

# Archived Information

Department of Education  
OFFICE OF THE INSPECTOR GENERAL  
Fiscal Year 2008 Budget Request

## CONTENTS

	<b><u>Page</u></b>
Appropriations Language .....	AA-1
Amounts Available for Obligation .....	AA-2
Obligations by Object Classification .....	AA-3
Summary of Changes .....	AA-4
Authorizing Legislation .....	AA-6
Appropriations History .....	AA-7
Activity:	
Office of the Inspector General .....	AA-8

OFFICE OF THE INSPECTOR GENERAL

*For expenses necessary for the Office of the Inspector General, as authorized by section 212 of the Department of Education Organization Act, \$53,239,000.*

Note. – A regular 2007 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 109-289, Division B, as amended). The amounts included for 2007 in this budget reflect the levels provided by the continuing resolution.

OFFICE OF THE INSPECTOR GENERAL

Amounts Available for Obligation  
(\$000s)

---

	2006	2007	2008
Discretionary authority:			
Appropriation	\$49,000	0	\$53,239
Across-the-board reduction	-490	0	0
CR annual rate	<u>0</u>	<u>\$48,428</u>	<u>0</u>
Subtotal, appropriation	48,510	48,428	53,239
Unobligated balance expiring	<u>-82</u>	<u>0</u>	<u>0</u>
Total, direct obligations	48,428	48,428	53,239

---

**OFFICE OF THE INSPECTOR GENERAL**

**Obligations by Object Classification  
(\$000s)**

		2006	2007	2008
11.10	Full-time permanenet.....	\$22,498	\$24,751	\$27,217
11.31	Full-time temporary.....	1,288	546	378
11.32	Part-time.....	20	91	95
11.51	Overtime.....	1,740	0	0
11.52	Awards.....	250	240	352
	Compensation subtotal.....	25,796	25,628	28,042
12.00	Benefits.....	7,958	8,267	9,060
13.00	Benefits for former personnel.....	150	0	0
	Comp/benefits subtotal.....	33,904	33,895	37,102
21.00	Travel.....	1,797	1,593	1,696
22.00	Transportation of things.....	0	6	6
23.10	Rental payments to GSA.....	4,102	4,341	4,759
23.31	Communications.....	965	835	772
23.32	Postage/fees.....	2	7	7
	Subtotal 23.....	5,069	5,183	5,538
24.00	Printing and reproduction.....	6	21	21
25.10	Advisory and assistance services...	2,375	2,219	2,529
25.21	Other services.....	380	582	772
25.22	Training/tuition contracts.....	372	360	510
25.23	Field readers.....	0	0	0
25.30	Goods/services from Govt.....	1,174	1,544	1,433
25.40	Operations/maint of facilities.....	0	0	0
25.70	Operations/maint of equipment.....	94	51	146
25.72	It services/contracts.....	1,977	1,787	2,360
	Subtotal 25.....	6,372	6,543	7,750
26.00	Supplies.....	239	224	239
31.10	IT equipment/software.....	617	200	426
31.30	Other equipment.....	138	248	110
	Subtotal 31.....	755	448	536
32.00	Building alterations.....	286	515	351
43.10	Prompt payment interest.....	0	0	0
	Total, Obligations.....	48,428	48,428	53,239

**OFFICE OF THE INSPECTOR GENERAL**

**Summary of Changes  
(\$000s)**

---

2007.....	\$48,428	
2008.....	<u>53,239</u>	
Net change.....		+4,811

---

	<u>2007 base</u>	<u>Change from base</u>
<b>Increases:</b>		
<u>Built in:</u>		
Increase in personnel compensation for current staff for annualization of the 2.2 percent FY 2007 pay raise and proposed 3.0 percent FY 2008 pay raise, and 2 additional paid days in 2008.	\$25,388	+\$979
Increase in benefits for OIG's share of health, retirement, and other benefits.	8,267	+373
Increase in GSA rental payments due to a projected rate increase and increased space requirements.	4,341	+418
<u>Program:</u>		
Increase in personnel compensation and benefits for 14 additional FTE, to restore OIG staffing to a level slightly higher than the 2006 level of 288 FTE.	0	+1,743
Increase in IT processing services/contracts for OIG's share of the Department's network support, IT security, Internet contracts, and alternate site.	1,787	+573
Increase in advisory and assistance services, primarily for pre-award audits of departmental contracts and grants.	2,219	+310
Increase in information technology equipment and software.	200	+226
Increase in awards due to the use of a consistent departmental awards policy.	240	+112

OFFICE OF THE INSPECTOR GENERAL

Summary of Changes (continued)  
(\$000s)

---

	<u>2007 base</u>	<u>Change from base</u>
Increase in other services, primarily due to an increase in centralized design and space planning services.	\$582	+\$190
Increase in training for current and new staff.	360	+150
Increase in travel.	1,593	+103
Increase in operations and maintenance of equipment.	51	+95
Net increases in other areas.	258	<u>+15</u>
Subtotal, increases		+5,287
<b>Decreases:</b>		
<u>Program:</u>		
Decrease in building alterations due to the completion of several office renovation projects.	515	-164
Decrease in other equipment (systems furniture) due to the completion of several office renovation projects.	248	-138
Decrease in goods and services from other Government Agencies due to the completion of several office renovation projects.	1,544	-111
Decrease in communications expenses, primarily due to savings in local telephone services.	835	<u>-63</u>
Subtotal, decreases		-476
Net change		+4,811

---

**OFFICE OF THE INSPECTOR GENERAL**

**Authorizing Legislation**  
(\$000s)

---

Activity	2007 Authorized	2007 Estimate	2008 Authorized	2008 Request
Inspector General (DEOA, Section 212)	Indefinite	\$48,428	Indefinite	\$53,239

---

OFFICE OF THE INSPECTOR GENERAL

Appropriations History  
(\$000s)

---

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1999	\$31,242	\$30,242	\$31,242	\$31,242
2000	34,000	31,242	34,000	34,000
2001	36,500	34,000	35,456	36,411
2002	38,720	38,720	38,720	38,588
2003	42,361	41,000	41,000	40,734
2004	48,137	48,137	37,661	46,624
2005	50,576	47,790	50,576	47,327
2006	49,408	49,000	49,408	48,510
2007	53,145			48,428 <sup>1</sup>
2008	53,239			

---

<sup>1</sup> A regular 2007 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 109-289, Division B, as amended). The amounts included for 2007 in this budget reflect the levels provided by the continuing resolution.

---



**OFFICE OF THE INSPECTOR GENERAL**

---

**Inspector General**  
(DEOA, section 212)

FY 2008 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Personnel costs	\$33,895	\$37,102	+\$3,207
Non-Personnel costs	<u>14,533</u>	<u>16,137</u>	<u>+1,604</u>
Total	48,428	53,239	+4,811
FTE	279 <sup>1</sup>	293	+14

---

<sup>1</sup> The FTE level in 2007 is constrained by the 2007 Continuing Resolution funding level. The 2006 level was 288 FTE.

---

**PROGRAM DESCRIPTION**

The Office of the Inspector General's (OIG) mission is to promote efficiency, effectiveness, and integrity in the Department of Education's programs and operations. The role of OIG is to monitor the Department's performance and report to the Congress and to the Secretary on opportunities for improvement and any problems or deficiencies.

OIG has authority to inquire about all program and administrative activities of the Department and related activities of all parties working under contracts, grants, or other arrangements with the Department. OIG staff or contracted auditors both in headquarters and the regional offices make these inquiries.

To carry out its responsibilities, OIG audits and inspects Department programs and operations to determine compliance with applicable laws and regulations, economy and efficiency of operations, and effectiveness in achieving program goals. The Office also investigates allegations of fraud by recipients of program funds and of employee misconduct involving the Department's programs and operations.

In addition, OIG operates both a website, <http://www.ed.gov/misused>, and a hotline (1-800-MISUSED) that anyone may call to report fraud, waste, or abuse involving Department of Education funds or programs, or to make suggestions for saving Federal funds and for ways Federal education services could be more effective.

**OFFICE OF THE INSPECTOR GENERAL**

---

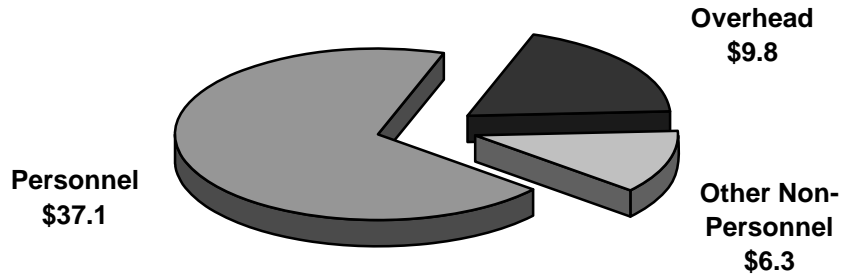
Funding levels for the past 5 fiscal years were:

	(\$000s)
2003.....	\$40,734
2004.....	\$46,624
2005.....	\$47,327
2006.....	\$48,510
2007.....	\$48,428

**FY 2008 BUDGET REQUEST**

For the Office of the Inspector General in FY 2008, \$53.239 million is requested. Approximately 70 percent of this amount, or \$37.102 million, is for personnel compensation and benefits to support a staffing level of 293 FTE. Of the \$16.137 million for non-personnel costs, 60 percent, or \$9.751 million, is for OIG’s administrative and overhead services, such as rent, postage/fees, telecommunications, payroll processing, and information technology services contracts.

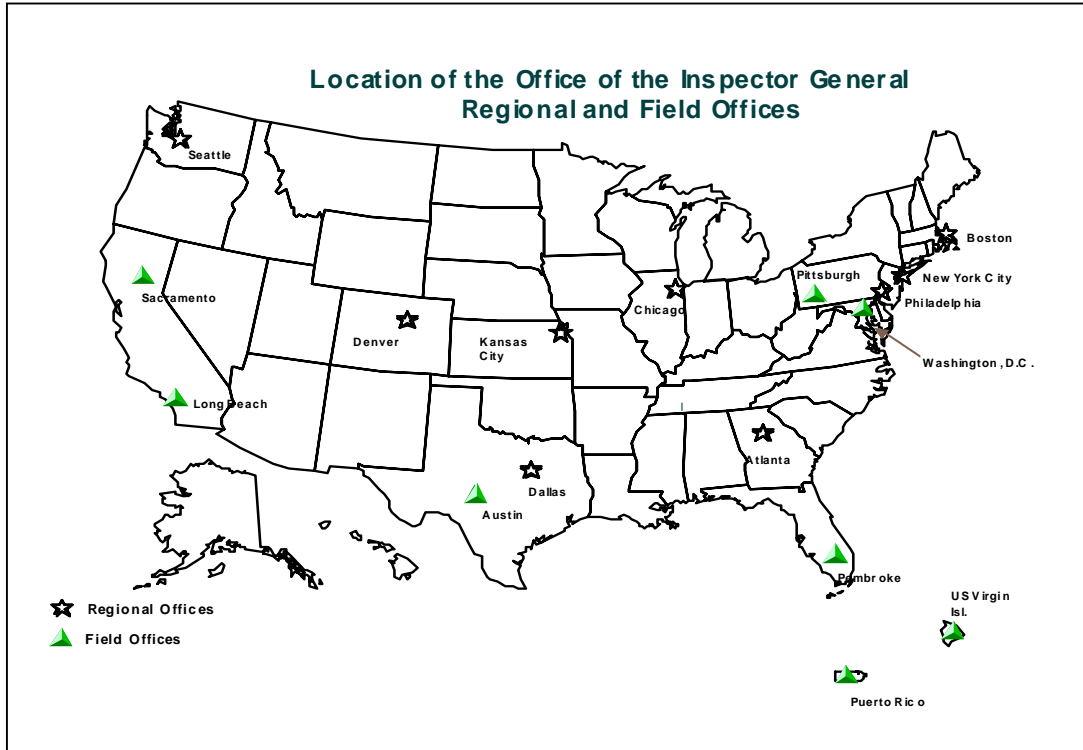
**FY 2008 Distribution of Costs  
(\$ in millions)**



Overhead includes: Rent, telecommunications, interagency agreements and IT services.  
 Other Non-Personnel includes: Travel, advisory and assistance services, and training.

OIG operates from regional and field offices, as well as headquarters. 190 FTE, or 65 percent of OIG’s staff, are assigned to regional offices, field offices, or flexiplace locations in New York, Boston, San Juan, US Virgin Islands, Philadelphia, Washington, D.C., Atlanta, Chicago, Dallas, Austin, Kansas City, Sacramento, Los Angeles, Pittsburgh, and Pembroke Pines, Florida. The remaining 103 employees are located in headquarters.

## OFFICE OF THE INSPECTOR GENERAL



### Personnel Costs

The budget request of \$37.102 million in personnel compensation and benefits is an increase of \$2.302 million above the FY 2007 level. \$1.352 million of the increase covers built-in costs for annualization of the 2.2 percent Governmentwide FY 2007 pay raise, and the proposed 3.0 percent Governmentwide FY 2008 pay raise, and the increased cost of benefits for the current staff level of 279 FTE. The request will also cover the special law enforcement availability pay rates (required by the Treasury, Postal Service and General Government Appropriations Act, 1995) to be paid to investigators who are required to be accessible during hours that are not part of the regular work week.

\$1.743 million is requested for a staff increase of 14 FTE. Because of funding restraints in 2007, OIG could not replace employees who left in 2007. The 14 additional FTE would restore the staff level to slightly above the 2006 level of 288 FTE. Without the additional staff, OIG will need to curtail the numbers of audits and investigations to be performed. This would limit the information about program operations and effectiveness available to the Department's managers.

OIG's 293 FTE will support audit, investigation, and inspection activities, as well as information technology audits and computer crime investigations (cyber security). The Department's budget for 2008 is \$68 billion, and the Department is responsible for overseeing the management of a student loan portfolio of \$441 billion.

## OFFICE OF THE INSPECTOR GENERAL

---

### Audit Services

The planned staffing level for Audit Services is 135 FTE. At this staffing level, OIG can provide an appropriate level of oversight to determine whether or not Department programs and operations are in compliance with applicable laws and regulations, are operating efficiently, and if they are effective in achieving program goals.

OIG's work will continue to provide audit coverage of the Pacific Rim, Puerto Rico (PR) and the Virgin Islands (VI). In addition, OIG will continue to work on No Child Left Behind and student financial aid programs. OIG will also provide oversight for the audit of the Department's 2008 financial statements audits. OIG's audit efforts will continue to directly support the President's Management Agenda, the Department's three strategic goals, and its management improvement efforts.

### Investigation Services

The planned staffing level for Investigation Services is 97 FTE. OIG continues to conduct a program of compliance audits and investigations that focuses primarily on institutions (lenders, guaranty agencies, servers, and schools) participating in the student financial assistance programs. Investigating institutions is complex and thus expensive. However, pursuit of these cases is much more effective than targeting individual beneficiaries of the program, because larger dollar amounts are at risk and institutional cases generate greater publicity and therefore greater deterrent value. To those who participate in the programs, OIG's work puts them on notice that if they engage in fraudulent activity they will be caught. Identity theft continues to be a high priority.

### Information Technology Audits and Computer Crime Investigations (ITACCI)

The planned staffing level for ITACCI is 22 FTE. This staffing level will allow OIG to provide the appropriate level of expertise needed in information technology (IT) to conduct audits of the Department's systems and operations, investigate cyber crime, and provide support for investigative activities.

The IG ITACCI group includes auditors, investigators, and information technology specialists combined under one umbrella to provide an integrated approach to a wide range of IT-related issues.

This group focuses on data mining, computer intrusion, and compliance with the Federal Information Security Management Act (FISMA). As part of the data mining efforts, OIG will continue to focus on the detection and identification of illegal electronic financial transactions, including unauthorized repayment requests or improper payments, unauthorized changes in bank routing numbers, ineligible program participants, and program abuse or fraud. This group will also investigate network intrusions, and look for systemic information technology (IT) problems as new computer threat techniques and weaknesses continue to evolve.

FISMA efforts will include assessing the Department's overall compliance with the information security provisions of the Act and related information security standards identified with the Office

## OFFICE OF THE INSPECTOR GENERAL

---

of Management and Budget (OMB) reporting guidelines. OIG will also evaluate the security performance of the Department's mission-critical and supportive systems by reviewing the effectiveness of general and technical IT security controls. In addition, OIG will continue to evaluate the Department's information security plans, programs, and practices.

### Evaluation, Inspection and Management Services

The planned staffing level for the Evaluation, Inspection and Management Services group is 28 FTE. These FTE enhance OIG's ability to provide quick, timely information to program managers and to provide coverage of Department activities by using alternative review methods and evaluation techniques. The Evaluation and Inspections group also frequently identifies good practices at other Federal agencies and shares that information with the Department as part of its inspection reports. This unit has enabled OIG to expand its ability to provide prompt feedback to Department managers on a wide range of Department activities. Management Services provides administrative support including personnel, budget, procurement, and IT operations for OIG's nationwide activities.

### Immediate Office (IO) of the Inspector General

The planned staffing level for the Immediate Office, which includes the Counsel and Hot Line staff, is 11 FTE. OIG recently expanded its capability to respond rapidly to and resolve sensitive allegations involving senior level employees and conduct internal review functions (Quality Assurance Reviews), including internal peer reviews of audit and investigative activities, evaluations and inspections, and other OIG functions. The newly revised Quality Standards for Federal Offices of Inspector General, issued by the President's Council on Integrity and Efficiency (PCIE), requires these reviews. They ensure that OIG is complying with its own policies and procedures, applicable laws and regulations, and the requirements and standards of the IG Act, Government Accountability Office (GAO), Office of Management and Budget, Justice, and PCIE. Different OIG audit offices perform external peer reviews of each other. Government Auditing Standards (the "yellow book") mandate that Audit Services undergo external peer reviews, and Attorney General Guidelines require investigation peer reviews.

### **Non-Personnel Costs**

The OIG request includes \$16.137 million for non-personnel costs, an increase of \$1.604 million over FY 2007. Of the total, \$9.751 million is for Departmental centralized services and \$6.386 million is for other non-personnel costs. The requested resources will allow OIG to identify improvements needed in Department programs and operations and investigate significant instances of fraud, waste and abuse. The increase in non-personnel costs also will support the financial statement audit contract in FY 2008.

### Travel

OIG is requesting \$1.696 million in travel funds, \$103,000 more than the 2007 level. The majority of OIG's travel is directly associated with audits and investigations. At this funding level, OIG will streamline carrying out nationwide audits and investigations, inspections, and other related work. Most OIG audit and investigative work involves travel to State education agencies, schools, guaranty agencies, or single beneficiaries that are recipients of Federal

## OFFICE OF THE INSPECTOR GENERAL

---

education funds. Since few schools, guaranty agencies, or single beneficiary cases are located in the cities where OIG has staff, it is necessary for regional audit and investigations staff to travel to the work site to ensure the financial integrity of the Department's programs.

### Advisory and Assistance Services

In order to fulfill its statutory audit responsibilities, assist the Department in obtaining an unqualified opinion on its financial statements, and support the Department's strategic objective of developing and maintaining financial integrity and management and internal controls, the OIG is requesting \$2.001 million, \$40,000 more than the 2007 level, to contract for the audit of the Departmentwide fiscal year 2008 financial statements. Additional funding for this contract is included in the **Student Aid Administration** account.

As required by the Government Management Reform Act (GMRA) of 1994, the OIG will oversee the conduct of the audit of financial statements, including Federal Student Aid (FSA) statements, by an independent CPA firm. Congress designated FSA as a Performance-Based Organization to operate as a discrete management unit responsible for managing the functions supporting the HEA Title IV programs. The audit will result in two reports: (1) a report on the department-wide financial statements, including FSA, and (2) a report on FSA's financial statements.

The scope of the audit will include the examination and analysis of account balances, review of applicable financial systems, and evaluation of internal controls and compliance with significant laws and regulations. Audit results will include an assessment of the fair presentation of the financial statements, recommendations for improving financial accountability and stewardship, and identification of areas requiring further review.

OIG also is requesting \$200,000, \$30,000 less than the 2007 level, to contract for systems security audits to evaluate the security performance of the Department's critical systems, and to assess the Department's overall compliance with information security standards.

In addition, OIG is requesting \$150,000 each for pre-award audits of Departmental contracts and grants. These audits will provide contracting officers with information to negotiate contracts at the lowest possible cost, and assist grants officers in determining the capability of grant recipients to account for and use grants in accordance with the grant's terms and conditions.

### Training

OIG is requesting \$510,000 for staff training, including \$85,000 included in the central support expenses budget. OIG routinely examines the skills and knowledge needed by its entire staff and develops individual training plans to address identified skill gaps. Based upon its succession and leadership plans, OIG requires training funds to build the skills within its workforce to address future management and leadership requirements. In addition, OIG auditors and investigators must fulfill extensive professional training requirements. Such courses given by professional organizations are generally expensive. This amount will cover the full costs of review courses and examinations to obtain professional certifications, such as Certified Public Accountant, Certified Information Systems Auditor, Certified Government Financial Manager, etc. OIG also has broad-based IT skill development requirements primarily

## OFFICE OF THE INSPECTOR GENERAL

---

due to the crosscutting nature of the IT environment encountered within the Department and its e-government initiatives. As new IT technologies emerge, training becomes even more critical to maintaining up-to-date skills and knowledge. New computer threat techniques and weaknesses continually evolve and IT personnel must remain diligent in maintaining an expert knowledge base of all IT technologies.

### IT Equipment and Software

The \$367,000 requested for non-centralized IT equipment and software purchases is an increase of \$199,000 from the 2007 level. These funds will be used to purchase IT equipment and software, upgrade approximately one-fifth of the current computers, and support renewal of licenses for software that supports audit, investigative, and inspection activities.

### Building Alterations

OIG's request includes \$225,000 in non-centralized building alterations costs for special projects, such as evidence storage rooms, special agent gear lockers, and cipher locks.

### **Departmental Centralized Services**

OIG's overhead costs request of \$9.751 million, an increase of \$541,000 over the 2007 funding level, will cover a variety of costs. The major items included in overhead costs are: rent (\$4.759 million), interagency agreements for services such as payroll processing, guard services, and security investigations (\$1.213 million), communications (\$494,000), and IT services and contracts (\$2.345 million). The increased funding primarily will cover higher rent costs.

### **FY 2008 Priorities, Initiatives, and Accomplishments**

OIG's mission is to promote the efficiency, effectiveness, and integrity of the Department's programs and operations. The requested budgetary resources will allow the OIG to engage in the types of activities that will enable the Office to reach these goals and at the same time provide support to the Department in its mission. OIG will continue its emphasis on audits and inspections of Federal student assistance programs, including controls for safeguarding student information. It will also conduct audits and inspections of No Child Left Behind programs.

### PROGRAM OUTPUT MEASURES

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Reports and other products issued by OIG auditors	85	100	100
Quality control reviews on non-Federal audits	75	80	80
Financial statements audited	3	3	3
Criminal investigations completed	150	100	115
Complaints referred	1,764	1,800	1,850
Hotline calls processed	7,157	7,500	7,900
Inspections and other reports	6	7	8

**OFFICE OF THE INSPECTOR GENERAL**

---

**PROGRAM PERFORMANCE INFORMATION**

OIG has three strategic goals: to improve the Department’s programs and operations; to protect the integrity of the Department’s programs and operations; and to ensure quality and excellence within the organization.

To determine whether these goals are met, OIG has developed performance indicators. Specific results from audits, inspections and investigations are summarized twice yearly in the OIG Semiannual Report to Congress. All OIG reports, including full audit, inspection and investigation reports, are available on OIG’s website, [www.ed.gov/offices/OIG](http://www.ed.gov/offices/OIG).

**FY 2006 OIG Performance Report**

**Performance Measures**

This section presents selected performance information, including GPRA goals, objectives, measures, and performance targets and data, and an assessment of the progress made toward achieving results. Achievement of results is based upon the cumulative effect of the resources provided in previous years and those requested in FY 2008 and future years.

**Objective 1, Measure 1:** The percentage of significant recommendations accepted by the Department each year.

<b>Year</b>	<b>Target</b>	<b>Actual (or date expected)</b>	<b>Status</b>
2005	70%	78%	Target Exceeded
2006	70%	87%	Target Exceeded
2007	70%	(October 2007)	Pending
2008	70%	(October 2008)	Pending

**Assessment of progress:** OIG audit, investigation, and inspection reports include recommendations for improvements in the Department’s programs and procedures. The Department’s program managers review these recommendations. Accepted recommendations are those recommendations that program managers agree to implement. The performance data show a trend of increasing acceptance by managers of OIG’s recommendations.



**OFFICE OF THE INSPECTOR GENERAL**

---

**Objective 1, Measure 2:** The percentage of written reports that meet OIG timeliness standards.

Year	Target	Actual (or date expected)	Status
2005	75%	67%	Made Progress from Prior Year
2006	75%	84%	Target Exceeded
2007	75%	(October 2007)	Pending
2008	75%	(October 2008)	Pending

**Assessment of progress:** Between 2005 and 2006, OIG has made considerable progress in the issuance of reports within the timeframes specified by OIG’s internal policies for each type of report.

**Objective 2, Measure 1:** The percentage by which the 5-year rolling average of OIG monetary recoveries <sup>1</sup> exceeds the OIG annual budget.

Year	Target	Actual (or date expected)	Status
2005	125%	120%	Made Progress from Prior Year
2006	100%	111%	Target Exceeded
2007	100%	(October 2007)	Pending
2008	100%	(October 2008)	Pending

**Assessment of progress:** Monetary recoveries are those used in the OIG Semiannual Reports. Because the amounts may vary significantly year to year, OIG uses a 5-year rolling average for performance measurement. In 2005, OIG reduced the performance target, based on historical trends. In 2006, the revised target was exceeded.

---

<sup>1</sup> Recoveries include questioned costs sustained, unsupported costs sustained, fines ordered, civil settlements/judgments, recoveries, and seized/forfeited property, as reported in OIG’s Semiannual Report to the Congress.