – March 31, 2023**

(This page is intentionally left blank.)

# Semiannual Report to Congress on Audit Follow-up—No. 68

October 1, 2022 – March 31, 2023

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**

Kerry K. Neal

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

May 2023

This report is in the public domain. Authorization to reproduce it in whole or in part is granted. While permission to reference this publication is not necessary, the citation should be: U.S. Department of Education, Office of Finance and Operations, Office of Acquisition and Grants Administration, *Semiannual Report to Congress on Audit Follow-up—No. 68*, Washington, D.C., 2023.

This report is available on the Department's website at  
<http://www2.ed.gov/about/offices/list/OFO/pubs.html>.

On request, this publication is available in alternate formats, such as braille, large print, or computer diskette. For more information, please contact the Department's Alternate Format Center at 202-260-0852 or 202-260-0818.

## MEMORANDUM

TO : Miguel A. Cardona, Ed.D.  
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. 68

In accordance with the *Inspector General Act of 1978 (IG Act) [As amended through P.L. 116-92, Enacted December 20, 2019]*, I am pleased to submit the U.S. Department of Education's (Department's) 68<sup>th</sup> *Semiannual Report to Congress on Audit Follow-up*, which covers the six-month period of October 1, 2022, through March 31, 2023.

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 sections 5(b)(2) and (3) of the IG Act, 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 section 5(b)(5) of the same Act.

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

(This page is intentionally left blank).

# CONTENTS

---

<b>MEMORANDUM: From the Delegated Assistant Secretary, Office of Finance and Operations.....</b>	<b>iii</b>
<b>ABBREVIATIONS .....</b>	<b>vi</b>
<b>OVERVIEW .....</b>	<b>1</b>
<b>INTERNAL AUDIT TABLES .....</b>	<b>2</b>
<b>EXTERNAL AUDIT TABLES .....</b>	<b>6</b>
<b>APPENDIX: Brief Overview of Audit Follow-up at the Department.....</b>	<b>10</b>
AUDIT FOLLOW-UP RESPONSIBILITIES.....	10
AUDIT TRACKING SYSTEM .....	10
THE DEPARTMENT’S AUDIT RESOLUTION PROCESS .....	11
DEFINITIONS.....	12

# ABBREVIATIONS

---

<b>AARTS</b>	Audit Accountability and Resolution Tracking System
<b>ACN</b>	Audit Control Number
<b>AS</b>	Administrative Services
<b>BUF</b>	Better Use of Funds
<b>CARES</b>	Coronavirus Aid, Relief, and Economic Security
<b>COR</b>	Contracting Officer Representative
<b>Department</b>	U.S. Department of Education
<b>DCIA</b>	Debt Collection Improvement Act
<b>ESEA</b>	Elementary and Secondary Education Act
<b>FDICD</b>	Financial Data Integrity and Control Division
<b>FFEL</b>	Federal Family Education Loan
<b>FERPA</b>	Family Educational Rights and Privacy Act
<b>FISMA</b>	Federal Information Security Management Act
<b>FSA</b>	Federal Student Aid
<b>FY</b>	Fiscal Year
<b>GA</b>	Guaranty Agency
<b>ICAM</b>	Identity, Credential, and Access Management
<b>IES</b>	Institute of Education Sciences
<b>IG Act</b>	Inspector General Act of 1978, as amended
<b>ISSO</b>	Information Systems Security Officer
<b>IT</b>	Information Technology
<b>LEA</b>	Local Educational Agency
<b>NPRM</b>	Notice of Proposed Rulemaking
<b>OFO</b>	Office of Finance and Operations
<b>OCIO</b>	Office of the Chief Information Officer
<b>OCPO</b>	Office of the Chief Privacy Officer
<b>OCR</b>	Office for Civil Rights
<b>OCTAE</b>	Office of Career, Technical, and Adult Education
<b>OESE</b>	Office of Elementary and Secondary Education
<b>OGC</b>	Office of the General Counsel
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OPE</b>	Office of Postsecondary Education
<b>OPEPD</b>	Office of Planning, Evaluation, and Policy Development
<b>OSERS</b>	Office of Special Education and Rehabilitative Services
<b>OSEP</b>	Office of Special Education Programs
<b>POs</b>	Principal Offices
<b>PRDE</b>	Puerto Rico Department of Education
<b>SAR</b>	Semiannual Report
<b>SEA</b>	State Educational Agency
<b>SSAE</b>	Student Support and Academic Enrichment
<b>UIC</b>	University of Illinois at Chicago



# OVERVIEW

---

The U.S. Department of Education (Department) submits this *Semiannual Report to Congress on Audit Follow-up—No. 68* in accordance with requirements of section 5(b) of the *Inspector General Act of 1978*, as amended (*IG Act*). 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, 2022, through March 31, 2023.

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. Internal audits are conducted by OIG headquarters and regional staff. Internal audits identify deficiencies in and recommend improvements to Department operations and management efforts, ensuring that Department’s funds are used effectively and efficiently, and that program goals are accomplished. 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 10/01/2022	Number of Reports Issued During SAR 68	Number of Reports Resolved During SAR 68	Number of Reports Unresolved as of 03/31/2023	Number of Reports Completed as of 03/31/2023	Number of Reports Closed During SAR 68	*Number of Reports Open as of 03/31/2023
FSA	5	3	2	2	1	2	6
IES	1	0	0	0	0	1	0
OFO	5	1	1	1	1	2	4
OCIO	3	0	0	0	0	1	2
OCR	0	0	0	0	0	0	0
OCTAE	0	0	0	0	0	0	0
OESE	3	0	1	0	0	0	3
OPEPD	1	0	0	0	0	0	1
OPE	1	0	0	0	0	0	1
OSERS	0	0	0	0	0	0	0
<b>Total</b>	19	4	4	3	2	6	17

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

\*The number of Reports Open as of 3/31/2023 (17) is the Number of Reports Open 10/1/2022 (19) plus the Number of Reports Issued during SAR 68 (4) minus the Number of Reports Closed During SAR 68 (6).

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 Primary Office and Issue Date

	ACN	Audit Title	Primary 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 in the process of identifying at least one system to be enrolled in the solution and will be gathering screenshots showing this system using the tool and is optimistic that it will be able to complete work by the identified due date. The planned completion date for this work is September 30, 2024.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
2	A09-R0008	OCPO'S CONTROLS OVER THE PROCESSING OF FERPA COMPLAINTS	OPEPD	10/31/2019	4/23/2020

**Status: Resolved.** The Student Privacy Policy Office has continued to work with the Office of the General Counsel (OGC) to bring clarity to existing regulations through a draft Notice of Proposed Rulemaking (NPRM) under the Family Educational Rights and Privacy Act (FERPA). The regulations, when finalized and published, will address outstanding policy 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 OMB targeted for March 31, 2027.

	ACN	Audit Title	Primary 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	Primary 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 upon the Elementary and Secondary Education Act (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	Primary 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 in the process of implementing corrective actions for the remaining recommendation. The planned completion date for this audit is September 30, 2024.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
6	A17-U0001	FY 2020 ED FINANCIAL STATEMENT AUDIT	OFO	11/16/2020	3/05/2021

**Status: Resolved.** When the reporting period ended on March 31, 2023, the audit was in a “resolved” status. However, the audit is now in a “completed” status. The audit was completed on April 3, 2023.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
7	A17-U0002	FY 2020 FSA FINANCIAL STATEMENT AUDIT	FSA	11/16/2020	03/05/2021

**Status: Resolved.** When the reporting period ended on March 31, 2023, the audit was in a “resolved” status. However, the audit is now in a “completed” status. The audit was completed on April 3, 2023.

	ACN	Audit Title	Primary Office	Issue Date	Date of Management Decision
8	A19-DC0004	SSAE: AUDIT OF THE DEPARTMENT'S OVERSIGHT OF THE STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	OESE	8/30/2021	12/7/2021

**Status: Resolved.** The Office of Safe and Supportive Schools staff are collecting appropriate supporting documentation to ensure that the corrective actions fully address the recommendations. The planned completion date for this audit is September 30, 2023.

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

**Status: Completed.** The audit is currently being reviewed for closure by the Office of Finance and Operations (OFO) Financial Data Integrity and Control Division (FDICD). The projected closure date for this audit is June 1, 2023.

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

**Status: Completed.** The audit is currently being reviewed for closure by OFO's FDICD. The projected closure date for this audit is June 1, 2023.

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

The preceding table lists each OIG-prepared internal audit report and alternative product on which final action was not taken within one year of issuance of a management decision on the report.

# EXTERNAL AUDIT TABLES

## External-Table 1:

U.S. Department of Education Audit Recovery Activities Related to Disallowed Costs as of March 31, 2023

Final Actions	Number of Reports	Disallowed Costs
<b>Balance reported at the end of the previous period</b>	<b>2</b>	<b>\$3,129,622</b>
Audit reports with management decisions made during the period (includes interest, penalty, and fine accruals)	0	\$0
<b>Total audit reports pending final action during the period</b>	<b>3</b>	<b>\$3,350,737</b>
Audit reports with action taken during the period (includes collections and other reductions)	1	(\$1,382,278)
Audit reports with final action taken during the period (includes collections and other reductions)	0	\$0
<b>Total audit reports pending final action at the end of the period</b>	<b>3</b>	<b>*\$1,968,459</b>

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

\*Decrease in Disallowed Cost for this period is due to adjustment action of 1 audit (ACN 20IL0001) to reflect the change to that liability amount from an appeal settlement.

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, 2023

Recommendations and Final Actions	Number of Reports	Dollar Value <sup>1</sup>
<b>Audit reports with management decisions on which final actions had not been taken at the beginning of the period</b>	<b>6</b>	<b>\$0</b>
Audit reports on which management decisions were made during the period	3	\$0
<b>Total: Audit reports pending final action during the period (total of two variables above)</b>	<b>9</b>	<b>\$0</b>
<b>Minus: Audit reports on which final action was taken during the period (value of two variables directly below)</b>	<b>1</b>	<b>\$0</b>
Value of recommendations implemented (completed)	1	\$0
Value of recommendations that management concluded should not or could not be implemented or completed	0	\$0
<b>Audit reports needing final action at the end of the period (total less computed value directly above)</b>	<b>8</b>	<b>\$0</b>

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). In the 1988 amendments to the *IG Act*, Congress directed Inspector Generals (IGs) to standardize their reporting processes in order to develop an overall picture of the Federal government's progress against waste, fraud, and mismanagement. Pursuant to this request, Congress required IGs to start tracking recommendations for BUF and to report the total dollar value of all BUF recommendations on a semiannual basis.

<sup>1</sup> "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 Primary Office and Issue Date

ACN	Audit Title	Primary 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
A03S0006	OHIO DEPARTMENT OF EDUCATION'S AND SELECTED VIRTUAL CHARTER SCHOOLS INTERNAL CONTROLS OVER INDIVIDUALIZED EDUCATION PROGRAMS	OSEP	3/1/2021	\$0	\$0	4
A04O0004	PRDE REL OF PROGRAM PERFORMANCE DATA & USE OF ADULT ED FUNDS	OCTAE	2/22/2018	\$97,481	\$0	1
A06R0004	CALCULATING AND REPORTING GRADUATION RATES IN UTAH	OESE	11/29/2018	\$0	\$0	4
A20IL0001	PROF JUDGMENT: NATIONAL AVIATION ACADEMY OF TAMPA BAY'S COMPLIANCE WITH PROFESSIONAL JUDGMENT REQUIREMENTS	FSA	9/24/2021	\$0	\$0	2

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, 2023. In this category, the Department has a total of six reports, with disallowed costs amounting to \$23.5 million. Please note that some of these amounts have been recovered, and some are in the process of being recovered. The lead primary office 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 program office's (PO) 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



(This page is intentionally left blank.)

# 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 principal offices (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 <b>open</b> when the Department receives a final audit report and there are audit findings to be resolved.	The audit is <b>open</b> when the Department receives a final audit report and there are audit findings to be resolved.
Unresolved	An internal audit is <b>unresolved</b> 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 <b>unresolved</b> when a management decision, in the form of a Program Determination Letter, has not yet been issued.
Resolved	<b>Resolution</b> 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.	<p><b>Resolution</b> occurs when a <b>management decision</b> 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.</p> <p>A <b>management decision</b> 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.</p>
Completed	An internal audit is <b>completed</b> when the responsible office indicates all	This stage is not applicable in external audits housed in AARTS.

Stages	Internal Audits	External Audits
	corrective actions have been implemented.	
Closed	Audits are <b>closed</b> 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 <b>closed</b> 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 *Inspector General Act of 1978, as amended (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. 68**  
**U.S. Department of Education**  
**Office of Acquisition, Grants, and Risk Management**  
**400 Maryland Avenue, S.W.**  
**Washington, DC 20202**

This report is available on the Department's website at  
<http://www2.ed.gov/about/offices/list/OFO/pubs.html>.

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

[www.ed.gov](http://www.ed.gov)