

**Department of Education**  
**OFFICE OF INSPECTOR GENERAL**  
**Fiscal Year 2014 Budget Request**

**CONTENTS**

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

## **OFFICE OF INSPECTOR GENERAL**

For expenses necessary for the Office of Inspector General, as authorized by section 212 of the Department of Education Organization Act, \$62,347,000.

### **NOTE**

A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 112-175).

**OFFICE OF INSPECTOR GENERAL**

**Amounts Available for Obligation**  
(dollars in thousands)

Appropriation and Adjustments	2012	2013	2014
Discretionary appropriation:			
Appropriation	\$59,933	\$59,820	\$62,347
Across-the-board reduction (P.L. 112-74)	-113	0	0
Across-the-board increase (P.L. 112-175)	0	+366	0
Subtotal, appropriation	59,820	60,186	62,347
Recovery Act unobligated balance, start of year	4,711	0	0
Recovery of Recovery Act prior-year obligations	21	0	0
Unobligated balance expiring	-466	0	0
Subtotal, direct obligations	59,642	60,186	62,347
Subtotal, Recovery Act direct obligations	4,444	0	0
Total, direct obligations	64,086	60,186	62,347

# OFFICE OF INSPECTOR GENERAL

## Obligations by Object Classification (dollars in thousands)

	<b>Object Class</b>	<b>2012</b>	<b>2013</b> <sup>1</sup>	<b>2014</b>
11.10	Full-time permanent	26,013	27,747	28,812
11.10	Full-time permanent, Recovery	2,372	0	0
11.31	Full-time temporary	505	638	643
11.31	Full-time temporary, Recovery	646	0	0
11.32	Part-time	292	213	214
11.32	Part-time, Recovery	60	0	0
11.51	Overtime	1,849	0	0
11.51	Overtime, Recovery	170	0	0
11.52	Awards	348	340	342
11.52	Awards, Recovery	7	0	0
	Compensation subtotal	32,262	28,938	30,011
12.00	Benefits	9,998	10,109	10,668
12.00	Benefits, Recovery	951	0	0
13.00	Benefits for former personnel	350	0	0
	Comp/benefits subtotal	43,561	39,047	40,679
21.00	Travel	1,252	2,122	1,931
21.00	Travel, Recovery	209	0	0
22.00	Transportation of things	5	75	75
23.10	Rental payments to GSA	5,251	5,236	5,819
23.31	Communications	182	184	192
23.32	Postage/fees	4	6	6
	Subtotal 23	5,437	5,426	6,017
24.00	Printing and reproduction	2	1	1
25.10	Advisory and assistance services	817	735	760
25.21	Other services	3,184	3,270	3,417
25.21	Other services, Recovery	27	0	0
25.22	Training/tuition contracts	390	675	644
25.22	Training/tuition contracts, Recovery	2	0	0
25.23	Field readers	0	0	0
25.30	Goods/services from Federal sources	1,662	2,163	2,125
25.40	Operations/maint of facilities	0	0	0
25.70	Operations/maint of equipment	108	54	114
25.72	IT services/contracts	6,056	5,240	4,947
	Subtotal 25	12,246	12,137	12,007
26.00	Supplies	177	176	173
31.10	IT equipment/software	760	630	537
31.30	Other equipment	139	32	33
	Subtotal 31	899	662	570
32.00	Building alterations	298	540	894
43.10	Prompt payment interest	0	0	0
	<b>Total, Obligations</b>	<b>64,086</b>	<b>60,186</b>	<b>62,347</b>

<sup>1</sup> Includes 0.612 percent across-the-board increase provided in P.L. 112-175.

OFFICE OF INSPECTOR GENERAL

Summary of Changes  
(dollars in thousands)

---

2013.....	\$59,820	<sup>1</sup>
2014.....	<u>62,347</u>	
Net change .....	+2,597	

---

<sup>1</sup> Excludes 0.612 percent across-the board increase of \$366 in FY 2013 provided in P.L. 12-175.

---

<b>Increases:</b>	<u>2013 base</u>	<u>Change from base</u>
<u>Built-in:</u>		
Increase in salaries due to the proposed 1 percent pay raise.	\$28,598	+\$214
Increase in benefits for OIG's share of health, retirement, and other benefits.	10,109	+261
Increase in GSA rental payments due to anticipated rate increases and tax escalations.	5,236	+583
<u>Program:</u>		
Increase in personnel compensation and benefits for 8 FTE staff.	0	+1,155
Increase in building alterations.	540	+354
Increase in cost for audit of the Department's financial statements.	2,076	+104
Increase in travel.	1,756	+175
Increase in car leases for auditor and criminal investigator travel.	483	+24
Increase in advisory and assistance services for FISMA audits.	735	+25
Net changes in other areas.	2,154	43
Subtotal, increases		<hr/> +2,938

OFFICE OF INSPECTOR GENERAL

**Summary of Changes**  
(dollars in thousands)

	<u>2012 base</u>	<u>Change from base</u>
<b>Decreases:</b>		
<u>Built-in:</u>		
Net decrease in central information technology (IT).	\$4,925	-\$239
Net decrease in central support non-pay charges.	1,965	-24
<u>Program:</u>		
Decrease in information technology contracts for support for IT security operations, computer forensics and data mining experts for the Information Technology Audits and Computer Crimes (ITACCI) group.	637	-51
Decrease in non-centralized IT purchases.	606	-97
Subtotal, decreases		-411
Net change		+2,527

OFFICE OF INSPECTOR GENERAL

Authorizing Legislation  
(dollars in thousands)

Activity	2013 Authorized	2013 Estimate	2014 Authorized	2014 Request
Inspector General (DEOA, Section 212)	<u>Indefinite</u>	<u>\$59,820</u>	<u>Indefinite</u>	<u>\$62,347</u>
Total definite authorization	0		0	
Total appropriation		59,820		62,347
Total appropriation including 0.612 percent ATB		60,186		

# OFFICE OF INSPECTOR GENERAL

## Appropriations History (dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2005	\$50,576	\$47,790	\$50,576	\$47,327
2006	49,408	49,000	49,408	48,510
2007	53,145	N/A <sup>1</sup>	N/A <sup>1</sup>	48,802
Transfer (P.L. 10-05)	0	0	0	1,464
2008	53,239	53,239	54,239	50,849
2009	54,539	54,539 <sup>2</sup>	54,539 <sup>2</sup>	54,539
Recovery Act Supplemental (P.L. 111-5)	0	0	4,000	14,000
2010	60,053	60,053	60,053 <sup>3</sup>	60,053
2011	65,238	60,053 <sup>4</sup>	65,238 <sup>3</sup>	59,933 <sup>5</sup>
2012	67,187	59,933 <sup>6</sup>	59,933 <sup>6</sup>	59,820
2013	62,401	59,820 <sup>7</sup>	59,820 <sup>7</sup>	60,186 <sup>8</sup>
2014	62,347			

<sup>1</sup> This account operated under a full-year continuing resolution (P.L. 110-5). House and Senate Allowance amounts are shown as N/A (Not Available) because neither body passed a separate appropriations bill.

<sup>2</sup> The levels for the House and Senate allowances reflect action on the regular annual 2009 appropriations bill, which proceeded in the 110<sup>th</sup> Congress only through the House Subcommittee and the Senate Committee.

<sup>3</sup> The level for the Senate allowance reflects Committee action only.

<sup>4</sup> The level for the House allowance reflects the House-passed full-year continuing resolution.

<sup>5</sup> The level for appropriation reflects the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).

<sup>6</sup> The level for the House allowance reflects an introduced bill and the level for the Senate allowance reflects Senate Committee action only.

<sup>7</sup> The level for the House and Senate allowances reflect action on the regular 2013 appropriations bill, which proceeded in the 112<sup>th</sup> Congress only through the House Subcommittee and the Senate Committee.

<sup>8</sup> The amount shown includes the 0.612 percent across-the-board increase provided by P.L. 12-175, in effect through March 27, 2013.



## OFFICE OF INSPECTOR GENERAL

---

### Inspector General (DEOA, section 212)

(dollars in thousands)

FY 2014 Authorization: Indefinite

Budget Authority:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change from 2012</u>
Personnel costs	\$39,355	\$39,047	\$40,679	+\$1,632
Non-Personnel costs	<u>20,465</u>	<u>20,773</u>	<u>21,668</u>	<u>+895</u>
Total	59,820	59,820 <sup>1</sup>	62,347	+2,527
FTE <sup>2</sup>	265	269	277	+8

<sup>1</sup> Excludes 0.612 percent across-the-board increase provided in P.L. 112-175.

<sup>2</sup> In addition to the FTE included here, 33 FTE in 2012 were funded by the American Recovery and Reinvestment Act (Recovery Act).

---

### PROGRAM DESCRIPTION

The Office of Inspector General's (OIG) mission is to promote efficiency, effectiveness, and integrity in the Department of Education's programs and operations through independent and objective audits, investigations, inspections and other activities. 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 and 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 INSPECTOR GENERAL

---

Funding levels for the past 5 fiscal years were:

	(dollars in thousands)
2009 .....	\$54,539
Recovery Act .....	14,000
2010 .....	60,053
2011 CR .....	59,933
2012 .....	59,820
2013 .....	59,820 <sup>1</sup>

<sup>1</sup> Excludes 0.612 percent across-the-board increase provided in P.L. 112-175.

### FY 2014 BUDGET REQUEST

For the Office of Inspector General in 2014, \$62.347 million and 277 FTE are requested, an increase of \$2.527 million, or over 4.2 percent, over the 2013 level. Over 65 percent of this amount, or \$40.679 million, is for personnel compensation and benefits to support the requested staffing level of 277 FTE. \$21.668 million is for non-personnel costs, of which \$12.446 million, or 20 percent of the total Office of Inspector General request, is for administrative and overhead services, such as rent, postage/fees, telecommunications, payroll processing, and information technology services contracts. The remainder of the non-personnel request, \$9.222 million, or 15 percent, is for non-personnel costs that directly support OIG's mission, such as travel, training, and the financial statement audit contract. This amount includes \$468,000 to support the Council of Inspectors General on Integrity and Efficiency (CIGIE). In its request to the Department, OIG requested \$62.759 million and 277 FTE.

The scope of OIG planned work in FY 2014 will cover multiple, diverse, and evolving programs. OIG's limited resources will be significantly stretched in order to conduct much-needed work that focuses on high risk programs and operations while meeting statutory obligations. For example, continuing oversight of Federal student assistance programs, which involve hundreds of billions of taxpayer dollars, is a high priority. OIG will focus on issues such as the rising rate of loan delinquencies and defaults, the accuracy and reliability of consumer information provided to students and borrowers, the ability of the Department to make and service student loans, and the challenges presented by the introduction of new loan program requirements. OIG anticipates conducting reviews of Federal Student Aid's (FSA) oversight of contractors involved in such activities as servicing direct loans, collecting on defaulted loans, and operating FSA computer systems. For the State and local programs, the OIG will focus resources on potential issues that may result from the reauthorization of the Individuals with Disabilities Education Act (IDEA) and Elementary and Secondary Education Act (ESEA) programs, oversight of Charter Schools, and adequacy of sub-recipient monitoring by States. OIG also plans to direct resources to assess the Department's administration of discretionary grants.

In addition, OIG investigative work will continue to expand, evidenced by the dramatically increasing number of fraud cases involving charter schools and local school districts. The large number of these complex and resource-intensive investigations often involve dozens of subjects who are geographically dispersed, which results in greater travel and associated costs for our investigators. Although OIG made an effort to stem the occurrence of distance education fraud by issuing a report recommending program improvements to reduce vulnerabilities, the number

## OFFICE OF INSPECTOR GENERAL

---

of these cases still represents about 20 percent of all OIG cases. Investigations of postsecondary schools currently represent approximately 21 percent of OIG investigations; charter schools, approximately 13 percent; and public school officials, approximately 14 percent.

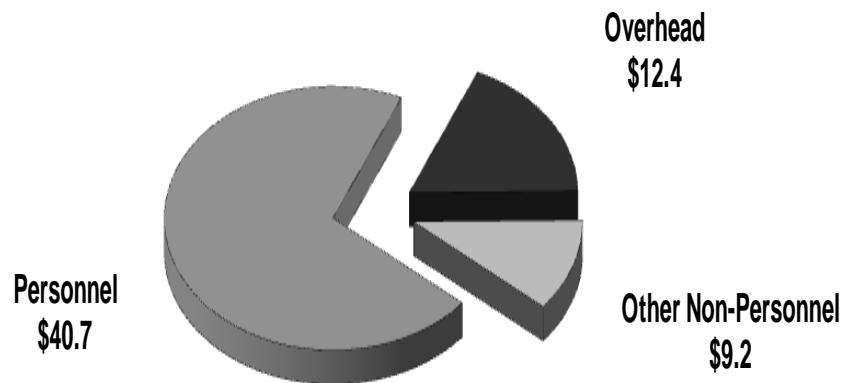
OIG also must devote resources to statutory and regulatory mandated work, including annual audits of the Department, FSA, and Special Purpose financial statements, and annual audits and other reviews under the Federal Information Security Management Act (FISMA) and Improper Payments Elimination and Recovery Act. The OIG must continue to assess and report Departmental efforts to identify, address, and mitigate improper payments and provide oversight of work performed by non-Federal auditors, including single audits and compliance audits of the recipients of Department funds. Further, with the anticipated reauthorization of the ESEA and the IDEA, OIG will have to work with the Department and the Office of Management and Budget (OMB) to develop new audit guidance to update the A-133 Single Audit Compliance Supplement to address changes to the laws, such as risks identified with IDEA maintenance of effort and State assessment scoring. The OIG will also continue to work with OMB and the audit community to evaluate and improve the quality of single audits.

OIG's budget has been essentially "flat lined" since FY 2010, and most likely will be in FY 2013 as well. Given the anticipated limited resources available for OIG operations in FY 2014 and future years, the OIG faces significant challenges to performing the work necessary to provide required assurances of the Department's compliance with multiple statutory requirements and to prevent waste, fraud, and abuse. However, in recognizing the economic challenges and the continuing long-term effects of the fiscal crisis that the Government faces, OIG has critically evaluated its needs and determined what efforts it can make to limit its budget. In order to reduce staffing after the expiration of American Recovery and Reinvestment Act (Recovery Act) funding, OIG refrained from backfilling certain vacated positions and offered early retirement and buyout options to reduce staff numbers in FY 2012. Because a small staff size means fewer audits and investigations, which would limit OIG's ability to respond to departmental and congressional requests for OIG to perform work, the OIG requests a modest increase of 8 FTEs from the FY 2013 level in order to focus needed resources on high risk areas, work that would have great potential to result in significant savings to the Government. In fact, as of March 31, 2012, OIG identified for recovery \$5 for each dollar it spent, in terms of questioned and unsupported costs, fines and restitutions ordered, recoveries, civil settlements/judgments, forfeitures/seizures, and estimated savings.

## OFFICE OF INSPECTOR GENERAL

---

### FY 2014 Distribution of Costs (\$ in millions)



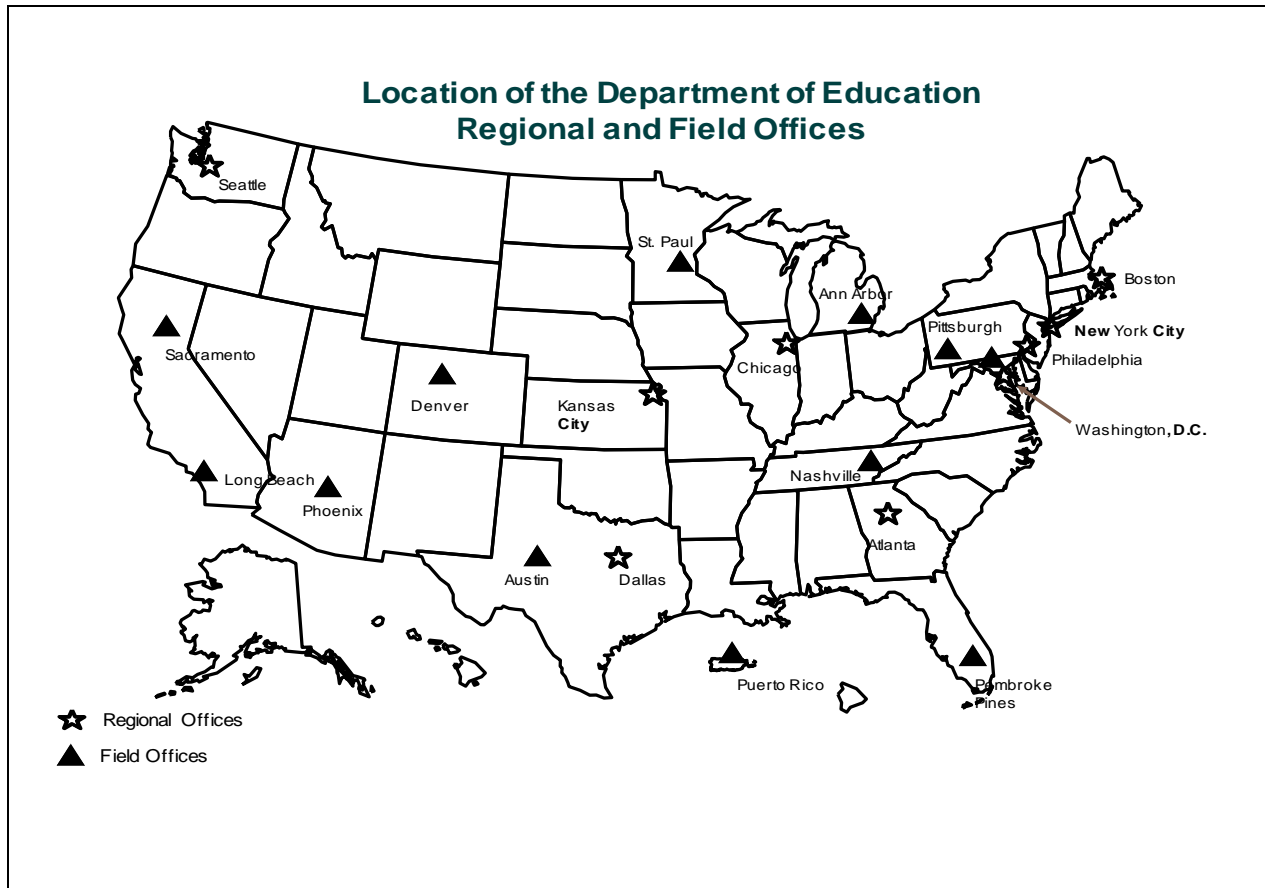
Overhead includes: Rent, telecommunications, interagency agreements and IT services.  
Other Non-Personnel includes: Travel, advisory and assistance services, and training, and CIGIE support..

In accordance with Public Law 110-409, the Inspector General certifies that the amount of \$644,000 requested for required training of our staff, including the amount designated in the Department's centralized services and the statutorily required training provided by the Federal Law Enforcement Training Center (FLETC) would satisfy all the OIG's 2014 training requirements.

Kathleen Tighe  
Inspector General

OIG operates from 19 regional and field offices, as well as headquarters. 185 FTE, or 67 percent of OIG's staff, will be assigned to regional offices, field offices, and flexiplace locations in New York, Boston, San Juan, Puerto Rico, Philadelphia, Washington, D.C., Atlanta, Chicago, Ann Arbor, Nashville, St. Paul, Dallas, Denver, Austin, Kansas City, Sacramento, Long Beach, Pittsburgh, Phoenix, and Pembroke Pines, Florida. The remaining 92 employees will be located in the Washington, DC headquarters office.

## OFFICE OF INSPECTOR GENERAL



### FY 2014 Priorities and Goals

The OIG's strategic goals are:

- Goal 1: Improve the Department's ability to effectively and efficiently implement its programs to promote educational excellence and opportunity for all students.
- Goal 2: Strengthen the Department's efforts to improve the delivery of student financial assistance.
- Goal 3: Protect the integrity of the Department's programs and operations by detecting and preventing vulnerabilities to fraud, waste, and abuse.
- Goal 4: Contribute to improvements in the Department's business operations.
- Goal 5: Strive for a diverse and skilled workforce that is provided with the means and assistance necessary to achieve OIG's mission with excellence, accountability, and integrity.

## OFFICE OF INSPECTOR GENERAL

OIG will meet these goals by selecting and examining the most important areas on which to focus its resources, through audits, investigations, inspections, human capital planning, and other activities. These activities will identify problems, deficiencies, or opportunities for improvement and will communicate the results to the people who need the information and who will monitor the results of the work to ensure issues are addressed.

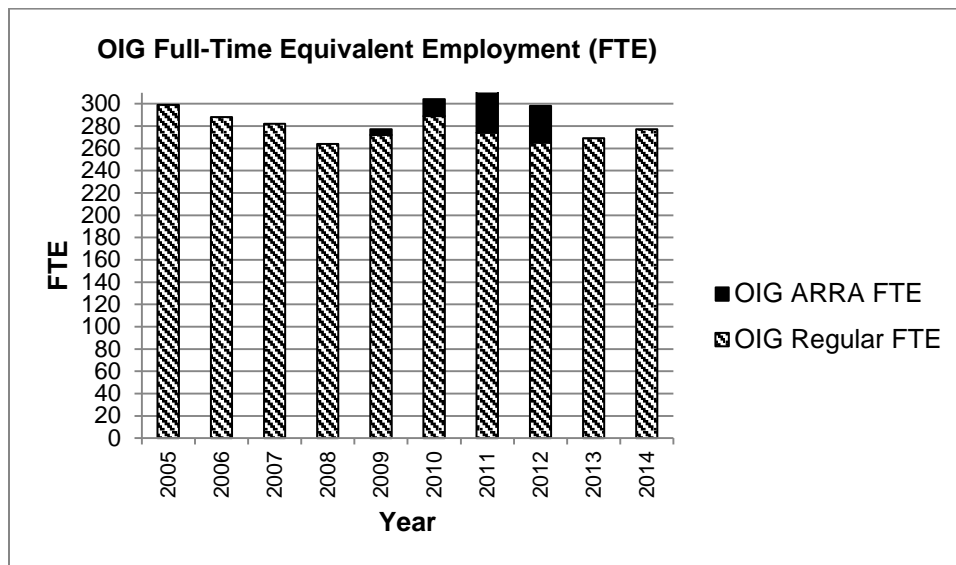
### Personnel Costs

The budget request of \$40.679 million for personnel compensation and benefits is an increase of \$1.632 million over the 2013 estimate. The requested level provides funding for the current staff level, a 1 percent pay raise, and funding for increased costs for benefits, as well as 8 additional FTE staff. The request also covers 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. For the budget request, the special law enforcement pay is included in the regular personal compensation amount.

### Staffing – Full-Time Equivalent Employment (FTE)

FTE Funding Source	2012	2013	2014
OIG	265	269	277
ARRA - Recovery Act	33	0	0
<b>Total FTE</b>	<b>298</b>	<b>269</b>	<b>277</b>

The OIG's request for 277 FTE in FY 2014 is an increase of 8 FTE from the 2013 level, but a decrease of 21 FTE from the OIG and ARRA combined 2012. A 10-year history of OIG staffing is shown in the following chart.



The 277 FTE for 2014 will be used to support audit, investigation, and inspection activities, as well as information technology (IT) audits and computer crime investigations (cyber security) for

## OFFICE OF INSPECTOR GENERAL

---

all Department programs. This is a minimal staff to oversee the Department's proposed budget for 2014 of \$85 billion that is distributed to 55 State and territorial agents; more than 16,000 school districts and 100,000 elementary, middle, and secondary schools; and more than 6,000 institutions of higher education. This limited staff will also oversee Department management of a student loan portfolio estimated at almost \$795 billion in outstanding loans through fiscal year 2012. In fiscal year 2014 alone, it is estimated that \$140 billion in student loans will be made to more than 11.4 million borrowers.

### **Audit Priorities**

In FY 2014, OIG will focus its audit efforts on Federal student assistance programs, State and local programs, as well as high priority departmental operations. Specifically, audit coverage will include the following high risk areas:

#### **Student Financial Assistance Programs**

- **Student Loan Debt** — The aggregate amount of outstanding Federal and private student loan debt has passed the total amount of outstanding credit card debt and is estimated to exceed \$1 trillion in 2014. Areas of potential audit coverage are provided below:
  - **Loan delinquencies and defaults** — Rising tuitions and other costs and fees will result in increased borrowing and increased defaults. OIG will continue to examine increased defaults, questionable debt collection practices, wage garnishment, reporting to credit bureaus, and loan rehabilitation practices.
  - **Consumer information** — Without adequate and accurate consumer information, students cannot make informed decisions when selecting schools, taking out loans, and accepting debit cards. Areas of audit coverage may include information such as graduation rates and crime statistics reported by schools, disclosure and notification requirements for schools, loan servicers, debit cards, and financial literacy programs.
- **William D. Ford Federal Direct Loan Program** — As the Direct Loan portfolio increases and all new loans are now originated by the Department, the Department's resources will continue to be stretched and its ability to make and service student loans will be tested. Audits will assess the Department's diligence in making and consolidating loans, addressing borrower complaints, and managing Title IV Additional Servicers (TIVAS) and the increasing number of non-profit servicers.
- **New programs and requirements** — Over the past 6 years, the Higher Education Act of 1965 (HEA) and its regulations have been amended numerous times, implementing new programs and requirements that have never been audited by OIG. OIG oversight may focus on TEACH grants; new deferment, forbearance, and forgiveness provisions; PLUS loans for graduate students; 3-year cohort default rates; maximum lifetime limits for receipt of Pell grants; and direct assessment programs.

## OFFICE OF INSPECTOR GENERAL

---

- **Contractors** — FSA relies on contractors to service Direct Loans, collect on defaulted loans, design and operate its computer systems, and perform many other functions. OIG plans to assess FSA's oversight of contractors that are paid hundreds of millions of dollars each year.
- **School Compliance Issues:**
  - **Schools** — OIG plans to continue to conduct audits and inspections of proprietary schools. These schools are driven by profit, and their need for growth is often counter to the purposes of the Federal student financial assistance programs, which could harm students and lead to the misuse of Federal funds. OIG will also conduct audits of not-for-profit and public schools.
  - **Distance Education** — OIG plans to continue audits of risks identified in distance education. The delivery of education through the Internet has grown tremendously over the past few years, and its expense and frequent incompatibility with the familiar models of traditional education make it a continuing high risk area.
  - **Oversight and Monitoring of SFA Program Participants** — OIG's audits of FSA's oversight of program participants, schools, lenders, and servicers, have consistently identified weaknesses. OIG may conduct follow-up audits on past work or emerging areas.

### State and Local Programs

- **Individuals with Disabilities Education Act (IDEA)** — The IDEA may be reauthorized in 2013. OIG plans to conduct audits on emerging issues that arise out of ongoing work related to IDEA Maintenance of Effort (MOE).
- **Elementary and Secondary Education Act (ESEA)** — The ESEA may be reauthorized in 2013. OIG plans to review issues that will still be relevant during and after reauthorization such as Department-issued ESEA waivers, charter schools, and schoolwide flexibility, particularly issues around the blending and braiding of Federal, State, and local funds by local education agencies (LEAs)/schools.
- **Compliance Requirements and Monitoring at SEAs and LEAs** — Each State and local program comes with its own set of compliance requirements that takes time and resources to administer. SEAs and LEAs must conduct sub-recipient monitoring for each program; however, States may lack sufficient resources for monitoring or designing an effective monitoring program. Prior audits have identified numerous instances of noncompliance and deficiencies; therefore, OIG will continue to review selected SEAs and LEAs for compliance.



## OFFICE OF INSPECTOR GENERAL

---

### Departmental Operations

- **Contracts** — The Department contracts with external entities for a variety of reasons, and it is critical that the Department executes its contracts appropriately to ensure receipt of quality goods and services. OIG plans to conduct multiple audits where the Department requires grantees to contract with external entities for goods or services, and it is important that appropriate controls are in place and that grantees get the value they pay for in their contracts.
- **Discretionary Grants** — The Department awards a significant number of discretionary grants through such program offices as the Office of Innovation and Improvement and the Office of Postsecondary Education. The Race to the Top (RTT) and Investing in Innovation Fund (i3) proposed legislation may mean the Department will have more discretionary grants to administer in the future. OIG will continue to review and ensure that there are strong processes and controls in place over these competitions and grant funds.

### Investigation Priorities

At the planned staffing level, OIG will continue to conduct investigations of institutions (lenders, guaranty agencies, servicers, and schools, including for-profit schools) participating in the student financial assistance programs. In addition, OIG will investigate allegations of fraud and corruption in State agencies and local school districts, including charter schools.

Additionally, investigations of State and local programs are on the rise due in part to increased awareness and outreach that was completed as part of Recovery Act work. For example, over 20 Supplemental Educational Services complaints have been received since FY 2011. These crimes involve falsified student rosters and fictitious billing for student tutoring services, which often go undetected due to weak internal controls and in some cases, corrupt public officials.

OIG will have to continue to conduct investigations of allegations of whistleblower reprisals as mandated by the Recovery Act, even though Recovery Act funds are no longer available to the OIG after September 30, 2012. ED's OIG has received almost four times more Recovery Act whistleblower reprisal complaints than any other OIG.

OIG strives to investigate matters with the highest priority (established by our investigative priority matrix) that would have the most significant impact on the Department's programs. OIG's investigations are often based on complex regulatory schemes, involve persons and entities that are geographically dispersed, and take a period of years to develop fully.

In FY 2014, OIG anticipates focusing on the following areas:

### **Postsecondary Institutions**

Continue to conduct criminal and civil investigations of postsecondary schools (i.e., for-profit, public, and private non-profit institutions), as well as other entities that participate in Federal student assistance programs. As of June 2012, OIG had 87 ongoing investigations of postsecondary institutions, representing about 21 percent of OIG's

## OFFICE OF INSPECTOR GENERAL

---

investigative inventory. OIG also had 54 unresolved additional allegations against postsecondary schools that require further evaluation.

### **Charter Schools**

Continue to conduct criminal and civil investigations of fraud in charter schools. Since FY 2008, OIG has opened 51 charter school investigations. During the same time period, OIG received an additional 52 allegations that did not result in full investigations being opened but still required investigative resources to resolve.

### **State and Local School Corruption**

Continue to focus significant resources on allegations of bribery and theft involving State and local public school officials. From FY 2008 to June 2012, OIG's investigations involving State or local education agencies have resulted in 116 indictments.

### **Distance Education**

Continue to conduct criminal investigations involving fraud resulting from the vulnerabilities associated with the delivery of distance education. Investigations in this area represent about 20 percent of all OIG investigations.

### **Whistleblower and Recovery Act Fraud**

Continue to conduct statutorily mandated administrative investigations of whistleblower reprisal complaints, as well as criminal and civil investigations of theft and corruption involving Recovery Act funds that would still be within the statute of limitations.

### **IT Audits and Cyber Crime Priorities**

OIG's planned staffing level includes staff with expertise necessary to conduct audits of the Department's IT systems and operations, investigate cybercrime, and provide technical support for investigative activities, including data mining. OIG's data mining efforts will focus on the detection of illegal electronic financial transactions, including unauthorized repayment requests, ineligible program participants, and program abuse or fraud. This critical work requires OIG to continue to maintain its data risk assessment systems — E-Fraud Student Fraud Ring System, State and Local Education Agencies Risk Model, and Title IV Risk Model. These analytical modules will allow the OIG to discern hidden patterns to highlight fraud, waste, and abuse, as well as allow for dynamic audit and investigative planning using risk-based analysis. OIG will also investigate network intrusions, and look for systemic IT problems as new computer threats occur.

OIG's IT audit efforts will include assessing the Department's compliance with FISMA information security provisions and related information security standards in accordance with OMB reporting guidelines. OIG will also evaluate the effectiveness of general and technical IT security controls of the Department's mission-critical and support systems. OIG will continue to evaluate the Department's overall information security plans, programs, and practices.

## OFFICE OF INSPECTOR GENERAL

---

In addition, OIG will continue to play a primary role in the Department's computer incident response capability by responding to and investigating destructive network intrusion incidents, securing and preserving electronic evidence, performing forensic analysis on attacked systems, and determining the extent of damage to the Department's systems, users' identity, or data.

### Non-Personnel Costs

The OIG request includes \$21.668 million for non-personnel costs, an increase of \$895,000 over the 2013 level. Of the total, \$12.446 million is for departmental centralized services (overhead expenses), including the Department's contractor-owned, contractor-operated IT contract, and \$9.222 million is for other non-personnel operational costs

#### Departmental Centralized Services

OIG's request of \$12.446 million for overhead is an increase of \$320,000 over the 2013 estimate, and will cover a variety of costs. The major items included in overhead costs are: rent; interagency agreements for services such as payroll processing, guard services, and background security investigations; communications; and IT services and contracts. The communications and IT amounts will be used primarily for the EDUCATE contract, which covers telecommunications, IT processing services, network support, end-user support, maintenance, and improvements. Rent and the EDUCATE contract use 75 percent of the centralized services resources.

#### Centralized Services (dollars in thousands)

Item	2013	2014	Difference
Rent	\$5,236	\$5,819	+\$583
IT and telecommunications services and contracts	4,627	4,389	-238
Interagency agreements	1,473	1,440	-33
Other	790	798	+8
<b>Non-Pay Centralized Services</b>	<b>12,126</b>	<b>12,446</b>	<b>+320</b>

#### Other Non-Personnel Costs

##### Travel

OIG is requesting \$1.931 million in travel funds, \$175,000 more than 2013. The requested amount for FY 2014 covers travel expenses for the requested staff of auditors, investigators, and other specialists, as well as anticipated increases in the overall costs of traveling, such as increases for fuel surcharges and airline fees. Travel is necessary to perform the OIG audit and investigative mission. Most OIG audit and investigative work involves travel to SEAs, LEAs, schools, guaranty agencies, other grantees, or single beneficiaries that are recipients of Federal education funds. Since many of these entities are not located in the cities where OIG has staff, it is necessary for OIG staff to travel to the work site to review records, interview personnel, and

## OFFICE OF INSPECTOR GENERAL

---

otherwise conduct oversight work. OIG recognizes the importance of reducing or eliminating non-essential travel and using technologies such as video conferencing, WebEx, and SharePoint, to accomplish training and internal and external meetings. At the requested funding level, OIG will be able to conduct essential nationwide audits and investigations, inspections, and other related work.

### **Advisory and Assistance Services**

OIG is requesting \$760,000, an increase of \$25,000 from the FY 2013 level, to contract for audit services in support of OIG work under the FISMA. This level of funding provides for IT security reviews of systems; audits of contractor-owned, contractor-operated systems; reviews of systems development life cycles, enterprise architecture, and IT project management; and computer forensic analysis.

### **Other Services**

In order to fulfill its statutory audit responsibilities, OIG is requesting \$2.180 million, an increase of \$105,000 over 2013, to contract for the audit of the Departmentwide financial statements. In addition to this amount, \$725,000 is included in the Student Aid Administration budget request for additional work under the contract. In accordance with various statutory requirements, OIG will oversee the conduct of the audit of financial statements, including FSA statements, by an independent certified public accounting firm. The audit will result in reports on the mandatory Departmentwide financial statements, including FSA and its financial statements, the special purpose financial statements, and Federal intergovernmental balances. The scope of the audits 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.

### **Training**

Training for OIG auditors, investigators, inspectors, and business operations staff is divided among three separate sections in the FY 2014 budget request — Other Non-Personnel Costs, Departmental Centralized Services, and Interagency Agreements. Under the other non-personnel section, OIG is requesting \$493,000 for OIG-specific staff training, a decrease of \$16,000 from 2013. Also, within the departmental centralized services section, OIG requests \$151,000 in support of Department training operations, which reflects a decrease of \$15,000 from 2013. In addition, within the interagency agreements section, OIG requests \$165,000 to cover Federal Law Enforcement Training Center (FLETC) costs for OIG investigations staff, which is the same as the FY 2013 level. The total training request for FY 2014 is \$809,000, a decrease of \$31,000 from 2013.

Training funds are needed to provide professional and statutorily mandated training for OIG auditors and investigators. As required by the Government Accountability Office,

## **OFFICE OF INSPECTOR GENERAL**

---

auditors performing work under generally accepted government auditing standards shall maintain professional competencies through continuing professional education (CPE) by completing, every 2 years, 80 hours of governmental auditing training with at least 20 hours of CPE in each 2-year period. OIG investigators must also complete periodic statutory and Attorney General regulatory law enforcement training requirements to maintain professional competency. In addition, the requested amount will cover the costs of review courses and examinations to obtain professional certifications, such as Certified Public Accountant and Certified Information Systems Auditor; send OIG investigators to FLETC; and obtain advanced IT skills to combat new computer threats and weaknesses.

To minimize the costs associated with mandatory training requirements, OIG plans to continue to use such technologies as WebEx, video conferencing, and web-enabled training courses to accomplish OIG continuing education requirements. OIG will also continue to reduce training costs by having staff attend CIGIE-supported or IG community-sponsored training events that are being developed.

### **Interagency Agreements**

OIG's request includes \$468,000 in FY 2014 to cover OIG's designated funding support for CIGIE. Other interagency agreements covering a variety of services provided by other Federal agencies, including access to the Department of Justice National Crime Information Center system, FLETC training, and occupational mental and health services at the Department of Health and Human Services, total \$217,000, a decrease of \$5,000 from the 2013 level.

### **Equipment Operations/Maintenance**

For FY 2014, OIG requests \$114,000, an increase of \$60,000 from FY 2013, primarily for software leases.

### **IT Services/Contracts**

For FY 2014, OIG is requesting \$586,000 for contracts for system support and expertise, of which \$212,000 is for a Senior Programmer, \$157,000 for software licenses, \$187,000 for servers and software programmer maintenance support to house the OIG investigations case management system, \$16,000 for OIG unique items under the EDUCATE contract, and \$14,000 for an Oracle services contract to support IT security operations, computer forensics, and data mining experts. None of these purchases is covered by centralized IT funding.

### **IT Equipment/Software**

OIG is requesting \$509,000, a decrease of \$97,000 from 2013, to support non-centralized IT software maintenance agreements, software license renewals, and equipment purchases. In addition, the Department's Office of the Chief Information Officer is requiring \$4.686 million from OIG in centralized IT services, a decrease of

## OFFICE OF INSPECTOR GENERAL

---

\$239,000 from the 2013 level, for centralized IT and telecommunications contracts. The combined central and non-central IT request for FY 2014 is \$5.781 million.

### Building Alterations

OIG's request includes \$894,000, an increase of \$354,000 over 2013, in non-centralized building alterations costs. This amount will provide funding for pending lease renewals and possible office moves for headquarters, Dallas, and Pembroke Pines, as well as for miscellaneous facilities projects, such as maintenance of air conditioning units, space reconfigurations, furniture repair and/or replacement, and other costs associated with maintaining the work environment.

### Other Items

There are also increases from the 2013 estimate in the following items:

- Communications - \$192,000, an increase of \$8,000
- Contracts for other services - \$604,000, an increase of \$16,000
- Supplies - \$165,000, an increase of \$1,000
- Other equipment - \$33,000, an increase of \$1,000

## PROGRAM PERFORMANCE INFORMATION

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, <http://www2.ed.gov/about/offices/list/oig/reports.html>.

### OIG performance measures:

In 2011, OIG established the strategic goals and objectives shown below. Performance measures are reviewed annually and revised as necessary. The performance measurement data shown below are from the 2012 Budget Service Program Performance Report, and data quality validation is performed internally.

**Objective 1 of 2:** *(a) Conduct audits, inspections/evaluations, investigations, and other reviews and provide services in order to evaluate program results; examine allegations of waste, fraud, and abuse; review internal controls; provide technical assistance; identify systemic weaknesses; highlight best practices; and make recommendations for improvement in programs and operations; (b) continuously assess risk in order to concentrate OIG resources and efforts on issues that have the greatest impact and usefulness to the stakeholders with emphasis on maximizing the recovery of public resources and deterring future wrongdoing; (c) develop analytical tools to proactively identify vulnerabilities, propose protective actions, and measure the effectiveness of such actions; (d) provide outreach to increase awareness of the role of the OIG and educate both Department employees and external customers on how to recognize fraud, waste, and abuse, and the mechanisms available for reporting concerns; and (e) communicate the results of our work to stakeholders by providing timely, relevant, and high impact OIG products that result in improvements in program performance and enforcement.*

## OFFICE OF INSPECTOR GENERAL

---

**Measure:** Audits, inspections, and investigations initiated each year by Audit Services (AS), Investigation Services (IS), Information Technology and Computer Crime Investigations (ITACCI) (investigations only), and Evaluation, Inspection and Management Services (EIMS) that focus on areas of high risk, or significant importance.

Year	Target Percent	Actual Percent
2011	70	87

**Additional Information:** Separate measures and targets have been developed for each operational area for the years 2012, 2013 and 2014.

**Measure:** Audits initiated each year by AS that focus on areas of high risk or significant importance.

Year	Target Percent	Actual Percent
2012	85	100
2013	85	
2014	85	

**Measure:** Inspections initiated each year by EIMS that focus on areas of high risk or significant importance.

Year	Target Percent	Actual Percent
2012	70	100
2013	70	
2014	70	

**Measure:** Investigations initiated each year by IS and ITACCI (IS) that focus on areas of high risk or significant importance.

Year	Target Percent	Actual Percent
2012	75	85
2013	75	
2014	75	

**Measure:** Audits initiated each year by ITACCI that focus on areas of high risk or significant importance.

Year	Target Percent	Actual Percent
2011	85	100
2012	85	
2013	85	
2014	85	

## OFFICE OF INSPECTOR GENERAL

---

**Measure:** Recommendations accepted by the Department during the fiscal year.

Year	Target Percent	Actual Percent
2011	85	93

**Additional Information:** Separate measures and targets have been developed for each operational area for the years 2012, 2013 and 2014.

**Measure:** EIMS and ITACCI recommendations accepted by the Department during the fiscal year.

Year	Target Percent	Actual Percent
2012	85	96
2013	85	
2014	85	

**Measure:** AS recommendations accepted by the Department during the fiscal year.

Year	Target Percent	Actual Percent
2012	90	92
2013	90	
2014	90	

**Measure:** Audit initial results determined by AS by the agreed-upon date.

Year	Target Percent	Actual Percent
2011	70	100
2012	75	95
2013	75	
2014	75	

**Measure:** Inspections initial results determined by EIMS by the agreed-upon date.

Year	Target Percent	Actual Percent
2011	80	100
2012	80	100
2013	80	
2014	80	

**Measure:** Audit initial results determined by ITACCI by the agreed-upon date.

Year	Target Percent	Actual Percent
2011	70	88
2012	70	100
2013	70	
2014	70	



## OFFICE OF INSPECTOR GENERAL

---

**Measure:** Audit field work completed and draft report submitted by AS for review by the agreed-upon date.

Year	Target Percent	Actual Percent
2011	70	93
2012	80	
2013	80	
2014	80	

**Measure:** Inspection field work completed and draft report submitted by EIMS for review by the agreed-upon date.

Year	Target Percent	Actual Percent
2011	80	0
2012	80	75
2013	80	
2014	80	

**Additional Information:** Two draft inspection reports were submitted for review in FY 2011. Neither was submitted by the agreed upon date.

**Measure:** Audit field work completed and draft report submitted by ITACCI for review by the agreed-upon date.

Year	Target Percent	Actual Percent
2011	70	75
2012	70	100
2013	70	
2014	70	

**Measure:** Draft and final audit and inspections reports issued by the agreed-upon date.

Year	Target Percent	Actual Percent
2011	70	75

**Additional information:** Separate measures have been developed for AS and EIMS, and ITACCI, in 2012, 2013, and 2014.

## OFFICE OF INSPECTOR GENERAL

---

**Measure:** AS and EIMS draft and final audit and inspection reports issued by the agreed-upon date.

Year	Target Percent	Actual Percent
2012	70	90
2013	70	
2014	70	

**Measure:** ITACCI draft and final audit issued by the agreed-upon date.

Year	Target Percent	Actual Percent
2012	65	100
2013	65	
2014	65	

**Measure:** Case closing *Reports of Investigations* submitted within 90 days of last reportable investigative action for 2011, or within 150 days for 2012, 2013, and 2014.

Year	Target Percent	Actual Percent
2011	75	54
2012	70	
2013	70	
2014	70	

**Measure:** Complaints of fraud, waste, and abuse evaluated and closed with a final disposition within 90 days.

Year	Target Percent	Actual Percent
2011	70	78
2012	70	82
2013	70	
2014	70	

**Measure:** Closed investigations that resulted in a criminal, civil or administrative action, or monetary result.

Year	Target Percent	Actual Percent
2011	65	71
2012	68	84
2013	68	
2014	68	

## OFFICE OF INSPECTOR GENERAL

**Measure:** Proactive analytical projects that resulted in a criminal or other referral or identification of a vulnerability.

Year	Target Percent	Actual Percent
2011	65	100

**Additional information:** This measure has been revised (see the next measure) for 2012, 2013, and 2014.

**Measure:** Development milestones are met by agreed-upon dates for proactive analytical projects developed to identify adverse trends and / or possible fraud, waste, and abuse if Department programs and operations.

Year	Target Percent	Actual Percent
2012	70	97
2013	70	
2014	70	

**Measure:** Comments that resulted in changes in legislation, regulations, or other policies.

Year	Target Percent	Actual Percent
2011	60	72
2012	60	90
2013	60	
2014	60	

**Objective 2 of 2:** (a) Hire, develop, and retain a highly qualified, diverse workforce with the skills to meet current and emerging mission requirements; (b) provide employees with the physical work space, technology, equipment, and other resources necessary to support accomplishment of the goals of the OIG; (c) foster an environment of open communication, respect for ideals, and understanding of the value of each individual's contribution to promote employee satisfaction and motivation; and (d) support the integrity of OIG operations by maintaining an effective quality assurance and internal review program.

**Measure:** Counsel work products meeting required or agreed-upon deadlines.

Year	Target Percent	Actual Percent
2011	80	91
2012	80	97
2013	80	
2014	80	

## OFFICE OF INSPECTOR GENERAL

---

**Measure:** Freedom of Information Act responses meeting required deadlines.

Year	Target	Actual
2011	97	98
2012	97	99
2013	97	
2014	97	

**Measure:** Requests for forensic or analytical assistance completed within 75 days.

Year	Target	Actual
2011	65	87
2012	65	86
2013	65	
2014	65	

**Measure:** Computer-assisted assessment technology products delivered to the requestor within agreed-upon dates.

Year	Target	Actual
2011	90	98
2012	90	100
2013	90	
2014	90	

**Measure:** Budget products developed and delivered to OMB, Department, OIG leadership, and other applicable stakeholders within agreed upon timeframes.

Year	Target	Actual
2011	80	100
2012	80	87
2013	80	
2014	80	

**Measure:** Report to appropriate stakeholders on Recovery Act activities and funding within established timeframes.

Year	Target Percent	Actual Percent
2011	90	100
2012	90	92
2013		
2014		

## OFFICE OF INSPECTOR GENERAL

---

**Measure:** Quality Assurance Reviews and Internal Control Review recommendations are accepted by the OIG.

Year	Target Percent	Actual Percent
2012	70	91
2013	70	
2014	70	

**Additional Information:** This is a new measure in 2012.

**Measure:** OIG Data Analytics Systems are operational during normal work hours.

Year	Target Percent	Actual Percent
2011	90	100
2012	90	100
2013	90	
2014	90	

**Measure:** Operational staff takes at least one work-related training.

Year	Target Percent	Actual Percent
2011	70	100
2012	70	90
2013	70	
2014	70	

**Measure:** Increase professional certifications/advanced degrees held by staff.

Year	Target Percent	Actual Percent
2011	5	6

**Additional information:** This measure has been revised (see next measure) for 2012, 2013, and 2014.

**Measure:** Measure percent of staff that have at least one professional certification or advanced degree.

Year	Target Percent	Actual Percent
2012	60	68
2013	60	
2014	60	