



U.S. Department of Education  
Office of Inspector General

# FY 2025 Management Challenges Facing the U. S. Department of Education

November 2024



# U.S. Department of Education FY 2025 Management Challenges At a Glance

## What are Management Challenges?

The Government Performance and Results Modernization Act of 2010 defines major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement, and where a failure to perform well could seriously affect the ability of the U.S. Department of Education (Department) to achieve its mission or goals.

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) reports annually on the most serious management and performance challenges the Department faces. Our reports include a brief assessment of the Department's progress in addressing the challenges. We also identify further actions that, if properly implemented, could enhance the effectiveness of the Department's programs and operations.

## What We Did

To identify management challenges, we examined audit, inspection, quick response, and investigative work that was completed or part of a body of work that was completed between October 1, 2021, and September 30, 2024; reviewed corrective actions that the Department has not completed; assessed ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyzed new programs and activities that could pose significant challenges. We also considered the accomplishments the Department reported as of September 30, 2024, and evaluated its progress for each management challenge.

## What We Found

For fiscal year (FY) 2025, we identified four management challenges the Department faces as it continues its efforts to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. These challenges are

1. oversight and monitoring of student financial assistance programs,
2. oversight and monitoring of grantees,
3. data quality and reporting, and
4. information technology security.

Our FY 2024 Management Challenges report identified "Implementing Pandemic Relief Laws for Elementary and Secondary Education" and "Implementing Pandemic Relief Laws for Higher Education" as management challenges for the Department. We removed both challenges for FY 2025 due to the timing of the pandemic relief programs and pandemic-related flexibilities as well as the implementation results demonstrated by the Department. Our FY 2024 report also included "Improper Payments" as a management challenge for the Department. We removed this challenge after consideration of our most recent audit results and the related criteria established by the Government Performance and Results Modernization Act of 2010. While the Department made progress in addressing each of the remaining challenges, our work continued to identify vulnerabilities within each area. Additional challenges may exist in areas that we have not recently reviewed.

# Framework for Assessing Fiscal Year 2025 Management Challenges

We developed and implemented a framework to assess the Department’s activities in response to individual management challenges as part of our FY 2024 reporting. This is our second year of applying this framework, which is described in Table 1 below.

**Table 1. Framework for Assessing Department Progress in Addressing Challenge Areas**

Description of Response to the Challenge	Score
New challenge, not rated	N/A
A comprehensive plan has not been developed in response to the challenge, or a plan has been developed but it requires significant improvement to increase the likelihood that its risk management practices and internal controls would provide reasonable assurance of effectively mitigating the challenge.	 Level 1—Beginning Progress
A comprehensive plan has been developed in response to the challenge, however, some improvement is needed to increase the likelihood that its risk management practices and internal controls would provide reasonable assurance of effectively mitigating the challenge.	 Level 2—Limited Progress
A comprehensive plan has been developed in response to the challenge. The plan includes elements such as risk management practices and internal controls that would provide reasonable assurance of effectively mitigating the challenge. However, the plan has not been substantially implemented or the plan has been substantially implemented but limited or no results have been demonstrated.	 Level 3—Established Progress
A comprehensive plan has been developed in response to the challenge. The plan includes elements such as risk management practices and internal controls that would provide reasonable assurance of effectively mitigating the challenge. The plan has been substantially implemented and partial results have been demonstrated.	 Level 4—Significant Progress
A comprehensive plan has been developed in response to the challenge. The plan includes elements such as risk management practices and internal controls that would provide reasonable assurance of effectively mitigating the challenge. The plan has been implemented and substantial results have been demonstrated, but continued efforts are needed to fully mitigate the challenge.	 Level 5—Demonstrated Progress

In applying this framework, challenge areas that receive an assessment of “Level 5—Demonstrated Progress” in consecutive years will be considered for removal or modification in subsequent management challenges reporting.

We reviewed information provided by the Department to gain an understanding of its approach to address each management challenge. This included information relating to its highest-priority corrective actions and other activities intended to mitigate weaknesses. We assessed whether the information identified by the Department collectively provided a reasonable basis to address and reduce major risks relating to each challenge. We also considered the identified implementation status and any related outcomes that would support achievement of results within each challenge.

The outcomes of audit and investigative activity were factors in the identification of challenge areas and were considered as part of the assessment of the Department's progress. The overall progress score considers factors such as the effectiveness of the Department's efforts to identify root causes, develop and implement corrective actions, and assess the results of its efforts. Additional details on the Department's activities and their responsiveness to the individual challenge areas are included under "Progress in Meeting the Challenge" that appears near the end of each management challenge section.

## Management Challenge 1—Oversight and Monitoring of Student Financial Assistance Programs

Within the Department, FSA administers the Federal student assistance programs and the Office of Postsecondary Education (OPE) develops Federal postsecondary education policy and regulations for the Federal student assistance programs. OPE also administers the review process for accrediting agencies to ensure that the Department recognizes only agencies that are reliable authorities for evaluating the quality of education and training postsecondary institutions offer.

FSA directly manages or oversees a loan portfolio of more than \$1.6 trillion, representing about 217 million student loans to more than 45 million borrowers. FSA oversees the disbursement of about \$33 billion in grants to about 6 million recipients.<sup>1</sup> FSA also oversees approximately 5,400 postsecondary institutions that participate in the Federal student aid programs. In FY 2024, FSA performed these functions with an administrative budget of about \$2.1 billion and about 1,400 employees, along with contractors that provide outsourced business operations.

### FY 2025 Assessment: Level 3—Established Progress



The Department identified actions in response to this challenge that focused on a variety of areas including regulatory changes, process improvements, and strengthening oversight of post-secondary schools. FSA provided descriptions of related goals and milestones, plans to track performance and report outcomes, and processes to review and assess progress. We also noted ongoing efforts to improve the performance of the Free Application for Federal Student Aid (FAFSA). Collectively these activities identified a comprehensive framework with the potential to mitigate this challenge. Some of these activities have been substantially implemented with results demonstrated, while other activities are ongoing.

### Why This is a Challenge

The Department must provide effective oversight and monitoring of the student financial assistance programs to help ensure organizational goals can be achieved and that the programs are not subject to fraud, waste, and abuse. The Department’s responsibilities include coordinating and monitoring the activity of many Federal, State, nonprofit, and private entities involved in Federal student aid delivery, within a statutory framework established by Congress and a regulatory framework established by the Department. These entities include postsecondary institutions, contracted servicers, accrediting agencies, guaranty agencies, and lenders.

The Department also faces challenges in its oversight and monitoring of the new FAFSA Processing System (FPS) and other IT modernization efforts. The FPS’s delayed launch in December 2023 coincided

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<sup>1</sup> Information relating to the amount of the loan portfolio, number of loans and borrowers, amount of grants, and number of recipients are from the Federal Student Aid Annual Report FY 2024.

with a series of technical problems that negatively impacted students, parents, and schools. As of October 30, 2024, FSA reports that a number of technical problems with the new FPS remain unresolved or subject to workarounds. Reviews by the U.S. Government Accountability Office (GAO) and the OIG have found that FSA has not always followed best practices or its own IT project management guidelines related to a project’s lifecycle cost estimates, lifecycle management methodology, the development and management of project requirements, systems testing, independent acquisition reviews, and governance and oversight.

## Recent Work Performed by the OIG and GAO

### Audit and Inspection Activities

With respect to oversight and monitoring of student financial assistance programs, the OIG has recently issued reports in a wide range of areas including Business Process Operations (BPO) vendors, the FSA ID, the Next Gen Loan Servicing Environment, and the Student Aid and Borrower Eligibility Reform Initiative (SABER). GAO recently issued reports in areas such as debt relief initiatives and the FAFSA. These reports consistently identified weaknesses in management controls including those related to risk assessment, control activities, and information and communication. A summary of major audit and inspection activity within each area is shown in Table 2. A complete listing of the selected reports within this challenge area appears at the end of this section.

**Table 2. Selected OIG and GAO Reports Relating to the Oversight and Monitoring of Student Financial Assistance Programs**

Activities Reviewed	Summary of Major Audit and Inspection Activity
<b>90/10</b>	We found that FSA had several processes for overseeing proprietary institutions’ compliance with 90/10 revenue requirements. However, we found the Department’s reports to Congress were not always timely and complete and the Department did not always publish 90/10 revenue information as required to best reach the public.
<b>Debt Relief</b>	GAO found that the Department began approving borrowers for relief without implementing key procedures to prevent fraud.
<b>FSA ID</b>	We found that FSA could take further actions by implementing preventive controls to better protect Title IV funds and the public from fraudulent activity. We also found that approximately \$27.3 million in Title IV funds was disbursed to suspected fraudulent FSA ID accounts.
<b>Return to Repayment</b>	We found that FSA needed to establish effective performance measures and indicators to evaluate its performance for returning borrowers to repayment. Although FSA and the Department established objectives and goals for returning borrowers to repayment, they were not written in specific and measurable terms. In addition, although FSA identified several data metrics as performance measures and indicators, they did not include clearly defined targeted percentages, numerical values, milestones, or measurements.
<b>Experimental Sites Initiative</b>	We found that the Department is not complying with reporting requirements and had not published a comprehensive Experimental Sites Initiative report since the 2010–2011 award year report.

Activities Reviewed	Summary of Major Audit and Inspection Activity
<b>FAFSA</b>	<p>In one report, GAO found that FSA did not ensure disciplined systems acquisition practices were applied, did not always follow established guidance to define and manage requirements and carry out testing activities, and did not provide effective oversight of FPS. GAO also reported that FSA delayed the delivery of key FPS requirements and did not identify numerous FPS defects until after deployment.</p> <p>In a separate report, GAO found the Department had not consistently provided students with timely and sufficient information or support to complete the new FAFSA and did not consistently provide timely updates on the status of students' FAFSA applications or offer solutions to technical barriers. It also found that the Department did not provide reliable timeframes or communicate changes to colleges in a timely manner throughout the rollout of the then-current FAFSA cycle.</p>
<b>SABER Initiative</b>	<p>We found that FSA did not effectively perform implementation activities for four Federal Tax Information-related SABER systems that we reviewed because it did not always perform key steps or could not provide sufficient evidence to support completion of such key steps. These key steps pertained to FSA's establishing and monitoring of the systems' costs and budgets, its performance oversight of the contractors responsible for implementing the systems, and its management of the risks, decisions, and issues pertaining to the systems' implementation.</p>
<b>Next Generation Loan Servicing Environment</b>	<p>We found that although FSA had processes in place for planning and managing the transition to the Next Gen loan servicing environment, FSA did not perform key steps within those processes or follow best practices for acquisition planning that could have better ensured the proper planning and managing of the transition.</p>
<b>BPO Vendors</b>	<p>We found that FSA has not developed effective plans for transitioning assigned activities to its BPO vendors. We identified weaknesses related to FSA's schedule management and lifecycle management methodology documentation and related reviews. We also found that the planned transition of two of the three phases has been pushed back repeatedly. We found that FSA revised the performance framework to lower targets for some metrics and removed others after all BPO vendors initially struggled to meet performance metrics.</p>
<b>Professional Judgment</b>	<p>We performed a series of audits at three schools. Overall, we found two schools did not always apply professional judgment in accordance with the Higher Education Act of 1965 and all three schools did not always adequately document the application of professional judgment.</p>

### Investigations of Student Financial Assistance Program Participants

The OIG's recent investigative work continues to identify fraud, waste, and abuse of student financial assistance program funds. This includes each of the areas in Table 3.

**Table 3. OIG's Recent Investigative Activity Relating to the Student Financial Assistance Programs**

Area	Related Investigative Activity
<b>Institutions</b>	<p>Pursuant to an FSA Site review, the OIG is investigating an institution for operating an unapproved location.</p>
<b>School Officials</b>	<p>OIG is investigating allegations that a school and its president falsely charged students for expenses already paid for and then redirected federal funds to pay for personal expenses of an official.</p>

Area	Related Investigative Activity
<b>Distance Education Fraud Rings</b>	Fraud rings are large, loosely affiliated groups of criminals who seek to exploit vulnerabilities in distance education programs. The OIG has investigated numerous instances where these groups use the identities of others (with or without their consent) to fraudulently obtain Federal student aid.
<b>Collaboration with FSA</b>	OIG and FSA continued to meet quarterly and as needed under its established Memorandum of Understanding to collaborate where appropriate on Title IV violations and institutional fraud, waste, and abuse.

## Ongoing and Planned Work

Our ongoing work in this area includes FSA’s accounting for the FAFSA Simplification Act and student loan forgiveness initiatives, FSA’s plans for processing 2025-2026 FAFSA forms, FSA’s oversight of Section 117 foreign gift and contract reporting requirements, and the Department's assessment and recoupment of liabilities from closed colleges.

Planned projects for FY 2025 include FSA’s implementation of the Partner Connect System, FSA’s transition of student loan servicing to its Unified Servicing and Data Solution, FSA’s monitoring of contractor performance and invoicing, and postsecondary schools’ compliance with selected Title IV program requirements.

## Progress in Meeting the Challenge

We assessed the Department’s actions in response to this challenge at Level 3, or “Established Process.” Overall, the Department communicated plans to address this Management Challenge that focused on a variety of areas including regulatory changes, process improvements, and strengthening oversight of post-secondary schools. The Department generally provided descriptions of related goals and milestones, plans to track performance and report outcomes, and processes to review and assess progress. We also noted ongoing efforts to improve the performance of the FPS.

## Regulatory Changes

FSA stated that the Department published regulations that became effective during 2023 and 2024 and impacted several important areas relating to the student financial assistance programs. This included providing guidance on changes in ownership, creating more stringent requirements for revenue sources other than federal funding, and providing for conditional approval of school conversions from for-profit to non-profit status. It also included increasing the rigor of financial responsibility standards, establishing new Financial Value Transparency (FVT) and Gainful Employment (GE) requirements, and adding new institutional administrative capability and certification requirements.

FSA noted that the regulatory changes were made to improve its ability to oversee and monitor postsecondary institutions and increase accountability for those institutions. For example, new financial responsibility regulations were intended to improve assessments of institutions’ financial stability and help ensure that taxpayers are better protected from the costs of sudden school closures by outlining certain mandatory triggering events that will result in requests for a letter of credit or other forms of financial protection from institutions to be submitted to the Department. The new administrative

capability requirements included items relating to the provision of adequate financial aid counseling and financial aid communications to students, limiting an institution from having a principal or affiliate whose misconduct or institutional closure contributed to significant liabilities to the Federal government, and strengthening requirements that institutions develop and follow adequate procedures to evaluate the validity of a student's high school diploma.

FSA stated that the Department established and amended FVT and GE regulations to address concerns about programs designed to prepare students for gainful employment but leave them with debt or with no gain in earnings compared to others with less education. The regulations were also intended to enhance transparency by providing information about financial costs and benefits to students for nearly all academic programs at institutions that participate in the Title IV programs.

- The FVT regulations are intended to improve the quality and availability of information provided directly to students about the costs, sources of financial aid, and outcomes of students enrolled in all Title IV eligible programs. These regulations establish two measures: the debt-to-earnings measure and the earnings premium measure. The regulations also establish performance benchmarks for each measure to determine whether the program may have adverse financial consequences to students.
- The GE regulations establish an accountability framework for GE programs that uses the same earnings premium and debt-to-earnings measures to determine whether a GE program remains eligible for Title IV funds.

In terms of progress, FSA stated that new regulations have been published and related Electronic Announcements have been provided to the community containing detailed guidance. FSA stated that schools will provide new data that will improve its ability to assess financial stability. It added that preparation for expanded data collection is ongoing and reporting will be due for financial responsibility and communication of administrative capability provisions.

FSA further indicated that the FVT/GE project status is regularly assessed with project teams and in regularly scheduled Department senior leadership briefings. FSA noted that achievements included numerous system changes, such as enhancing the National Student Loan Data System for data collection, had been completed. It was expected that FVT/GE calculations would be published in winter 2025 with full integration into student and partner process by summer 2026.

## **Process Improvements**

FSA specifically identified two activities, Partner Connect and Unified Servicing and Data Solution (USDS), as priority corrective actions.

FSA stated that it launched the Partner Connect system for individuals involved in the administration of Title IV financial aid. Partner Connect provides a "digital front door" for users to explore policy and guidance in the Knowledge Center, access tools, find training announcements, or links to other Federal Student Aid websites to manage Title IV program eligibility and complete aid administration tasks. FSA believed that the Partner Connect system would improve the efficiency and effectiveness of FSA's oversight and monitoring of schools and other partners through consolidation of information into one

system while allowing for greater automation and increased reporting capabilities. FSA further believed that Partner Connect allows its partners to share reporting and other information more easily and efficiently with FSA.

In terms of goals, FSA reported that Partner Connect functionality will be enhanced to reduce manual processing and improve the user experience. FSA indicated that testing and reviews of Partner Connect system implementation are ongoing to determine additional improvements needed and system fixes. It further stated that related progress will be tracked and reported on a recurring basis.

FSA stated that the USDS implementation will improve the experience and repayment outcomes for millions of federal student loan borrowers. FSA stated that USDS will enable FSA to transition from the current loan servicing contracts into a more stable servicing environment that ensures borrowers can continue to manage repayment. It will also enable FSA to provide increased oversight of loan servicers and to better safeguard borrowers' personal information through higher cybersecurity standards. Related goals and milestones included establishment of service level agreements and objectives that set expectations for critical customer service functions, ensuring that servicers met all cybersecurity requirements before beginning work under USDS, and a phased approach to changes in specialty servicing.

FSA reported processes to track, review, and report USDS-related performance and progress included requiring servicers to regularly report metrics that measure performance and reporting. FSA specifically noted that servicer's performance is reviewed quarterly and failure to meet service level agreements can result in financial penalties. FSA further stated that it is consistently reporting on the progress of specialty servicing to leadership.

FSA reported achievements that included contract awards made to four existing and one new loan servicer, integrating the new servicer who now services nearly 400,000 borrowers, and measuring first quarter service level agreements. FSA reported that it expected full standup of the new servicer and full transition of specialty servicing in FY 2025.

## **Strengthening Oversight of Postsecondary Schools**

FSA stated that its Enforcement Office continues to focus on schools that pose the most risk to students and taxpayers and reinforces other school oversight and compliance efforts through identifying and addressing serious wrongdoing. It identified a series of planned actions, assessment activities, and student statuses. Completed activities demonstrating results included those relating to staffing, establishment of policies and procedures, development of a tracker and model to identify schools and practices that pose the highest risk to Title IV students and their families and implementing new investigative tools to increase its ability to efficiently gather probative evidence.

FSA reported completing multiple significant actions based on the efforts of its investigations team. As an example, its work resulted in denial for a school's application for recertification based on abuses of the Title IV program and students. FSA noted that during the 2021-2022 student aid award year, this school enrolled nearly 9,000 students and received over \$85 million in Title IV funds. It also established multiple processes to publicize its work as a method to support compliance and deter misconduct.

## FPS and FAFSA Form

In August 2024, the Department announced the 2025-26 FAFSA would be launched through a phased rollout that it described as consistent with software industry best-practices. According to the Department, the goal of the phased rollout is to work with limited groups of users to identify and resolve the system errors before a full-scale launch. The Department further noted that the phased rollout would also allow it to incorporate user feedback to ensure the application’s instructions are clear and easy-to-use for students and contributors and provide resources for the community that supports students and families. The Department also noted the testing phase would begin on October 1, 2024, with additional test periods of increasing scale following from mid-October through mid-November.

The Department stated that it would seek feedback from its partners through listening sessions and a new formal request for information. It further indicated that it would publish information on what has been learned through these engagements, including releasing a new roadmap with additional tools for students and families, counselors, institutions, and other partners. The Department added that during this process it would share regular updates regarding progress with students, families, and stakeholders.

## What the Department Needs to Do

As the Department continues to implement actions relating to regulatory changes, Partner Connect and USDS implementation, school oversight, and FAFSA activities, it remains important to ensure it can track and report on results to demonstrate improvement in its oversight and monitoring activities.

## Related OIG Reports

### Title

#### 90/10 Revenue

[U.S. Department of Education’s Oversight and Reporting of Proprietary Institutions’ 90/10 Revenue Information \(A22NY0090, August 2023\)](#)

#### Business Process Operations Vendors

[FSA Transition Plans for Business Process Operations Vendors \(A22DC0105, June 2024\)](#)

#### Experimental Sites Initiative

[The Department’s Compliance with Experimental Sites Initiative Reporting Requirements \(I22DC0054, October 2022\)](#)

#### FSA ID

[Federal Student Aid’s Actions to Mitigate Risks Associated with the FSA ID Account Creation Process \(F23IT0138, July 2024\)](#)

#### Next Generation Loan Servicing Environment

[Federal Student Aid’s Transition to the Next Generation Loan Servicing Environment \(A20GA0035, January 2023\)](#)

#### Private Collection Agencies

[The Department’s Decision to Terminate Private Collection Agency Contracts \(I22DC0067, November 2022\)](#)

## Title

### Professional Judgment

[University of Southern California’s Use of Professional Judgment \(A20IL0007, August 2023\)](#)

[Bais HaMedrash and Mesivta of Baltimore’s Use of Professional Judgment \(A20IL0005, March 2022\)](#)

[National Aviation Academy of Tampa Bay’s Use of Professional Judgment \(A20IL0001, September 2021\)](#)

### Student Aid and Borrower Eligibility Reform Initiative

[FSA’s Implementation of the FUTURE Act and FAFSA Simplification Act’s Federal Taxpayer Information Provisions through the Student Aid and Borrower Eligibility Reform Initiative \(A23GA0122, July 2024\)](#)

## Related GAO Reports

## Title

### Debt Relief

[Student Loans: Education Should Proactively Manage Fraud Risks in Any Future Debt Relief Efforts \(GAO-24-107142, November 2023\)](#)

### FAFSA

[Preliminary Results Show Strong Leadership Needed to Address Serious Student Aid System Weaknesses \(GAO-24-107783, September 2024\)](#)

[FAFSA: Education Needs to Improve Communications and Support Around the Free Application for Federal Student Aid \(GAO-24-107407, September 2024\)](#)

## Management Challenge 2—Oversight and Monitoring of Grantees

The Department is responsible for administering education programs that Congress authorized and the President signed into law. This responsibility includes awarding program funds to a wide range of eligible recipients, including local educational agencies (LEA), State educational agencies (SEA), institutions of higher education, individuals, nonprofits, and other organizations and monitoring their progress in meeting program objectives. The Department also ensures that programs are administered fairly and that grants are executed in conformance with both authorizing statutes and laws prohibiting discrimination in federally funded activities, collects data and conducts research on education, and helps to focus attention on education issues of national importance. The funding for many grant programs flows through primary recipients, such as SEAs, to subrecipients, such as LEAs or other entities. The primary recipients must oversee and monitor the subrecipients' activities to ensure compliance with Federal requirements.

### FY 2025 Assessment: Level 3—Established Progress



We assessed the Department's actions in response to this challenge at Level 3, or "Established Progress." Overall, the Department developed plans to address this Management Challenge that included improving its training and technical assistance and broadening consolidated monitoring efforts. These activities have been substantially implemented and limited results have been demonstrated.

### Why This is a Challenge

The Department administers programs that touch every area and level of education, serving students from early learning through adult education. Its grant programs annually serve more than 17,000 public school districts and more than 55 million students attending more than 98,000 public and 30,000 private schools, as well as about 9 million postsecondary students attending 5,400 colleges and universities.

One of the key programs that the Department administers is Title I, Part A, which provides supplemental education funding, especially in communities of concentrated poverty, for local programs that provide educational opportunities and additional academic support to help students in schools with high rates of poverty meet challenging State academic standards. In FY 2024, this program provided about \$18.4 billion to serve an estimated 26 million students in nearly 90 percent of school districts and nearly 60 percent of all public schools. Another key program is Individuals with Disabilities Education Act, Part B Grants to States, which provided about \$14.2 billion in FY 2024 to help States and school districts meet the special educational needs of an estimated 7.5 million students with disabilities.

Effective monitoring and oversight are essential to ensure that grantees meet grant requirements and achieve program goals and objectives. Our recent audits related to several grant programs identified weaknesses in grantee oversight and monitoring that included concerns with SEA and LEA controls and Department oversight processes.

## Audit, Inspection and Quick Response Activities

Recent OIG and GAO reports related to the Department’s oversight and monitoring processes over Federal education grant programs identified internal control weaknesses and opportunities for improvement. These weaknesses could limit the effectiveness of the Department’s activities, decision making, and programmatic guidance. A summary of major audit, inspection, and quick response activity within each area is shown in Table 4. A complete listing of the selected reports within this challenge area appears at the end of this section.

**Table 4. Selected OIG and GAO Reports Relating to the Department’s Oversight and Monitoring of Federal Education Grant Programs**

Activities Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
<p><b>Alternate Academic Assessments</b></p>	<p>We found that the Department generally appropriately approved 21 of 22 requests for alternate assessment waivers and waiver extensions for SY 2021–2022. However, we identified areas where the Department could strengthen its related process, to include providing sufficient clarification and guidance to staff performing the reviews on what constitutes acceptable State responses to certain requirements and how to adequately document determinations when exercising professional judgment so that a clear basis for the determination is provided. This would provide for greater consistency and less subjectivity in its treatment of State waiver requests.</p>
<p><b>Charter Schools</b></p>	<p>We completed two audits in a series of work on charter school programs. In one audit, we found that the Department designed processes to provide reasonable assurance that grantees reported reliable information and spent grant funds only on allowable activities and in accordance with program requirements, but the Charter School Program office did not always implement those processes as designed. As a result, the Department might not have had reliable information needed to make informed decisions about continuation funding; did not always ensure that grantees implemented corrective actions to address significant compliance issues relevant to their use of grant funds, fiscal control, and fund accounting; and might not have provided timely assistance to grantees that needed assistance to meet their approved goals.</p> <p>In a second audit, we found that the Department did not track and report on whether charter schools opened by grant recipients and expanded with Federal funds remained open after the grant performance period ended. We also found that grant recipients did not always open or expand the number of charter schools committed to in their approved grant applications.</p>
<p><b>Individuals with Disabilities Education Act</b></p>	<p>We found that the Office of Special Education Programs provided general guidance and technical assistance for SEAs, to assist them in implementing significant disproportionality regulatory requirements. It also performed ongoing monitoring of SEAs’ compliance with Individuals with Disabilities Education Act requirements and program results. However, it had not performed a risk assessment to determine if the change in the regulation affects the control activities that it has established for monitoring significant disproportionality, particularly regarding data reliability.</p>
<p><b>Parent and Family Engagement</b></p>	<p>GAO found that the Department issued guidance in 2004 to help with implementation of Title I’s parent and family engagement requirements. However, GAO found that the guidance contained outdated information about the law and was missing information about current requirements. GAO concluded that absent updated guidance, States, districts, and schools may continue to rely on obsolete information to guide their parent and family engagement efforts.</p>

Activities Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
<b>School Improvement Activities</b>	GAO found that the Department monitors State compliance with ESEA school improvement requirements and identified and addressed compliance issues through its monitoring efforts. However, GAO found that the Department’s ability to identify compliance issues may be limited because it relies on monitored States and districts to select the comprehensive support and improvement plans that it reviews.
<b>Vocational Rehabilitation Services</b>	We found that the Department generally had sufficient processes for overseeing State vocational rehabilitation agencies’ effective use of funds. However, we found that the Department could strengthen its oversight in key areas by developing documented procedures for its annual reviews, improving its risk assessment processes by incorporating a risk factor that accounts for a State vocational rehabilitation agency’s effective technical assistance needs, and establishing a reasonable period during which all State vocational rehabilitation agencies must be subject to onsite or offsite monitoring at least once.

Our recent reports relating to grantee implementation of Federal education grant programs identified weaknesses that could impact their ability to achieve intended programmatic results. Related work is identified in Table 5. A complete listing of the selected reports within this challenge area appears at the end of this section.

**Table 5. Selected Recent OIG Reports Relating to Grantee Implementation of Federal Education Grant Programs**

Activities Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
<b>Statewide Accountability Systems</b>	<p>We completed two audits in a series of work on States’ implementation of selected components of their statewide accountability systems.</p> <p>We found that one State did not always calculate indicator scores, perform annual meaningful differentiation, and identify schools for comprehensive support and improvement in accordance with its approved State plan and amendment.</p> <p>We found that another State implemented the selected components of the statewide accountability system in accordance with its approved plan, but it did not identify one school that should have been identified for additional support and improvement and did not provide additional funding to one LEA that it identified as needing additional support. The State also did not keep records showing how it calculated the amount of Title I funds reserved under section 1003 of the ESEA that each LEA should receive or records showing that it provided additional support services to LEAs with schools that it identified as needing improvement.</p>

## Investigations of Federal Education Grant Program Participants

The OIG’s recent investigative work continues to identify fraud relating to Federal education grant programs. This includes the areas identified in Table 6.

**Table 6. OIG’s Recent Investigative Activity Relating to Federal Education Grant Programs**

Area	Related Investigative Activity
<b>LEA Officials</b>	<p>The OIG is investigating allegations that a school district accountant has stolen from school accounts. The OIG also investigated allegations with other agencies that a director of fiscal services for a district embezzled funds from the Governor’s Emergency Education Relief Fund and Elementary and Secondary School Emergency Relief Fund.</p> <p>The OIG is investigating allegations of potential kickbacks between a school principal and vendor.</p>
<b>Grantees</b>	OIG is investigating allegations that a grantee submitted false invoices for services not rendered.
<b>Charter School Officials</b>	The OIG is investigating a charter school executive director who embezzled school funds.
<b>Vendors</b>	The OIG is investigating allegations that vendors submitted false invoices for consulting services that were not rendered.

### Ongoing and Planned Work

Ongoing work in this area includes reviews of additional SEAs’ implementation of their statewide accountability systems; a selected SEA’s oversight of Prevention and Intervention Programs for Children and Youth who are Neglected, Delinquent, or At-Risk; and the Department’s processes for awarding School-Based Mental Health Services program grants and monitoring grantee performance.

Planned projects for FY 2025 include reviews of selected SEAs’ oversight of their Student Support and Academic Enrichment program grants, selected SEAs’ oversight of digital wallet-related technologies and services, selected LEAs’ internal controls over Individualized Education Programs, and the Department’s oversight of both the Supporting Effective Instruction and English Language Acquisition State Grants programs.

### Progress in Meeting the Challenge

We assessed the Department’s actions in response to this challenge at Level 3, or “Established Progress.” Overall, the Department developed plans to address this Management Challenge that included improving its training and technical assistance and broadening consolidated monitoring efforts. These activities have the potential to mitigate this challenge. However, the Department did not provide significant information that clearly identified outcomes of these initiatives.

### Training and Technical Assistance

The Department’s Grants Management Policy Division regularly communicates on subject areas and training opportunities that can help build the Department’s internal capacity to oversee grants. Overall, the Department’s efforts continue to build knowledge and expertise. The Department’s efforts included training opportunities identified below.

- Multiple “Table Talk” sessions that allow staff to share best practices and common concerns on all facets of discretionary and formula grants administration. These sessions are intended to create open dialogues in an informal manner to generate a better understanding of timely issues. Examples of FY 2024 subject matter included indirect costs, updates to the Uniform

Guidance and Department grants policy bulletins, and results from the Department’s most recent Grantee Satisfaction Survey.

- Multiple “Monitoring Moments” sessions that are intermediary monitoring courses that offer Department staff greater insight into supporting formula and discretionary grantees to achieve their goals and objectives while being fully compliant with all grant award terms and conditions.
- An advanced “Grants Administration” training program that provides a five course advanced grants administration training curriculum to help experienced staff partner more effectively with grantees. Specific subject matter included leveraging single audits as part of financial management and tools and principles for evaluating and mitigating grantee risk.
- Targeted training subject matter that covered areas such as implementing revised Uniform Guidance; data quality; payment integrity; assessing grantee performance, financial, and compliance activities; grant scheduling; and grant closeout.
- The Department’s Grants Risk Management Services Division also hosted sessions to communicate risk concentrations and issues identified based on a comprehensive assessment of financial risk indicators and other relevant information for specific SEAs.

## Consolidated Monitoring

The Department stated that it has broadened its consolidated monitoring efforts for formula grants to reduce redundancy and ensure proper oversight. Also, the Department added that it is committed to increasing these reviews incrementally to reflect risk based on appropriation values. The Department further stated that it has broadened oversight efforts for certain formula grants and expanded the number of States to be monitored from four to five. The Department noted that final monitoring reports are posted publicly, and its staff work continuously to resolve related findings.

## What the Department Needs to Do

It will be important for the Department to develop measures to track the outcomes of its various efforts to improve monitoring and oversight.

## Related OIG Reports

### Title

#### Department Oversight of Education Programs and Grantees

#### Alternate Academic Assessments

[The Department’s Approval of Alternate Assessment Waivers and Extensions \(I23DC0112, November 2023\)](#)

#### Charter Schools

[The U.S. Department of Education’s Processes for Overseeing Charter Schools Program Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools \(A18IL0009, August 2023\)](#)

## Title

[Effectiveness of Charter School Programs in Increasing the Number of Charter Schools \(A21IL0034, September 2022\)](#)

### Individuals with Disabilities Education Act

[Implementation of the Significant Disproportionality in the Individuals with Disabilities Education Act Final Regulations \(I22NY0084, May 2023\)](#)

### Vocational Rehabilitation Services

[Rehabilitation Services Administration's Oversight of the State Vocational Rehabilitation Services Program \(A23CA0140, September 2024\)](#)

### SEA and LEA Oversight of Education Programs

#### Statewide Accountability Systems

[The Oregon Department of Education's Implementation of Selected Components of Oregon's Statewide Accountability System \(A23IL0142, September 2024\)](#)

[The Mississippi Department of Education's Implementation of Selected Components of Mississippi's Statewide Accountability System \(A22IL0091, March 2024\)](#)

## Related GAO Reports

## Title

### Department Oversight of Education Programs and Grantees

[Education Could Enhance Oversight of School Improvement Activities \(GAO-21-105648, January 2024\)](#)

[Updated Federal Guidance Would Assist Title I Schools in Meeting Parent and Family Engagement Requirements \(GAO-24-106143, November 2023\)](#)

## Management Challenge 3 —Data Quality and Reporting

The Department collects, analyzes, and reports on data for many purposes that include enhancing the public’s ability to access high-value education-related information, reporting on programmatic and operational performance, informing management decisions, and improving education in the United States. The Department collects information from numerous sources, including States, which compile information relating to public school districts; public schools; postsecondary institutions, including colleges, universities, and institutions offering technical and vocational education at or beyond the high school level; and surveys of private schools, public elementary and secondary schools, students, teachers, and principals.

### FY 2025 Assessment: Level 4—Significant Progress



We assessed the Department’s ongoing actions in response to this challenge at Level 4, or “Significant Progress.” Overall, the Department identified root causes of the challenge and developed responsive activities through the design and implementation of requirements for data collection planning and providing data quality resources, training, and technical assistance. We found that this represented a comprehensive plan and that the planned activities have the potential to mitigate this challenge. The Department has partially implemented aspects of the plan and demonstrated some results that showed a positive effect on improving the quality of key data.

### Why This Is a Challenge

The Department, its grantees, and its subrecipients must have effective controls to ensure that reported data are accurate and complete. The Department relies on program data to evaluate program performance and inform management decisions.

### Audits, Inspections, and Quick Response Activities

Our recent audit work identified a variety of weaknesses in the quality of reported data and recommended improvements at the Department and at SEAs and LEAs. This included the following areas, as shown in Table 7.

**Table 7. Selected OIG Data Quality-Related Reports**

Area Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
90/10	We found that FSA had several processes for overseeing proprietary institutions’ compliance with 90/10 revenue requirements. However, we found the Department’s reports to Congress were not always timely and complete and the Department did not always publish 90/10 revenue information as required to best reach the public.

Area Reviewed	Summary of Major Audit, Inspection, and Quick Response Activity
<b>Charter Schools</b>	We found that the Charter School Program office’s processes did not result in grant recipients reporting clear, reliable, and timely information. Their processes also did not result in the Charter School Program office receiving all the information needed to assess grant recipients’ performance or evaluate the overall effectiveness of the Charter School Program.
<b>Digital Accountability and Transparency Act (DATA Act)</b>	An independent public accountant, with OIG oversight, determined that the Department submitted data of excellent quality based on guidance provided by the Council of Inspectors General on Integrity and Efficiency. It also determined that the Department implemented and used the governmentwide financial data standards established under the DATA Act. However, it found that Department did not submit certain data completely, accurately, or timely, and identified internal control deficiencies over the Department’s DATA Act submissions.
<b>Disaster Recovery</b>	We found that four SEAs did not ensure that the displaced student count data provided to the Department under the Temporary Emergency Impact Aid for Displaced Students program were accurate and complete. This included instances when students who did not change schools or did not transfer from a disaster area were included in displaced student counts, students withdrew from the school prior to the disaster or enrolled after the reporting date, and displaced student counts were not supported by adequate documentation.
<b>Experimental Sites Initiative</b>	We found that the Department is not complying with reporting requirements and had not published a comprehensive Experimental Sites Initiative report since the 2010–2011 award year report. This created a situation where the success or failure of the experiments conducted under the ESI has not been reported to those in Congress and the Department who could use the information to enhance higher education policy to better serve students.
<b>Financial Reporting</b>	For FY 2023, the independent auditor issued a disclaimer of opinion as it was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion because of unresolved errors identified in the underlying data used to calculate the subsidy re-estimates for the Department’s direct loan and loan guaranty programs.  For FY 2022, the independent auditor issued a disclaimer of opinion as it was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion because management was unable to provide adequate evidential matter to support certain key assumptions used to estimate the subsidy costs stemming from the broad-based debt relief as of September 30, 2022.
<b>Statewide Accountability Systems</b>	We found that one SEA did not always calculate indicator scores, perform annual meaningful differentiation, and identify schools for comprehensive support and improvement in accordance with its approved State plan and amendment. Because it used criteria other than what was identified in its approved plan, the SEA reported higher letter grades than it should have for 96 of its 235 public high schools.

**Ongoing and Planned Work**

Ongoing work in this area includes FSA’s oversight of section 117 foreign gift and contract reporting requirements, selected SEAs’ implementation of their Statewide accountability systems, and a selected SEA’s oversight of the Prevention and Intervention Program for Children and Youth Who Are Neglected, Delinquent, or At Risk.

Our planned work for FY 2025 includes reviews of the Department’s oversight of Stronger Connections Grant reporting and Magnet Schools Assistance program grants, and its evaluation of Full-Service

Community Schools program grantee performance. Additional work will be performed based on the results of ongoing reviews and programmatic- and grantee-related risk assessments.

## Progress in Meeting the Challenge

We assessed the Department’s actions in response to this challenge at Level 4, or “Significant Progress.” Overall, the Department identified root causes of the challenge that included capacity among grant recipients, subrecipients, and the Department itself. In response, the Department developed a strategy that informed responsive activities focusing on areas such as data collection planning, use of automated technical solutions, and technical assistance and training for grantees and Department staff. This framework represented a comprehensive plan and included activities that have the potential to further mitigate this challenge. The Department has partially implemented aspects of the plan and demonstrated some results that showed a positive effect on improving the quality of key data.

### Data Collection Planning

The Office of the Chief Data Officer (OCDO) is responsible for managing and improving the Department's ability to leverage data as a strategic asset. The OCDO continues to recognize the importance of data quality planning to help ensure that data meets intended purposes; is accurate, reliable, and unbiased; and is protected to ensure that it is not compromised through corruption or falsification. The Department described related focus on activities such as establishing data quality plans prior to collection, ensuring data is fit for its intended purpose, right sizing scope, and aligning necessary resources.

The Department has developed a Data Quality Playbook to provide easily deployable strategies to leverage when planning data collections associated with grant programs. While the primary audience for this playbook is grant staff, others can use it to improve data quality as it relates to their work. The playbook provides focus in critical areas such as identifying data uses, limitations, standards, and reporting expectations. It includes additional information on subject areas that include using technology to automate processes, providing technical assistance, and addressing data quality errors. It has also developed a Data Quality Plan template to assist users in performing this activity and has dedicated resources to provide technical assistance to users with this task. The Department maintains a centralized resource for users that provides access to guidance, training, and related resources in a single location.

The Department established related goals and has begun to see results relating to these efforts. It noted that all information collections submitted after April 2024 were expected to include a Data Quality Plan, in line with the provisions of the agency’s revision of the Information Quality Act Guidelines.. As of September 2024, Department offices had submitted six complete Information Collection Request packages with new Data Quality Plans.

### Data Quality Resources, Training, and Technical Assistance

The Department recognizes the importance of accessible information on data quality efforts and continues to maintain an Education Stabilization Fund online portal that includes guidelines, guidance, templates, references, and resources. Additionally, its related data quality policy is under review with the Department’s Data Governance Board and is expected to be finalized in early FY 2025.

The Department has developed specific training relating to the Data Quality Playbook and additional training that includes a data quality session for all Department staff that provides information on data quality concepts. This training explained OCDO initiatives on data quality, common causes of data quality issues and mitigation activities, and common red flags. The Department reported that the Data Quality Playbook training was offered quarterly with about 100 staff participating in FY 2024. It further noted that an on-demand version of the training was made available in September 2024.

The Department reported increases in the frequency and scope of Education Stabilization Fund grant pre-collection technical assistance and hands-on live grantee assistance throughout FY 2024. Specifically, OCDO provided technical assistance to staff representing the six programs that submitted Data Quality Plans.

Overall, the Department identified several ways to assess the results of its activities. This included access to training and technical assistance, timeliness of reporting, reduction in data errors, results of data quality studies, and an internal performance indicator in the Department’s FY 2022-2026 Strategic Plan.

## What the Department Needs to Do

It will be important for the Department to fully implement its enterprise-wide initiatives and to demonstrate the results of these efforts.

## Related OIG Reports

### Title

#### 90/10

[U.S. Department of Education’s Oversight and Reporting of Proprietary Institutions’ 90/10 Revenue Information \(A22NY0090, August 2023\)](#)

#### Charter Schools

[Effectiveness of Charter School Programs in Increasing the Number of Charter Schools \(A21IL0034, September 2022\)](#)

#### Data Act

[Performance Audit of the U.S. Department of Education’s Digital Accountability and Transparency Act of 2014 Fiscal Year 2020 Quarter 4 Financial and Award Data \(A21DC0032, November 2021\)](#)

#### Disaster Recovery

[Puerto Rico Department of Education’s Administration of the Temporary Emergency Impact Aid for Displaced Students Program \(A19GA0003, July 2022\)](#)

[Massachusetts Department of Elementary and Secondary Education’s Administration of the Temporary Emergency Impact Aid for Displaced Students Program \(A19NY0012, January 2022\)](#)

[Florida Department of Education’s Administration of the Temporary Emergency Impact Aid for Displaced Students Program \(A02T0006, January 2021\)](#)

[Texas Education Agency’s Administration of the Temporary Emergency Impact Aid for Displaced Students Program \(A02T0001, March 2020\)](#)

**Title**

**Experimental Sites Initiative**

[The Department’s Compliance with Experimental Sites Initiative Reporting Requirements \(I22DC0054, October 2022\)](#)

**Financial Reporting**

[FY 2023 U.S. Department of Education Financial Statement Audit \(A23FS0127, November 2023\)](#)

[FY 2023 Federal Student Aid Financial Statement Audit \(A23FS0128, November 2023\)](#)

[FY 2022 U.S. Department of Education Financial Statement Audit \(A22FS0064, January 2023\)](#)

[FY 2022 Federal Student Aid Financial Statements Audit \(A22FS006522, January 2023\)](#)

**Statewide Accountability**

[The Mississippi Department of Education’s Implementation of Selected Components of Mississippi’s Statewide Accountability System \(A22IL0091, March 2024\)](#)

## Management Challenge 4—Information Technology Security

The Federal Information Security Modernization Act of 2014 (FISMA) requires the OIG to assess the effectiveness of the agency’s information security program. FISMA mandates that this evaluation includes (1) testing of the effectiveness of information security policies, procedures, and practices of a representative subset of the agency’s information systems; and (2) an assessment of the effectiveness of the information security policies, procedures, and practices of the agency.

Through the Office of the Chief Information Officer (OCIO), the Department monitors and evaluates the contractor-provided IT (information technology) services through a service-level agreement framework and develops and maintains common business solutions required by multiple program offices. In addition to OCIO, FSA has its own chief information officer, whose primary responsibility is to promote the effective use of technology to achieve FSA’s strategic objectives through sound technology planning and investments, integrated technology architectures and standards, effective systems development, and production support.

### FY 2025 Assessment: Level 4—Significant Progress



We assessed the Department’s actions in response to this challenge at Level 4, or “Significant Progress.” The Department’s actions and plans included activities intended to improve IT security and expand related operational capabilities. This framework establishes a comprehensive plan that may effectively mitigate key elements of the challenge. Implementation is ongoing with improvements demonstrated in the results of our FISMA work. Completion of Zero-Trust Architecture implementation, which was identified as a priority corrective action, is expected in FY 2025. This will represent another significant improvement in the Department’s information security program.

### Why This Is a Challenge

The Department’s systems house millions of sensitive records on students, their parents, and others, and are used to process billions of dollars in education funding. These systems are primarily operated and maintained by contractors and are accessed by thousands of authorized people (including Department employees, contractor employees, and other third parties such as school financial aid administrators).

Considering increased occurrences of high-profile data breaches (public and private sector), the importance of safeguarding the Department’s information and information systems cannot be understated. Protecting this complex IT infrastructure from constantly evolving cyber threats is an enormous responsibility and challenge. Without adequate management and operational and technical security controls, the Department’s systems and information are vulnerable to attacks. Unauthorized access could result in lost data confidentiality and integrity, limited system availability, and reduced system reliability. For the last several years, IT security audits and financial statement audits have

identified security controls that need improvement to adequately protect the Department’s systems and data.

## Audits and Inspections Involving IT Security

As shown in Table 8, both the FY 2023 and FY 2024 FISMA reviews, performed by an independent public accountant with OIG oversight, determined that the Department’s overall IT security program and practices were effective as eight out of the nine FISMA domains met the requirements needed to operate at a Level 4 maturity rating.<sup>2</sup> Overall, the Department showed significant improvement by achieving higher core maturity levels for five of the nine metric domains (56 percent).<sup>3</sup> This specifically raised the maturity level to the highest possible value for supply chain risk management, configuration management, security training, information security continuous monitoring, and contingency planning.

**Table 8. Results of FISMA Reviews—FY 2023–2024 (Core Metrics Maturity Levels)**

Security Function and Metric Domain	FY 2023 Maturity Level	FY 2024 Maturity Level
<b>Identify: Risk Management</b>	Level 4 Managed and Measurable	Level 4 Managed and Measurable
<b>Identify: Supply Chain Risk Management</b>	Level 4 Managed and Measurable	Level 5 Optimized
<b>Protect: Configuration Management</b>	Level 4 Managed and Measurable	Level 5 Optimized
<b>Protect: Identity and Access Management</b>	Level 3 Consistently Implemented	Level 3 Consistently Implemented
<b>Protect: Data Protection and Privacy</b>	Level 4 Managed and Measurable	Level 4 Managed and Measurable
<b>Protect: Security Training</b>	Level 4 Managed and Measurable	Level 5 Optimized
<b>Detect: Information Security Continuous Monitoring</b>	Level 4 Managed and Measurable	Level 5 Optimized
<b>Respond: Incident Response</b>	Level 4 Managed and Measurable	Level 4 Managed and Measurable
<b>Recover: Contingency Planning</b>	Level 4 Managed and Measurable	Level 5 Optimized

<sup>2</sup> Within the context of FISMA, Level 4 (Managed and Measurable) is an effective level of maturity.

<sup>3</sup> Core metrics are assessed annually and represent a combination of Administration priorities, high impact security processes, and essential functions necessary to determine security program effectiveness. Supplemental metrics are assessed at least once every two years and represent important activities conducted by security programs and contribute to the overall evaluation and determination of security program effectiveness. In determining maturity levels and the overall effectiveness of the agency’s information security program, OMB strongly encourages IGs to focus on the results of the core metrics, as these tie directly to Administration priorities and other high-risk areas.

As shown in Table 9, recent FISMA reviews included findings across all (in FY 2023) or most (in FY 2024) of the cybersecurity framework security functions. However, the number of metric domains with findings decreased from six of nine in FY 2023 (66 percent) to three of nine in FY 2024 (33 percent).

**Table 9. Results of OIG FISMA Audits and Inspections—Cybersecurity Framework Security Functions and Metric Domains with New Findings**

Security Function and Metric Domain	FY 2023	FY 2024
Identify: Risk Management	Audit Finding	Audit Finding
Identify: Supply Chain Risk Management	-	-
Protect: Configuration Management	Audit Finding	-
Protect: Identity and Access Management	Audit Finding	Audit Finding
Protect: Data Protection and Privacy	Audit Finding	-
Protect: Security Training	-	-
Detect: Information Security Continuous Monitoring	Audit Finding	-
Respond: Incident Response	Audit Finding	-
Recover: Contingency Planning	-	Audit Finding

While the Department’s overall IT security program and practices were assessed to be effective in FY 2023 and FY 2024 based on review of the required FISMA metrics, recommendations were made in several areas where the Department could strengthen IT controls. We noted that until the Department improves in these areas, it cannot ensure that its overall information security program adequately protects its systems and resources from compromise and loss. In addition, we note that the Department’s technology environment is constantly evolving, bringing new threats and cybersecurity requirements. As technology environments evolve, it is important that the Department continues to ensure that it implements the respective security controls to protect its information and resources.

Recent audits of the Department’s financial statements, performed by an independent public accountant with OIG oversight, have repeatedly identified IT controls as a significant deficiency. In its FY 2023 report, the independent public accountant noted that FSA management demonstrated progress in implementing corrective actions to remediate some prior-year deficiencies, such as change and configuration management controls. However, they reported that management had not fully remediated prior-year deficiencies in areas such as logical access administration, separated or transferred user access removal, user access reviews and recertification, and computer operations.

The independent public accountant concluded that ineffective IT controls increases the risk of unauthorized use, disclosure, disruption, modification, or destruction of information and information

systems that could impact the integrity and reliability of information processed in the associated applications.

## Ongoing and Planned Work

Planned projects in this area will continue to determine whether the Department's and FSA's overall IT security programs and practices were generally effective as they relate to Federal information security requirements. Planned projects for FY 2025 include the Department's oversight and monitoring of IT inventory and the Department's oversight and management of its websites.

## Progress in Meeting the Challenge

We assessed the Department's actions in response to this challenge at Level 4, or "Significant Progress." The Department's actions and plans included activities intended to improve IT security and expand related operational capabilities. Overall, the framework establishes a comprehensive plan that may effectively mitigate key elements of the challenge. Implementation is ongoing and partial results have been demonstrated as shown in the results of our FISMA work.

## Improving IT Security

As noted in last year's report, the Department's "Fiscal Years 2022–2026 Strategic Plan" includes an IT-related objective and identifies implementation strategies that include strengthening its management of value-added technologies and evolving its cybersecurity capabilities. The Department also developed an "Information Resources Management Strategic Plan FY 2022–2026" that established how the Department will use information management resources to support its mission. This includes goals of strengthening the Department's ability to protect and safeguard data housed within its systems, optimizing its risk posture, and maturing its ability to identify, protect, detect, respond, and recover from cybersecurity threats. This plan includes objectives relating to enhancing capacity to manage cybersecurity risk, implementing enterprise controls to reduce risk, and maturing the Department's Security Operations Centers.

The Department identified implementation of a full Zero-Trust Architecture as a priority corrective action in response to this challenge. Zero-Trust Architecture is a security model based on the principle of least privilege to grant users and devices only the permissions they need to perform their tasks. This makes it more difficult for attackers to gain access to sensitive data. The Department noted that maturing its Zero-Trust Architecture implementation will ensure the Department remains on the forefront of emerging information security strategies and solutions to ensure that controls are continually integrated into its security program. The Department reported that maturity milestones and deliverables are managed and tracked with status reported periodically to OCIO leadership. It specifically reported making significant progress in migrating to a Zero-Trust Architecture through implementing multiple technological improvements, new policies, and an integrated master schedule.

## Expanding Operational Capacity

The Department again identified establishing and protecting dedicated lines of funding and personnel for the enterprise cyber and IT program as a second priority corrective action in response to this challenge. The Department indicated that this effort would address the inadequate funding for IT and cybersecurity along with the staffing cuts, lack of adequate recruitment and retention, and lack of

incentive pay flexibilities that hamper its efforts to compete with the Federal enterprise and private sector for cyber workforce. The Office of the Chief Information Officer stated that it was coordinating with the Department’s budget services on this effort.

## What the Department Needs to Do

As the Department continues its efforts to develop and implement an effective system of IT security controls, it will be important that it continues to focus on the timely and successful implementation of corrective actions in response to our audit work. It will also be important for the Department to continue its efforts to advance its Zero-Trust Architecture capabilities, as well as fully implement its identity, credential, and access management strategy.

## Related OIG Reports

### Title

#### FISMA Audits and Inspections

[U.S. Department of Education Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2024 \(A24IT0153, August 2024\)](#)

[The U.S. Department of Education’s Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2023 \(A23IT0118, September 2023\)](#)

#### Financial Statement Audits

[FY 2023 U.S. Department of Education Financial Statement Audit \(A23FS0127, November 2023\)](#)

[FY 2023 Federal Student Aid Financial Statement Audit \(A23FS0128, November 2023\)](#)

[FY 2022 U.S. Department of Education Financial Statement Audit \(A22FS0064, January 2023\)](#)

[FY 2022 Federal Student Aid Financial Statements Audit \(A22FS006522, January 2023\)](#)

## Appendix A. Abbreviations and Acronyms Used in this Report

BPO	Business Process Operations
DATA Act	Digital Accountability and Transparency Act
Department	U.S. Department of Education
ESSER	Elementary and Secondary School Emergency Relief
FAFSA	Free Application for Federal Student Aid
FFATA	Federal Funding Accountability and Transparency Act
FISMA	Federal Information Security Modernization Act of 2014
FPS	FAFSA Processing System
FSA	Federal Student Aid
FVT	Financial Value Transparency
FY	fiscal year
GAO	U.S. Government Accountability Office
GE	Gainful Employment
IT	information technology
LEA	local educational agency
OCDO	Office of Chief Data Officer
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OPE	Office of Postsecondary Education
SABER	Student Aid and Borrower Eligibility Reform Initiative
SEA	State educational agency
USDS	Unified Servicing and Data Solution

# Department Comments



## UNITED STATES DEPARTMENT OF EDUCATION OFFICE OF FINANCE AND OPERATIONS

November 12, 2024

TO: Sandra D. Bruce  
Inspector General  
U.S. Department of Education

FROM: Richard J. Lucas RICHARD LUCAS Digitally signed by RICHARD LUCAS  
Date: 2024.11.12 14:03:53 -05'00'  
Delegated the Duties of the Assistant Secretary,  
Office of Finance and Operations, and Chief Financial Officer

SUBJECT: Response to Office of Inspector General Draft Report,  
"FY 2025 Management Challenges Facing the U.S. Department of Education"

We appreciate the opportunity to review the Office of Inspector General (OIG) draft report, *FY 2025 Management Challenges Facing the U.S. Department of Education* and would like to thank OIG for its communication and collaboration on management challenges during FY 2024.

The Department values the OIG's perspective on risks and vulnerabilities related to programs and operations. We appreciate OIG acknowledging the Department's progress in addressing management challenges by removing three of the seven FY 2024 challenges, as well as by recognizing our progress in addressing each of the remaining four challenges. Overall, the four challenges identified by OIG for FY 2025 are well-aligned with the Department's own assessment of enterprise risks and respective targeted management efforts.

Our coordination strategy to address OIG management challenges, adopted in FY 2023, was instrumental in achieving the success evidenced by removal of three challenges and our continued progress in addressing the remaining four challenges recognized in the draft report. We will continue to leverage this strategy – with its emphasis on identifying prioritized corrective actions in response to this report, tracking the status of those actions, and proactively communicating our progress to OIG – in our FY 2025 coordination efforts.

We look forward to continued communication and collaboration with OIG on these issues.

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