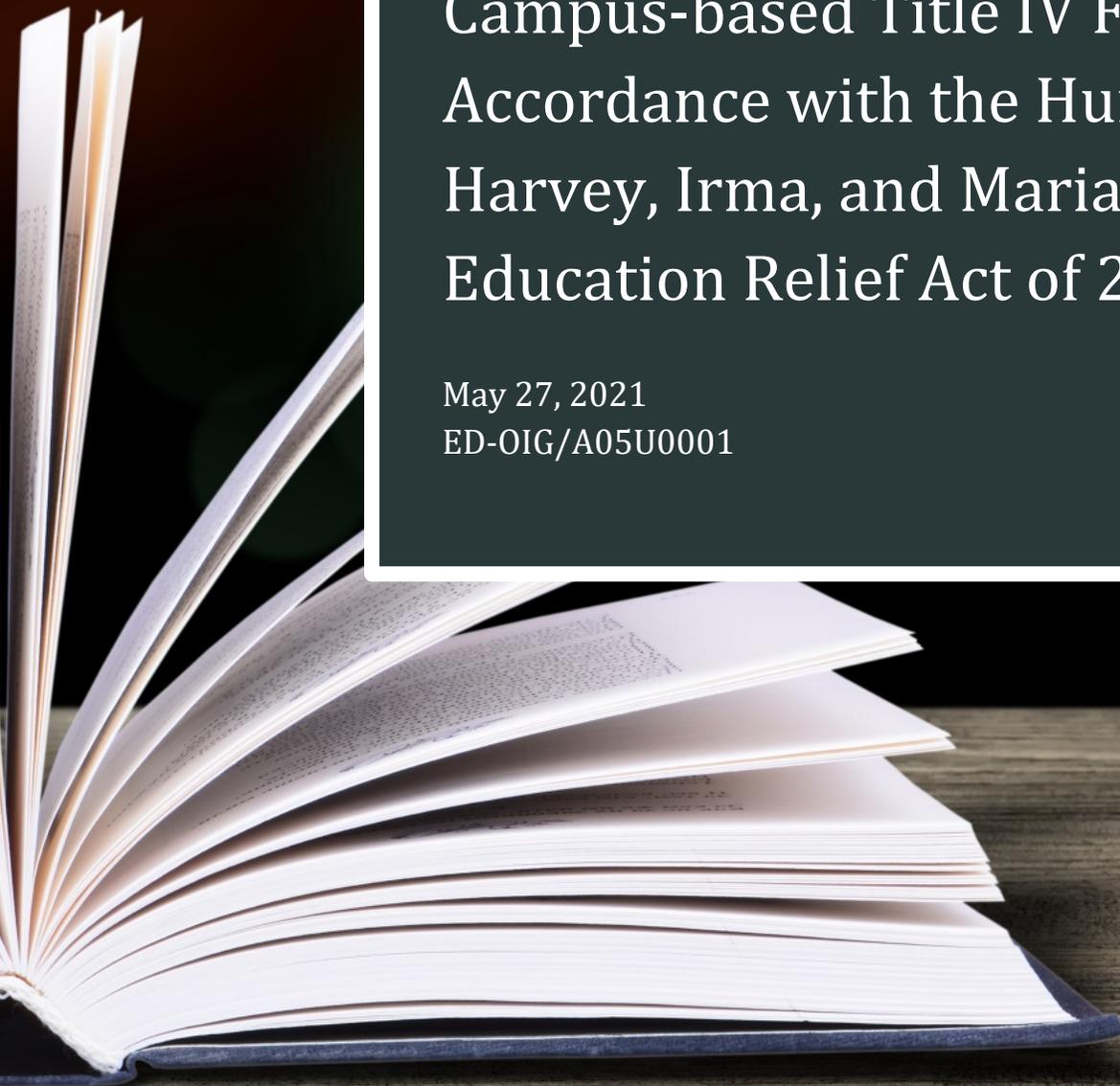




U.S. Department of Education
Office of Inspector General

Federal Student Aid's Processes for Reallocating Unexpended Campus-based Title IV Funds in Accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017

May 27, 2021
ED-OIG/A05U0001



NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. The appropriate Department of Education officials will determine what corrective actions should be taken.

In accordance with Freedom of Information Act (Title 5, United States Code, Section 552), reports that the Office of Inspector General issues are available to members of the press and general public to the extent information they contain is not subject to exemptions in the Act.



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

May 27, 2021

TO: Richard Cordray
Chief Operating Officer
Federal Student Aid

FROM: Bryon S. Gordon /s/
Assistant Inspector General for Audit

SUBJECT: Final Report, "Federal Student Aid's Processes for Reallocating Unexpended Campus-based Title IV Funds in Accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017," Control Number ED-OIG/A05U0001

This final report presents the results of our audit of Federal Student Aid's processes for reallocating unexpended campus-based Title IV funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. We received Federal Student Aid's comments agreeing with the finding in our draft report and considered them as we prepared this final report.

U.S. Department of Education policy requires that you develop a final corrective action plan within 30 days of the issuance of this report. The corrective action plan should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the finding and recommendations contained in this final audit report. Corrective actions that your office proposes and implements will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after 6 months from the date of issuance.

We appreciate the cooperation that Federal Student Aid employees showed us during this audit. If you have any questions, please contact me at (202) 245-6051 or Bryon.Gordon@ed.gov or Gary D. Whitman, Regional Inspector General for Audit, Chicago/Kansas City and Sacramento Audit Regions, at (312) 730-1658 or Gary.Whitman@ed.gov.

Table of Contents

Results in Brief	1
Introduction	4
Finding. FSA Did Not Design and Implement Processes Specifically for Reallocating Unexpended Award Year 2016–2017 Campus-Based Program Funds in Accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017	7
Other Matters	16
Appendix A. Scope and Methodology.....	18
Appendix B. Acronyms and Abbreviations.....	22
FSA Comments	23

Results in Brief

What We Did

The objective of our audit was to determine whether Federal Student Aid (FSA) designed and implemented processes that provided reasonable assurance that it reallocated unexpended award year 2016–2017 campus-based student financial assistance program funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017.¹ Specifically, this audit covered FSA’s processes for identifying schools eligible for the reallocation of campus-based student financial assistance program funds under the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. It also covered FSA’s processes for reallocating unexpended award year 2016–2017 Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work Study (FWS) program funds to schools eligible for the reallocation of those funds (see [Disaster Relief Legislation](#)). We assessed the processes that FSA designed as of September 29, 2017, and implemented through September 10, 2019.

To accomplish our objective, we interviewed FSA officials and employees and reviewed FSA’s records to learn how FSA identified schools eligible for the reallocation of campus-based student financial assistance program funds under the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. We also interviewed FSA officials and employees and reviewed FSA’s records to learn how FSA reallocated unexpended 2016–2017 FSEOG and FWS funds to the schools it identified as eligible for reallocations.

What We Found

FSA did not design and implement processes to provide reasonable assurance that it reallocated unexpended award year 2016–2017 campus-based student financial assistance program funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. First, FSA did not design and implement processes that provided reasonable assurance that it identified all schools participating in the campus-based student financial assistance programs that were affected by or enrolled students affected by a qualifying disaster before reallocating unexpended award year 2016–2017 FSEOG and FWS funds. Second, FSA did not design and implement processes that provided reasonable assurance that it would give preference to schools located in affected areas when reallocating FWS funds. Instead, FSA generally applied formulas like those designed for annually allocating campus-based student financial assistance program funds to all schools participating in those programs.

¹ Public Law 115-64 (September 29, 2017).

Because it did not design and implement processes specifically for reallocating unexpended award year 2016–2017 campus-based student financial assistance program funds, FSA omitted 221 schools from the December 13, 2017, FWS reallocations. It also improperly reallocated \$30,444 in unexpended 2016–2017 FWS funds to 9 schools that were not located in affected areas or had not enrolled or accepted for enrollment 20 or more affected students.² Additionally, the December 2017 FWS reallocations did not give any preference to schools located in affected areas. For the FWS reallocations in March 2018, FSA reserved \$5 million to give preference to schools located in Puerto Rico and the Virgin Islands. However, it did not give any preference to affected schools located in Florida, Georgia, and Texas. Finally, schools that were not located in affected areas but enrolled or accepted for enrollment 20 or more affected students received reallocations that were based on all students who they enrolled and were participating in the campus-based student financial assistance programs in a normal year. These schools did not receive reallocations based on the number of affected students that they enrolled during award year 2017–2018.

FSA did not design and implement processes for reallocating unexpended award year 2016–2017 campus-based student financial assistance program funds because it was attempting to deliver funds to schools affected by disasters as quickly as possible. Therefore, it generally applied formulas like those designed for annually allocating campus-based student financial assistance program funds to all schools participating in those programs. It did not take the time to design processes specifically for reallocating unexpended award year 2016–2017 campus-based student financial assistance program funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. Proactively designing appropriate processes in anticipation of national emergencies would improve FSA’s ability to provide emergency assistance during a crisis.

What We Recommend

We recommend that the Chief Operating Officer for FSA—

- require the nine schools that improperly received FWS reallocations to return the funds;

² FSA decided that a school not located in an affected area would be eligible to receive unexpended 2016–2017 FWS funds only if it enrolled 20 or more affected students.

- reevaluate FSA’s reallocation of unexpended award year 2016–2017 FWS funds and ensure that all affected schools and all schools enrolling affected students were correctly reallocated the funds; and
- ensure that FSA’s policies and procedures for disaster response direct employees to develop plans specific to new laws authorizing special funding to schools or students.

FSA Comments and OIG Response

FSA agreed with the finding, stating that it has put processes in place to appropriately reallocate funds to eligible schools. FSA agreed with our second and third recommendations but disagreed with our first recommendation. FSA stated that 5 of the 9 schools mentioned in the finding enrolled 20 or more affected students and were eligible to receive funding; the other four schools mentioned in the finding received a combined \$3,523—0.01 percent of the total FWS funds that FSA reallocated. FSA added that requiring the schools to return the funds would be an unnecessary burden as they continue to work through coronavirus disease 2019 pandemic-related challenges. Additionally, the cost to the government to track and collect the small amount might exceed the amount to be collected.

We did not revise the finding or recommendations based on FSA’s comments. FSA did not provide records showing that 5 of the 9 schools mentioned in the finding had enrolled 20 or more affected students at the time FSA awarded the first round of FWS reallocations.

We summarized FSA’s comments and provided our responses at the end of the finding. The full text of FSA’s written comments is included at the end of this report (see [FSA Comments](#)).

Introduction

Disaster Relief Legislation

On September 29, 2017, Congress enacted the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. The purpose of the law, in part, was to provide the U.S. Department of Education (Department) with waiver authority for the reallocation rules and authority to extend the deadline by which campus-based student financial assistance program funds must be reallocated. The law required the Department to reallocate unexpended award year 2016–2017 campus-based student financial assistance program funds to eligible postsecondary schools participating in those programs in award year 2017–2018. According to the law, an eligible postsecondary school was one located in an affected area or that had enrolled or accepted for enrollment any affected students in award year 2017–2018. The law defined an affected area as an area for which the President declared a major disaster or an emergency because of Hurricane Harvey, Hurricane Irma, Hurricane Maria, Tropical Storm Harvey, Tropical Storm Irma, or Tropical Storm Maria. The law defined an affected student as someone who had applied for or received Title IV of the Higher Education Act of 1965, as amended (Title IV), funds and

- 1) was enrolled or accepted for enrollment on August 25, 2017, at a postsecondary school located in an affected area;
- 2) was a dependent student enrolled or accepted for enrollment on August 25, 2017, at a postsecondary school not located in an affected area but whose parent(s) resided or were employed on August 25, 2017, in an affected area; or
- 3) suffered direct economic hardship as a result of Hurricane Harvey, Hurricane Irma, Hurricane Maria, Tropical Storm Harvey, Tropical Storm Irma, or Tropical Storm Maria.

The law allowed the Department to determine how to reallocate the unexpended award year 2016–2017 campus-based student financial assistance program funds, but it directed the Department to give preference to the needs of schools located in affected areas. Further, the law allowed the Department to waive or modify any statutory or regulatory provision relating to the reallocation of these unexpended funds to ensure that eligible schools received assistance. Additionally, in the case of a school located in an affected area, the law directed the Department to waive the requirement that a school participating in the programs provide a non-Federal share to match the Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work Study (FWS) funds provided to the school in award year 2016–2017 and award year 2017–2018. In

the case of a school that was not located in an affected area but enrolled or accepted for enrollment any affected students, the law allowed the Department to waive the non-Federal share match requirement after considering the school's student population and existing resources. Finally, the law required the Department to provide the Senate Committee on Health, Education, Labor, and Pensions and the House of Representatives Committee on Education and the Workforce a report on the total amount of assistance received by each eligible school and the total amount of non-Federal share waived for each school no later than October 1, 2018.

Purposes of and Funding for the FSEOG and FWS Programs

The campus-based student financial assistance programs authorized by Title IV include the FSEOG program and the FWS program. The FSEOG program provides funds to schools for the purpose of providing grants to undergraduate students with exceptional financial need to help them obtain the benefits of a postsecondary education. The FWS program provides paid part-time employment to undergraduate, graduate, and professional students in need of earnings to pursue their course of study and to encourage their participation in community service activities.

The Department annually provides FSEOG and FWS funds to schools according to formulas that consider both the allocations that the schools received in past years (their base guarantee) and each school's proportionate share of eligible students' needs that is in excess of their base guarantee (their fair share increase). Generally, schools that receive FSEOG and FWS funds must provide non-Federal funds that match a percentage of the Federal funds they receive. For fiscal year 2016–2017, Federal Student Aid (FSA) had almost \$1.7 billion in funds available for annual FSEOG and FWS allocations to schools.

When schools do not expend all their annual allocations of FSEOG and FWS funds, the Department reallocates the unexpended funds to schools participating in the FSEOG and FWS programs during the following award year. On September 28, 2017, 1 day before enactment of the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017, the Department reallocated about \$7.6 million in unexpended award year 2016–2017 FSEOG funds to 250 schools located in Florida, Georgia, Puerto Rico, Texas, and the Virgin Islands.³

³ Hurricanes Harvey, Irma, and Maria, respectively, reached the U.S. or its territories on August 25, September 6, and September 20, 2017. FSA reallocated FSEOG funds 8 days after the final hurricane reached the U.S.

On December 14, 2017, FSA posted an electronic announcement stating that, because of the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017, it adjusted the reallocation process for unexpended award year 2016–2017 FWS funds. The Department also issued a press release stating that it had reallocated more than \$10.4 million in unexpended award year 2016–2017 FWS funds to 904 schools that had been affected by or enrolled students affected by the 2017 hurricanes.

On March 13, 2018, FSA posted an electronic announcement about additional unexpended award year 2016–2017 FSEOG and FWS funds available for reallocation. These were unexpended balances that schools reported on their award year 2016–2017 fiscal operations reports, and the Department closed out award year 2016–2017 in January 2018. The Department reallocated about \$4.4 million in unexpended award year 2016–2017 FSEOG funds to 272 schools in Florida, Georgia, Puerto Rico, Texas, and the Virgin Islands. It also reallocated about \$16.3 million in unexpended award year 2016–2017 FWS funds to 1,173 schools in 53 States and territories that were either affected by or enrolled students affected by the 2017 hurricanes.

Finding. FSA Did Not Design and Implement Processes Specifically for Reallocating Unexpended Award Year 2016–2017 Campus-Based Program Funds in Accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017

FSA did not design and implement processes to provide reasonable assurance that it reallocated unexpended award year 2016–2017 campus-based student financial assistance program funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. First, FSA did not design and implement processes that provided reasonable assurance that it identified all schools participating in the campus-based student financial assistance programs that were affected by or enrolled students affected by a qualifying disaster before reallocating and disbursing unexpended award year 2016–2017 FSEOG and FWS funds. Second, FSA did not design and implement processes that provided reasonable assurance that it would give preference to schools located in affected areas when reallocating FWS funds. Instead, FSA generally applied formulas like those designed for annually allocating campus-based student financial assistance program funds to all schools participating in those programs.

Because it did not design and implement processes specifically for reallocating unexpended funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017, FSA omitted 221 schools from the December 13, 2017, FWS reallocations. It also improperly paid \$30,444 in unexpended 2016–2017 FWS program funds to 9 schools that were not located in affected areas or had not enrolled or accepted for enrollment 20 or more affected students. Additionally, the December 2017 FWS reallocations did not give any preference to schools located in affected areas. For the FWS reallocations in March 2018, FSA reserved \$5 million to give preference to schools located in Puerto Rico and the Virgin Islands. However, it did not give any preference to affected schools located in Florida, Georgia, and Texas. Finally, schools that were not located in affected areas but enrolled or accepted for enrollment 20 or more affected students received reallocations that were based on all students who they enrolled and were participating in the campus-based student financial assistance programs in a normal year. These schools did not receive reallocations based on the number of affected students that they enrolled during award year 2017–2018.

FSA did not effectively design and implement processes for reallocating unexpended award year 2016–2017 campus-based student financial assistance program funds because it was attempting to reallocate the funds as quickly as possible. Therefore, it

generally applied formulas like those designed for annually allocating campus-based student financial assistance program funds to all schools participating in those programs. It did not take the time to design processes specifically for reallocating unexpended campus-based student financial assistance program funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. Proactively designing appropriate processes in anticipation of national emergencies would improve FSA's ability to provide emergency assistance during a crisis.

Federal Requirements for Internal Control and the Legislative Authority to Reallocate Unexpended Campus-Based Program Funds

Principle 10 of "Standards for Internal Control in the Federal Government" states that management should design control activities to achieve objectives and respond to risk.⁴ Examples of control activities include reviews by management, controls over information processing, accurate and timely recording of transactions, and appropriate documentation of transactions and internal control. Principle 12 states that management should implement control activities through policies. Each unit should document such policies in the appropriate level of detail to allow management to effectively monitor the control activity. Those in key roles may further define policies through day-to-day procedures. Such procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities. Principle 13 states that management should use quality information to achieve its objectives.

The Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017 provided the Department with the authority to reallocate unexpended award year 2016–2017 campus-based student financial assistance program funds to Title IV participating schools located in an affected area or those which had enrolled or accepted for enrollment affected students during award year 2017–2018. The law allowed the Department to determine how to reallocate the unexpended funds, but it directed the Department to give preference to the needs of schools located in affected areas. Additionally, the law allowed the Department to waive or modify any statutory or regulatory provision relevant to the reallocation of the unexpended campus-based student financial assistance program funds to ensure that assistance was received by

⁴ Issued by the U.S. Government Accountability Office in September 2014.

affected schools or schools that enrolled or accepted for enrollment affected students in award year 2017–2018.

No Processes Designed Specifically for Compiling Accurate and Complete Lists of Eligible Schools or for Determining Each Eligible School’s Share of Unexpended FSEOG and FWS Funds

FSA did not design any processes specifically for ensuring the accuracy and completeness of its list of affected schools and schools enrolling affected students. It also did not design any processes specifically for reallocating unexpended award year 2016–2017 FSEOG and FWS program funds under the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017; instead, FSA generally applied formulas for determining each school’s share of the unexpended funds like those designed for annually determining all participating schools’ share of available campus-based student financial assistance program funds.

When we asked for written policies and procedures designed specifically for identifying eligible schools and reallocating unexpended campus-based student financial assistance program funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017, FSA could not provide us with any. Instead, FSA employees created and provided us with a written explanation of the steps that they used to identify eligible schools and reallocate the unexpended 2016–2017 campus-based funds.

Steps Taken to Identify Schools Eligible for Reallocations

The Program Compliance division contacted schools that were in the projected path of Hurricane Harvey, Hurricane Irma, and Hurricane Maria. After the hurricanes, the Program Compliance division contacted the same schools to ask whether they had been affected by the hurricanes. The Program Compliance division then created a list of schools that stated they had been affected by the hurricanes. It then analyzed the list of schools to confirm that the schools were located in counties designated by the U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA) as being affected by the hurricanes.⁵ The Program Compliance division provided the list to the Funds Management Division within Business Operations. The Funds Management Division then reallocated about \$7.6 million in unexpended award year 2016–2017 FSEOG funds to 250 schools on September 28, 2017.

⁵ Counties that FEMA designated as major disaster areas met the definition of “affected area” under the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017.

The Funds Management Division used the list of schools that the Program Compliance division created as its initial list of schools eligible for the reallocation of unexpended award year 2016–2017 FWS program funds. To identify schools located outside affected areas that enrolled or accepted for enrollment affected students, the Funds Management Division had a contractor query the Department’s Common Origination and Disbursement system. The Funds Management Division told the contractor to identify students (1) whose addresses or parents’ addresses were in an affected area and (2) who received Federal Pell Grant Program or William D. Ford Federal Direct Loan Program disbursements while attending any Title IV participating school after the disasters. The contractor used these data to develop a list of schools and show the number of affected students that each school enrolled in award year 2017–2018. The Funds Management Division added schools located outside affected areas that enrolled 20 or more affected students to the initial list of schools provided by the Program Compliance division. In total, the Funds Management Division identified 904 schools eligible for reallocations of unexpended award year 2016–2017 FWS program funds.⁶

Steps Taken to Reallocate Unexpended Campus-based Funds

After compiling a list of 904 schools eligible for reallocations, the Funds Management Division generally applied formulas like those used to annually allocate available funds to all schools participating in the campus-based student financial assistance programs to reallocate the unexpended award year 2016–2017 FWS program funds. The Funds Management Division obtained award year 2017–2018 FWS allocation, disbursement, and fair-share amounts from the Department’s eCampus-Based system and Common Origination and Disbursement system for all affected schools and all schools that enrolled 20 or more affected students during award year 2017–2018. It then divided each of these school’s fair-share amount by the total of their fair-share amounts to determine a fair-share percentage for each school. The Funds Management Division applied this percentage to the total amounts of unexpended 2016–2017 FWS funds to determine each eligible school’s FWS reallocation amounts.

On December 13, 2017, the Funds Management Division disbursed \$10,449,167 to 904 schools that it identified as eligible for unexpended award year 2016–2017 FWS funds.

⁶ Some of the schools located in affected areas also enrolled affected students. FSA counted each school only once.

Errors in the Universe of Affected Schools and Schools Enrolling Affected Students

After reallocating and disbursing unexpended award year 2016–2017 FWS funds in December 2017, the Funds Management Division learned that the list of 904 schools that it used to reallocate the funds was not accurate or complete. The Funds Management Division proceeded to revise the list four times from December 2017 through February 2018 to correct errors. The revisions added 221 schools that were omitted from the initial list and removed 11 schools that were not eligible for the reallocations.

Because of the inaccurate and incomplete list of eligible schools, the Funds Management Division had to adjust its reallocations of unexpended award year 2016–2017 FWS funds. FSA disbursed about \$1.1 million in unexpended award year 2016–2017 FWS funds to 210 schools that were eligible for but omitted from the reallocations made on December 13, 2017. The table shows all the revisions that FSA made to the universe and reallocations of unexpended award year 2016–2017 campus-based student financial assistance program funds.

Table. Timeline of FSA’s Universe and Reallocation Revisions

Date	FSA Activity	Related FWS Funding
September 21, 2017	The Program Compliance division provided the Funds Management Division with a list of schools in Florida, Georgia, Texas, Puerto Rico, and the Virgin Islands that stated they were affected by the 2017 disasters.	-
December 13, 2017	Reallocated and disbursed unexpended FWS funds to 904 schools in 52 States and territories.	\$10,449,167
Mid-December 2017	Discovered that it omitted 188 schools from the December 13, 2017, FWS reallocations—80 schools in Florida, 6 in Georgia, 72 in Puerto Rico, 29 in Texas, and 1 in the Virgin Islands.	-
December 18–19, 2017	Rescinded 50 percent of the \$1,018,119 provided to the 12 schools with the largest initial FWS reallocations to ensure sufficient funds were available for reallocation to the 188 schools that FSA omitted from the December 13, 2017 reallocations.	- \$509,060
December 21, 2017	Disbursed 50 percent of \$971,979 in FWS funds to the 188 schools omitted from the December 13, 2017, reallocations.	\$486,039

Date	FSA Activity	Related FWS Funding
December 21, 2017	Discovered that 11 of the 188 schools were not in affected areas or had not enrolled or accepted for enrollment 20 or more affected students; therefore, they were ineligible for the reallocation of unexpended FWS funds that they previously received.	-
Mid-February 2018	Discovered that it omitted nine schools in Florida that had enrolled affected students from the December 2017 FWS reallocations.	-
Mid-February 2018	Disbursed funds to six of the nine schools. Three of the nine schools did not meet FSA's threshold for FWS reallocations (at least \$100).	\$44,892
February 27, 2018	Disbursed FWS reallocations to 177 schools omitted from the December 13, 2017, reallocations.	\$454,277
February 27, 2018	Disbursed the 50 percent of FWS funds rescinded in December 2017.	\$509,060
End of February 2018	Discovered that it omitted another 35 schools from the December 2017 FWS reallocations.	-
March 2, 2018	Disbursed funds to the 27 schools that should have received reallocations of FWS funds in December 2017. Eight of the 35 schools did not meet FSA's threshold for FWS reallocations (at least \$100).	\$151,889
TOTAL	-	\$11,586,264

Errors Resulted in Improper Payments

As a result of not effectively designing and implementing processes for identifying an accurate and complete universe of affected schools and schools enrolling or accepting for enrollment 20 or more affected students, FSA improperly paid \$30,444 in FWS funds to 9 schools that were not eligible for the reallocations.⁷ FSA also did not have reasonable assurance that its final list of eligible schools was accurate and complete.

⁷ Eleven schools were not eligible for the reallocation of funds. However, FSA rescinded the reallocations for 2 of the 11 schools.

No Processes Designed Specifically for Giving Preference to Schools in All Affected Areas or for Considering the Actual Needs of Schools That Enrolled Affected Students

The Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017 directed the Department to give preference to the needs of schools located in affected areas when reallocating unexpended award year 2016–2017 campus-based student financial assistance program funds. However, FSA did not design and implement any processes specifically for giving preference to schools located in affected areas when reallocating unexpended award year 2016–2017 FWS funds. Instead, FSA generally applied formulas like those it designed for annually allocating campus-based student financial assistance program funds to all schools participating in those programs.

After developing a list of affected schools and schools that enrolled or accepted for enrollment affected students, the Funds Management Division obtained each school's award year 2017–2018 FWS allocation, disbursement, and fair-share amount from the Department's eCampus-Based system and Common Origination and Disbursement system. The Funds Management Division divided each of these schools' fair-share amount by the total fair-share amounts for all affected schools and schools that enrolled or accepted for enrollment affected students. It applied the resulting fair-share percentage to the amount of funds available to determine how much unexpended award year 2016–2017 FWS funds to reallocate to each school eligible for a reallocation. For example, the Department had \$11,335,829 in unexpended FWS funds available for reallocation in March 2018. A school with a 0.050151 fair share percentage would receive about \$5,685 of the \$11,335,829.

Because FSA chose to generally apply formulas like those already in place for annually allocating campus-based student financial assistance program funds to Title IV participating schools, the FWS reallocations in December 2017 did not give any preference to schools located in affected areas. For the FWS reallocations in March 2018, FSA reserved \$5 million to give preference to schools located in Puerto Rico and the Virgin Islands. However, it did not give any preference to affected schools located in Florida, Georgia, and Texas.

Additionally, schools that were not located in affected areas but enrolled or accepted for enrollment 20 or more affected students received reallocations based on all students who they enrolled and were participating in the campus-based student financial assistance programs in a normal year. These schools did not receive reallocations based on the number of affected students that they enrolled during award year 2017–2018.

FSA Prioritized Expedited Delivery of Funds

FSA did not design and implement processes specifically for reallocating unexpended award year 2016–2017 campus-based student financial assistance program funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017 because it was attempting to deliver the funds to schools affected by disasters as quickly as possible. Therefore, it chose to generally apply formulas like those designed for annually allocating campus-based student financial assistance program funds to all schools participating in those programs. FSA did not take the time to design processes specifically for reallocating unexpended campus-based student financial assistance program funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. Proactively designing appropriate processes in anticipation of national emergencies would improve FSA’s ability to provide emergency assistance during a crisis.

Recommendations

We recommend that the Chief Operating Officer for FSA—

- 1.1 Require the nine schools that improperly received \$30,444 in FWS reallocations to return the funds.
- 1.2 Reevaluate the reallocations of unexpended award year 2016–2017 FWS funds and ensure that all affected schools and all schools enrolling 20 or more affected students were correctly reallocated the funds.
- 1.3 Ensure that FSA’s policies and procedures for disaster response direct employees to develop plans specifically designed to adhere to new laws authorizing special funding for disaster relief. Such redesigned procedures should include steps for employees to ensure the accuracy and completeness of all lists of eligible schools before any funds are disbursed.

FSA Comments

FSA agreed with the finding and stated that it has established processes to appropriately reallocate funds to eligible schools. FSA also agreed with Recommendations 1.2 and 1.3. FSA stated that it has validated the reallocations to ensure that they were provided to the appropriate schools and within the timeframe designated and specified. FSA further stated that it has updated its internal procedures to ensure the accuracy and completeness of any list developed for disaster relief.

FSA disagreed with Recommendation 1.1. FSA stated that 5 of the 9 schools mentioned in the finding enrolled 20 or more affected students and were eligible to receive funding; the other four schools mentioned in the finding received a combined \$3,523—

0.01 percent of the total FWS funds that FSA reallocated. FSA added that requiring the schools to return the funds would be an unnecessary burden as they continue to work through coronavirus disease 2019 pandemic-related challenges. Additionally, the cost to the government to track and collect the small amount might exceed the amount to be collected.

OIG Response

We did not revise the finding or recommendations based on FSA's comments. FSA did not provide records showing that it validated its reallocations or provide us with its updated internal procedures. Also, FSA did not provide records showing that 5 of the 9 schools had enrolled 20 or more affected students at the time that FSA awarded the first round of FWS reallocations.

Other Matters

Incomplete Report Sent to House and Senate Committees

FSA did not provide the Senate Committee on Health, Education, Labor, and Pensions and the House of Representatives Committee on Education and the Workforce with a complete report on the total amount of assistance received by and the total amount of non-Federal share waived for each eligible school.⁸

On March 13, 2018, the Department provided to Congress a press release that included the total amount of assistance received by each affected school and each school that enrolled 20 or more affected students. However, the press release did not disclose the total amount of non-Federal share waived for each affected school and each school that enrolled affected students. As of September 2020, FSA had not notified the two committees of the amount of non-Federal share waived for each affected school and each school that enrolled affected students.

Unexpended Award Year 2016–2017 FSEOG Program Funds Reallocated Without an Accurate and Complete List of Schools

On September 28, 2017, 1 day before enactment of the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017, FSA reallocated and disbursed about \$7.6 million in unexpended 2016–2017 FSEOG funds to 250 schools that it identified as affected by the 2017 hurricanes. An electronic announcement encouraged the schools to award the FSEOG funds to needy students who were affected by the hurricanes.

In mid-February 2018, the Funds Management Division discovered that 10 schools that were affected by the hurricanes had been omitted from the September 2017 reallocations of FSEOG funds. On February 23, 2018, FSA disbursed \$339,656 to these 10 schools. Near the end of February 2018, FSA discovered that 22 more schools that were affected by the hurricanes had been omitted from the September 2017 reallocations of unexpended 2016–2017 FSEOG funds. On February 28, 2018, FSA disbursed \$670,205 to these 22 schools.

Because it was attempting to deliver unexpended award year 2016–2017 FSEOG funds under its existing regulatory authority and as quickly as possible, FSA did not effectively design and implement processes specific to developing an accurate and complete list of schools affected by the 2017 hurricanes before disbursing the funds. We suggest that

⁸ As required by section 2(d) of the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017.

FSA ensure that it has policies and procedures for disaster response that provide reasonable assurance that future lists of schools eligible for FSEOG reallocations are accurate and complete before disbursing any funds.

FSA Comments

FSA disagreed that it submitted an incomplete report to Congressional committees. FSA provided emails from the Department’s Office of Legislative and Congressional Affairs to the appropriate Congressional committees.

FSA stated that it validated its reallocations to ensure that they provided them to the appropriate schools and within the timeframe designated and specified.

OIG Response

We did not revise either of the other matters. We reviewed the emails that FSA provided with its comments on the draft of this audit report. The emails included reports showing the total amount of assistance that each affected school and each school that enrolled 20 or more affected students received. However, the reports did not show the total amount of non-Federal share waived for each affected school and each school that enrolled affected students.

Appendix A. Scope and Methodology

This audit covered FSA's processes for (1) identifying schools participating in Title IV campus-based student financial assistance programs that were affected by or enrolled students affected by a qualifying disaster and (2) reallocating unexpended award year 2016–2017 FSEOG and FWS funds to schools eligible for the reallocation of those funds. We assessed the processes that FSA designed as of September 29, 2017, and implemented through September 10, 2019.

To accomplish our audit objective, we first gained an understanding of the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017 (September 29, 2017) and "Standards for Internal Control in the Federal Government." We then reviewed FSA's website and documents and records posted on the website. The documents and records that we reviewed included FSA's organizational chart, FSA's Fiscal Year 2018 Annual Report, and the following electronic announcements.

- "2017–2018 Final Funding Authorizations for the Campus-Based Programs," June 2, 2017
- "Important Information about the Reallocation Process, the 2016–2017 Campus-Based Reallocation Form and the Process to Request Supplemental Federal Work-Study Funds for 2017–2018," June 13, 2017
- "Incorrect 2017–2018 Funding Authorizations for the Campus-Based Programs," July 5, 2017
- "Updated 2017–2018 Funding Authorizations for the Campus-Based Programs Now Available," July 13, 2017
- "2017–2018 Supplemental Campus-Based Funds," August 1, 2017 (updated December 14, 2017)
- "Updated Information Related to the 2017–2018 Supplemental Campus-Based Funds Due to 2017 Hurricanes," September 29, 2017
- "Updated Information Related to the 2017–2018 Supplemental Federal Work-Study Funds Due to 2017 Hurricanes," December 14, 2017
- "Additional 2017–18 Supplemental Campus-Based Funds Allocated to School Impacted by the 2017 Hurricanes," March 13, 2018

Next, we interviewed FSA employees and officials (accountant of Funds Control, acting chief risk officer, acting director of Program Management Services, director of Program Management Services, branch chief for Campus-Based Programs, assistant director of Policy Liaison and Implementation Staff, and director of Funds Management Division) to

gain an understanding of the steps taken to identify Title IV participating schools that were located in affected areas or enrolled affected students and reallocating unexpended 2016–2017 campus-based student financial assistance program funds to those schools. Finally, we reviewed records that FSA created to show how it identified affected schools and schools that enrolled or accepted for enrollment affected students and reallocated the unexpended award year 2016–2017 FSEOG and FWS funds to those eligible schools. We compared these records to a list of counties that FEMA listed as affected by a qualifying disaster and the Department’s G5.⁹

Internal Control

We obtained an understanding of all five areas of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) relevant to FSA’s reallocating unexpended 2016–2017 campus-based student financial assistance program funds.¹⁰ We concluded that the following principles of internal control were significant to our audit objective.

- Control environment—establishing structure, responsibility, and authority for and documentation of FSA’s internal control system (Principle 3).
- Risk assessment—risk identification, analysis, and related mitigation strategies specific to achieving defined objectives for reallocating unexpended 2016–2017 campus-based program funds, including consideration of the potential for fraud (Principle 7).
- Control activities—design of control activities and information systems to achieve objectives and respond to risk and policies, procedures, and practices documenting responsibilities for the reallocation of unexpended 2016–2017 campus-based program funds (Principles 10, 11, and 12).
- Information and communication—use and communication (both internally and externally) of necessary quality information to achieve FSA’s objectives for the reallocation of unexpended 2016–2017 campus-based program funds (Principles 13, 14, and 15).

To evaluate FSA’s implementation of processes relevant to reallocating unexpended 2016–2017 campus-based student financial assistance program funds, we reviewed FSA’s listing of schools located in counties that FEMA listed as affected by disasters and

⁹ G5 is the name of the U.S. Department of Education's grants management system.

¹⁰ As defined in “Standards for Internal Control in the Federal Government.”

spreadsheets showing the reallocations that FSA made to 1,241 schools. For 32 judgmentally selected schools that received reallocations of unexpended 2016–2017 FSEOG or FWS funds, or both, we verified FSA’s calculation of each school’s reallocation amount by comparing the calculated amounts to the amounts posted in G5. We also compared the calculated amounts to the amounts in the March 13, 2018, press release that the Secretary provided to the Senate Committee on Health, Education, Labor, and Pensions and the House of Representatives Committee on Education and the Workforce.

We identified deficiencies in the design and implementation of FSA’s internal control. Specifically, FSA did not design control activities specifically for providing reasonable assurance that it (1) identified all Title IV participating schools that were affected by or enrolled students affected by qualifying disasters before it reallocated unexpended 2016–2017 campus-based student financial assistance program funds to schools eligible for them or (2) gave preference to schools located in affected areas before it reallocated unexpended 2016–2017 FWS funds (see [Finding](#)).

Sampling Methodology

We judgmentally selected 32 of the 1,241 schools that received reallocations of unexpended 2016–2017 FSEOG or FWS funds, or both. We selected these 32 schools because they were affected by errors made during FSA’s initial reallocation of funds, had varying reallocation amounts among the schools affected by FSA’s errors ranging from \$50 to \$85,084, and were in several States, both in and outside affected areas.

Because our selection was judgmental, our results cannot be projected to the 1,209 schools that were not included in the sample.

Use and Reliability of Computer-Processed Data

We relied on school funding data in FSA’s reallocation spreadsheets. We interviewed an FSA employee who was knowledgeable about the funding data in the spreadsheets. We also compared the data in the spreadsheets to data in G5. We did not find any discrepancies. Therefore, we concluded that the school funding data in FSA’s spreadsheets were sufficiently reliable for the purposes of our audit.

Compliance with Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence

obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We conducted this audit at FSA's offices in Washington, DC, and our offices from May 2019 through October 2020. We discussed the results of our audit with FSA officials on September 8, 2020, and provided them with a draft of this report on March 12, 2021.

Appendix B. Acronyms and Abbreviations

Department	U.S. Department of Education
FEMA	U.S. Department of Homeland Security, Federal Emergency Management Agency
FSA	Federal Student Aid
FSEOG	Federal Supplemental Educational Opportunity Grant
FWS	Federal Work Study
Title IV	Title IV of the Higher Education Act of 1965, as amended

FSA Comments



April 12, 2021

TO: Mr. Gary Whitman,
Regional Inspector General for Audit
Chicago/Kansas City and Sacramento Audit Regions
Office of Inspector General
U.S. Department of Education

Mr. Jeffrey Nekrasz, Director Student Financial Assistance Advisory and
Assistance
Office of Inspector General
U.S. Department of Education

FROM: Robin Minor *Robin S. Minor*
Acting Chief Operating Officer
Federal Student Aid

SUBJECT: Draft Audit Report, “Federal Student Aid’s Processes for Reallocating Unexpended Campus-based Title IV Funds in Accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017” Control Number ED-OIG/A05U0001

Dear Mr. Whitman:

Thank you for the opportunity to review and comment on the statements and recommendations made in the Office of Inspector General (“OIG”) Draft Report, *Processes for Reallocating Unexpended Campus-based Title IV Funds in Accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017* (A05U0001), dated March 12, 2021.

OIG presented one finding in the Draft Report, with three recommendations. FSA’s response to the finding and recommendations are below.

The Draft Report’s primary criticism of FSA’s actions is that FSA did not design and implement processes for reallocating unexpended campus-based student financial assistance program funds because it was attempting to deliver funds to schools affected by disasters as quickly as possible. As a result, it generally applied formulas similar to those designed for annually allocating campus-based student financial assistance program funds to all schools participating in those programs. Proactively designing appropriate processes in anticipation of national emergencies would improve FSA’s ability to provide emergency assistance during a crisis. FSA accepts this assessment and has put processes and oversight in place to appropriately reallocate funds to eligible institutions.

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

830 First Street, NE, Washington, DC 20202
StudentAid.gov

Finding 1. FSA Did Not Design and Implement Processes Specifically for Reallocating Unexpended Award Year 2016–2017 Campus-Based Program Funds in Accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017

FSA's Response: FSA agrees with the OIG's finding.

Recommendation 1.1: Require the nine schools that improperly received \$30,444 in FWS reallocations to return the funds.

FSA's Response to Recommendation 1.1: FSA disagrees with this recommendation. As previously documented, five of the nine schools enrolled 20 or more affected students and were eligible to receive funding. The four ineligible schools were awarded a combined total of \$3,523, representing 0.01% of the \$27.9M of reallocated FWS funding. At this time, requesting the four schools return funding of minimal amounts would cause an unnecessary burden as they continue to work through the COVID related challenges. Also of note, the cost to the government to track and collect these small amounts may exceed the amount collected.

Recommendation 1.2: Reevaluate the reallocations of unexpended award year 2016–2017 FWS funds and ensure that all affected schools and all schools enrolling 20 or more affected students were correctly reallocated the funds.

FSA's Response to Recommendation 1.2: FSA agrees with the recommendation and did reevaluate the process conducted to ensure that all affected schools and schools that enrolled 20 or more affected students were correctly reallocated funding. FSA determined that, based on Federal Emergency Management Agency (FEMA) information, the correct states/counties were used to identify impacted schools as well as the schools that enrolled at least 20 impacted students or parents of dependent students. Besides the four schools that were awarded incorrectly, FSA has validated that the reallocations were awarded to the appropriate schools within the timeframe designated and specified.

Recommendation 1.3 Ensure that FSA's policies and procedures for disaster response direct employees to develop plans specifically designed to adhere to new laws authorizing special funding for disaster relief. Such redesigned procedures should include steps for employees to ensure the accuracy and completeness of all lists of eligible schools before any funds are disbursed.

FSA's Response to Recommendation 1.3: FSA agrees with this recommendation and has updated our internal procedures. Funds Management Division (FMD) staff were directed to document steps and collaborate with Policy Implementation & Oversight (PIO) to ensure the accuracy and

completeness of determining eligible schools is confirmed prior to disbursing funds. For example, we have implemented the first two bullets specific to this recommendation. See below:

- Once Campus Based funding legislation has been authorized for a Federal Emergency Management Agency (FEMA) - Declared Disaster, the Program Delivery Services Group (PDSG), FMD works collaboratively with PIO staff to identify those disaster-impacted areas. This includes quality control reviews by management of any lists developed to ensure accuracy and completeness.
- Based on applicable legislation, PIO provides FMD guidance for processing the distribution of funds.

Other Matters:

Incomplete Report Sent to House and Senate Committees

FSA does not agree with this assertion. Please see attached documentation from ED Office of Legislative and Congressional Affairs (OLCA) verifying the reports were sent to appropriate Congressional Committees.

Unexpended Award Year 2016–2017 FSEOG Program Funds Reallocated Without an Accurate and Complete List of Schools

See response to Recommendation 2.1.

Thank you for the opportunity to respond to the recommendations outlined in this OIG draft report. We appreciate the time and the effort auditing this issue, as well as the opportunity to comment.