

**Department of Education**  
**OFFICE OF THE INSPECTOR GENERAL**  
**Fiscal Year 2009 Budget Request**

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OFFICE OF THE INSPECTOR GENERAL

For expenses necessary for the Office of the Inspector General, as authorized by section 212 of the Department of Education Organization Act, [\$51,753,000] \$54,539,000. (*Department of Education Appropriations Act, 2008.*)

OFFICE OF THE INSPECTOR GENERAL

Amounts Available for Obligation  
(\$000s)

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|  | 2007         | 2008        | 2009     |
|--|--------------|-------------|----------|
| Discretionary authority:                       |              |             |          |
| Appropriation                                  | \$48,802     | \$51,753    | \$54,539 |
| Across-the-board reduction                     | <u>0</u>     | <u>-904</u> | <u>0</u> |
| Subtotal, appropriation                        | 48,802       | 50,849      | 54,539   |
| Transfer from Student Aid Administration       | <u>1,464</u> | <u>0</u>    | <u>0</u> |
| Subtotal, adjusted discretionary appropriation | 50,266       | 50,849      | 54,539   |
| Unobligated balance expiring                   | <u>-71</u>   | <u>0</u>    | <u>0</u> |
| Total, direct obligations                      | 50,195       | 50,849      | 54,539   |

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**OFFICE OF THE INSPECTOR GENERAL**

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

|   | 2007          | 2008          | 2009          |
|---|---------------|---------------|---------------|
| 11.10 Full-time permanenet.....           | \$22,945      | \$25,230      | \$26,712      |
| 11.31 Full-time temporary.....            | 1,146         | 285           | 487           |
| 11.32 Part-time.....                      | 17            | 95            | 97            |
| 11.51 Overtime.....                       | 1,813         | 0             | 0             |
| 11.52 Awards.....                         | 130           | 366           | 400           |
| Compensation subtotal.....                | <u>26,051</u> | <u>25,976</u> | <u>27,696</u> |
| 12.00 Benefits.....                       | 8,172         | 8,967         | 9,623         |
| 13.00 Benefits for former personnel.....  | 50            | 0             | 0             |
| Comp/benefits subtotal.....               | 34,273        | 34,943        | 37,319        |
| 21.00 Travel.....                         | 1,386         | 1,823         | 2,044         |
| 22.00 Transportation of things.....       | 37            | 2             | 2             |
| 23.10 Rental payments to GSA.....         | 4,253         | 4,669         | 4,885         |
| 23.31 Communications.....                 | 705           | 581           | 394           |
| 23.32 Postage/fees.....                   | 25            | 7             | 6             |
| Subtotal 23.....                          | <u>4,983</u>  | <u>5,257</u>  | <u>5,285</u>  |
| 24.00 Printing and reproduction.....      | 13            | 16            | 16            |
| 25.10 Advisory and assistance services... | 1,764         | 2,505         | 2,781         |
| 25.21 Other services.....                 | 580           | 833           | 901           |
| 25.22 Training/tuition contracts.....     | 314           | 505           | 549           |
| 25.23 Field readers.....                  | 0             | 0             | 0             |
| 25.30 Goods/services from Gov't.....      | 2,466         | 1,396         | 1,434         |
| 25.40 Operations/maint of facilities..... | 0             | 0             | 0             |
| 25.70 Operations/maint of equipment.....  | 340           | 169           | 276           |
| 25.72 IT services/contracts.....          | 3,086         | 2,522         | 2,882         |
| Subtotal 25.....                          | <u>8,550</u>  | <u>7,930</u>  | <u>8,823</u>  |
| 26.00 Supplies.....                       | 191           | 170           | 175           |
| 31.10 IT equipment/software.....          | 520           | 320           | 638           |
| 31.30 Other equipment.....                | 109           | 37            | 37            |
| Subtotal 31.....                          | <u>629</u>    | <u>357</u>    | <u>675</u>    |
| 32.00 Building alterations.....           | 133           | 351           | 200           |
| 43.10 Prompt payment interest.....        | 0             | 0             | 0             |
| Total, Obligations.....                   | <u>50,195</u> | <u>50,849</u> | <u>54,539</u> |

**OFFICE OF THE INSPECTOR GENERAL**

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

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|                 |               |
|-----------------|---------------|
| 2008.....       | \$50,849      |
| 2009.....       | <u>54,539</u> |
| Net change..... | +3,690        |

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|  | <u>2008 base</u> | <u>Change from base</u> |
|--|------------------|-------------------------|
| <b>Increases:</b>  |                  |                         |
| <u>Built in:</u>   |                  |                         |
| Increase in personnel compensation for current staff for annualization of the enacted 3.5 percent FY 2008 pay raise and proposed 2.9 percent FY 2009 pay raise.  | \$25,505         | +\$481                  |
| Increase in benefits for OIG's share of health, retirement, and other benefits.  | 8,967            | +656                    |
| Increase in GSA rental payments primarily due to regional relocations to higher-cost buildings.  | 4,669            | +216                    |
| <u>Program:</u>  |                  |                         |
| Increase in personnel compensation and benefits for 10 additional FTE, for a total staff level of 280 FTE.   | 0                | +1,310                  |
| Increase in travel, primarily for new staff.   | 1,823            | +221                    |
| Increase in advisory and assistance services, for quality control reviews of audits submitted to the Department by grantees, and training for the independent public accountants who prepare those audits. | 0                | +526                    |
| Increase in communications, IT processing services/contracts and equipment for OIG's share of the Department's network support, IT security, Internet contracts, and alternate site.                       | 3,211            | +382                    |

OFFICE OF THE INSPECTOR GENERAL

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

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|  | <u>2008 base</u> | <u>Change<br/>from base</u> |
|--|------------------|-----------------------------|
| <b>Increases:</b>  |                  |                             |
| <u>Program:</u>  |                  |                             |
| Increase in information technology equipment and software for equipment necessary to meet the unique requirements of OIG and therefore not included in central IT expenses.          | \$82             | +\$278                      |
| Increase in operations and maintenance of equipment for the Information Technology Audits and Computer Crime Investigations staff.   | 169              | +107                        |
| Increase in training for current and new staff.  | 505              | +44                         |
| Increase in employee awards.   | 366              | <u>+34</u>                  |
| Subtotal, increases  |                  | +4,255                      |
| <b>Decreases:</b>  |                  |                             |
| <u>Program:</u>  |                  |                             |
| Decrease in advisory and assistance contracts from audits of the Department's financial statements due to efficiencies developed by the auditors in the second year of the contract. | 2,355            | -275                        |
| Decrease in personal compensation due to one less paid day in 2009.  | 105              | -105                        |
| Decrease in building alterations due to the completion of several office renovation projects in 2008.  | 351              | -151                        |
| Net decreases in other areas.  | 2,741            | <u>-34</u>                  |
| Subtotal, decreases  |                  | -565                        |
| Net change   |                  | +3,690                      |

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**OFFICE OF THE INSPECTOR GENERAL**

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

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| Activity                              | 2008<br>Authorized | 2008<br>Estimate | 2009<br>Authorized | 2009<br>Request |
|---------------------------------------|--------------------|------------------|--------------------|-----------------|
| Inspector General (DEOA, Section 212) | Indefinite         | \$50,849         | Indefinite         | \$54,539        |

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OFFICE OF THE INSPECTOR GENERAL

Appropriations History  
(\$000s)

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|                              | Budget<br>Estimate<br>to Congress | House<br>Allowance | Senate<br>Allowance | Appropriation                 |
|------------------------------|-----------------------------------|--------------------|---------------------|-------------------------------|
| 2000                         | \$34,000                          | \$31,242           | \$34,000            | \$34,000                      |
| 2001                         | 36,500                            | 34,000             | 35,456              | 36,411                        |
| 2002                         | 38,720                            | 38,720             | 38,720              | 38,588                        |
| 2003                         | 42,361                            | 41,000             | 41,000              | 40,734                        |
| 2004                         | 48,137                            | 48,137             | 37,661              | 46,624                        |
| 2005                         | 50,576                            | 7,790              | 50,576              | 47,327                        |
| 2006                         | 49,408                            | 49,000             | 49,408              | 48,510                        |
| 2007<br>Transfer (PL 110-05) | 53,145                            | N/A <sup>1</sup>   | N/A <sup>1</sup>    | 48,802 <sup>1</sup><br>+1,464 |
| 2008                         | 53,239                            | 53,239             | 54,239              | 50,849                        |
| 2009                         | 54,539                            |                    |                     |                               |

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<sup>1</sup> This account operated under a full-year continuing resolution (P.L. 110-05). House and Senate Allowance amounts are shown as N/A (Not Available) because neither body passed a separate appropriations bill.

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## OFFICE OF THE INSPECTOR GENERAL

### Significant Items in FY 2008 Appropriations Reports

#### Conflicts of Interest or Bias

House: The Committee requires the Secretary to implement procedures to vet conflicts of interest or bias among those who administer, or assist in the administration of, the Department's programs; requires the Inspector General (IG) to certify to the Committee the adequacy of such procedures and to conduct at least one audit within one year to ensure that the procedures are properly implemented and that they have proven to be adequate.

Conference: The Conferees direct the Secretary to implement Departmental procedures for the maintenance of integrity and ethical values within 30 days of the enactment of this Act as follows: 1) to assess whether a covered individual or entity has a potential financial interest in, or bias towards, a product or service purchased with, or guaranteed or insured by, funds administered by the Department or a contracted entity of the Department; and 2) to disclose the existence of any such potential financial interest or bias. Within 30 days, after the implementation of the procedures described above, the IG shall report to the Committees on Appropriations of the House of Representatives and the Senate on the adequacy of such procedures. Within one year, the IG shall conduct at least one audit to ensure that such procedures are properly implemented and are adequate to uncover and disclose the existence of potential financial interest or bias. In addition, the IG shall report any recommendations for modifications to such procedures that the IG determines are necessary to uncover and disclose the existence of such potential financial interests or bias.

Response: The Department will comply with the directive to implement procedures for the maintenance of integrity and ethical values within the Department and the IG will report to the Committee as directed.

**OFFICE OF THE INSPECTOR GENERAL**

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**Inspector General**

(DEOA, section 212)

FY 2009 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

|                     | <u>2008</u>   | <u>2009</u>   | <u>Change</u> |
|---------------------|---------------|---------------|---------------|
| Personnel costs     | \$34,943      | \$37,319      | +\$2,376      |
| Non-Personnel costs | <u>15,906</u> | <u>17,220</u> | <u>+1,314</u> |
| Total               | 50,849        | 54,539        | +3,690        |
| <br>                |               |               |               |
| FTE                 | 270           | 280           | +10           |

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**PROGRAM DESCRIPTION**

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

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

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

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

**OFFICE OF THE INSPECTOR GENERAL**

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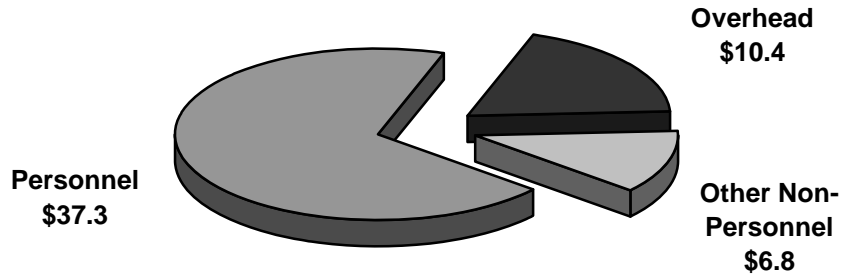
Funding levels for the past 5 fiscal years were:

|           |          |
|-----------|----------|
|           | (\$000s) |
| 2004..... | \$46,624 |
| 2005..... | \$47,327 |
| 2006..... | \$48,510 |
| 2007..... | \$50,266 |
| 2008..... | \$50,849 |

**FY 2009 BUDGET REQUEST**

For the Office of the Inspector General in FY 2009, \$54.539 million is requested. Approximately 68 percent of this amount, or \$37.319 million, is for personnel compensation and benefits to support a staffing level of 280 FTE. Of the \$17.220 million for non-personnel costs, 61 percent, or \$10.421 million, is for OIG’s administrative and overhead services, such as rent, postage/fees, telecommunications, payroll processing, and information technology services contracts.

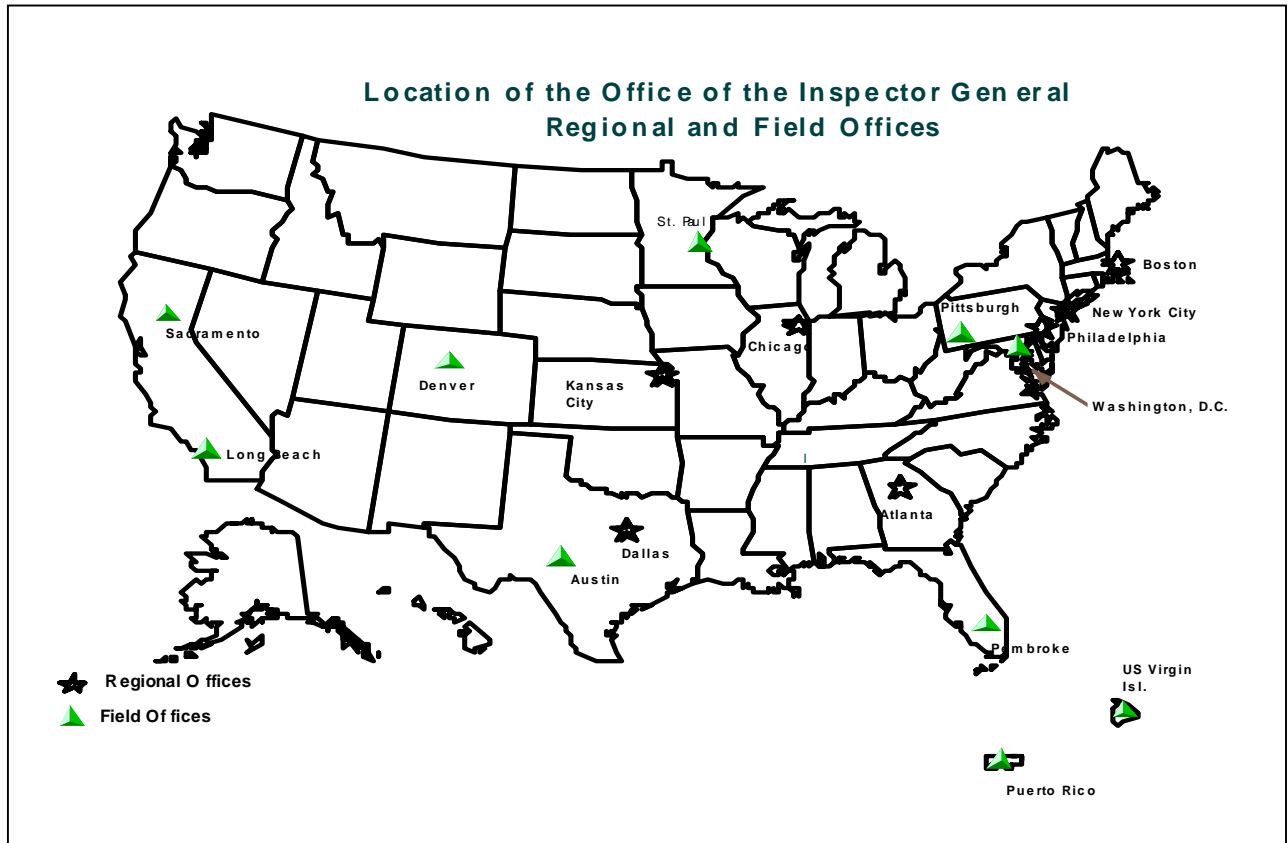
**FY 2009 Distribution of Costs  
(\$ in millions)**



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

OIG operates from 16 regional and field offices, as well as headquarters. 180 FTE, or 64 percent of OIG’s staff, are assigned to regional offices, field offices, or flexiplace locations in New York, Boston, San Juan, US Virgin Islands, Philadelphia, Washington, Atlanta, Chicago, St. Paul, Dallas, Austin, Kansas City, Denver, Sacramento, Los Angeles, Pittsburgh, and Pembroke Pines, Florida. The remaining 100 employees are located in headquarters.

## OFFICE OF THE INSPECTOR GENERAL



### 2009 Priorities and Initiatives

OIG's strategic goals include improving the Department's programs and operations, protecting the integrity of the Department's programs and operations, and ensuring quality and excellence within the OIG organization. OIG will meet these goals by choosing the most important areas on which to focus resources, examining those areas through audits, investigations, inspections, human capital planning, and other activities to identify opportunities for improvement and any problems or deficiencies, communicating the results, through reports, to the people who need the information, and monitoring the results of the work to ensure issues are addressed.

The 2008 OIG draft work plan has six high priority areas. These are:

- Student Financial Assistance Programs and Operations, including internal controls, management of IT assets and IT security, oversight of lenders and other participants in the student aid programs, safeguarding student information, selected high-risk recipients, and special allowance payments;
- Information Technology Security and Management, including compliance with FISMA requirements, IT system security controls at the Department and FSA, integration of information systems, and management of data centers and IT infrastructure;

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- New Programs and Programs Nearing Reauthorization, including selected special education (IDEA) programs and participants, Academic Competitiveness Grants and National Science and Mathematics Access to Retain Talent (SMART) Grants, selected Adult Education and Family Literacy Act programs, and new programs authorized by the College Cost Reduction and Access Act;
- Grantee and Contract Awards, Performance and Monitoring, including selected high-risk grantees, selected contracts and contractors, monitoring of sub-grant recipients, and compliance with Federal procurement requirements by selected State and local educational agencies;
- Data Integrity, including determination of improper payments, controls over data quality, implementation of OMB's Circular A-123 (Management's Responsibility for Internal Control), and the Program Assessment Rating Tool (PART) process; and
- Human Resources, including human capital planning, workforce succession planning, recruitment, hiring, and retention actions, and selected benefits programs.
- Required Reviews - in addition to the 6 high-priority areas, OIG is required to perform audits of the Department's and FSA's financial statements and special purpose financial statement, the accounting for drug control funds, and intragovernmental activities and balances; perform quality reviews of Single Audits received by the Department; prepare and issue guidance for non-Federal auditors, and provide technical assistance and cognizant agency activities for Single Audits.

### Personnel Costs

The budget request of \$37.319 million in personnel compensation and benefits is an increase of \$2.376 million above the FY 2008 level. \$1.032 million of the increase covers built-in costs for annualization of the 3.5 percent governmentwide FY 2008 pay raise, and the proposed 2.9 percent governmentwide FY 2009 pay raise, and the increased cost of benefits for the current staff level of 270 FTE, offset by a decrease of 1 paid day. The request will also cover the special law enforcement availability pay rates (required by the Treasury, Postal Service and General Government Appropriations Act, 1995) to be paid to investigators who are required to be accessible during hours that are not part of the regular work week.

\$1.310 million is requested for a staff increase of 10 FTE. Because of funding restraints in 2008, OIG could not replace all employees who left in 2007 and 2008. The requested 10 additional FTE would raise the FTE level to 280 in 2009, restoring the staff level to slightly below the 2007 level of 282 FTE. Without the additional staff, OIG will need to curtail the numbers of audits and investigations to be performed. This would limit the information about program operations and effectiveness available to the Department's managers.

OIG's 280 FTE will support audit, investigation, and inspection activities, as well as information technology audits and computer crime investigations (cyber security). Through these activities, OIG helps to ensure quality and excellence in Departmental programs, for which the

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discretionary budget will exceed \$57 billion in 2008; as well as help to oversee the management of a student loan portfolio of \$487 billion in 2009.

### Audit Services

The planned staffing level for Audit Services is 132 FTE. OIG's planned work each year includes internal audits of the Department's controls and oversight of its programs, and external audits of the recipients of Department funds and of those participating in its programs. OIG's audit efforts will continue to support the President's Management Agenda, the Department's strategic goals, and its management improvement efforts.

OIG prioritizes its planned audits within the six high-priority areas based on risks associated with the programs and operations, and on available resources.

In addition to the high-priority areas, Audit Services staff also conducts work that is required to be performed annually by statute or other authority. Portions of the major programs, such as the Student Financial Assistance programs, and those authorized under the Elementary and Secondary Education Act, including No Child Left Behind initiatives, are generally reviewed each year. Depending on resource availability, OIG also provides coverage to some of the smaller, but no less significant programs, such as special education, adult education, and the various discretionary grant programs.

Audit Services also provides oversight for the audit of the Department's and Federal Student Aid's financial statements audits. Audit Services develops audit guidance and provides training to independent public accountants (IPAs) who perform audits of education funds provided to grantees and other recipients, as well as compliance audits of postsecondary institutions. OIG performs quality control reviews of the audits performed by IPAs, increasing assurance that the funds provided are being appropriately accounted for and used for the purposes intended.

If the requested additional staff is not provided, OIG will focus on only the highest priority areas, greatly reducing assurance that the Department is effectively managing its programs, and that program funds are being spent by the Department and by the recipients of its funds. In 2008, the number of audits and quality control reviews is expected to be curtailed by the staffing level.

### Investigation Services

The planned staffing level for Investigation Services is 89 FTE, including staffing for the Hotline. OIG continues to conduct a program of criminal and civil investigations that focuses primarily on the largest programs administered by the Department. This includes institutions (lenders, guaranty agencies, servicers, and schools) participating in the student financial assistance programs. Investigating institutions is complex, resource intensive, and thus expensive. However, pursuit of these cases is much more effective than targeting individual student beneficiaries of these programs, because larger amounts of program dollars are at risk, and fraud in these programs deprives truly eligible and needy students of limited education funds. To those who participate in the programs, OIG's work puts them on notice that if they engage in fraudulent activity they will be caught. Identity theft continues to be a high priority.

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In addition, OIG investigates allegations of fraud and corruption in State agencies and local school districts, including charter schools. Lack of oversight at the State and local level has resulted in significant vulnerabilities in these programs. In 2006, 30 percent of the investigations opened by OIG involved fraud related to elementary and secondary education funding.

In recent years, OIG has received a declining level of support in investigations from other law enforcement agencies, such as the FBI. Because of this, more of the investigative workload has been borne by OIG's own investigators. If the requested additional staff is not provided, OIG will limit investigations in 2009 to only the highest-priority allegations. Investigations of misuse of elementary and secondary funds would likely be curtailed.

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

The planned staffing level for ITACCI is 24 FTE. This staffing level will allow OIG to provide the appropriate level of expertise needed in information technology (IT) to conduct audits of the Department's systems and operations, investigate cyber crime, and provide support for investigative activities.

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

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

FISMA efforts will include assessing the Department's overall compliance with the information security provisions of the Act and related information security standards identified with the Office of Management and Budget (OMB) reporting guidelines. OIG will also evaluate the security performance of the Department's mission-critical and supportive systems by reviewing the effectiveness of general and technical IT security controls. In addition, OIG will continue to evaluate the Department's information security plans, programs, and practices.

### Evaluation, Inspection and Management Services

The planned staffing level for the Evaluation, Inspection and Management Services group is 26 FTE. This staff enhances OIG's ability to provide quick, timely information to program managers and to provide greater coverage of Department activities with comparatively fewer resources by using alternative review methods and evaluation techniques. The Evaluation and Inspections group also frequently identifies good practices at other Federal agencies and shares that information with the Department as part of its inspection reports, such as the review of knowledge management activities at other Federal agencies. This unit has enabled OIG to expand its ability to provide prompt feedback to Department managers on a wide range of

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Department activities. Management Services provides administrative support including personnel, budget, procurement, and IT operations for OIG's nationwide activities.

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

The planned staffing level for the Immediate Office, which includes the Counsel to the IG and the Special Investigations Unit, is 9 FTE. The Counsel to the IG's Office includes three attorneys, who provide legal advice and representation to all components of OIG, and a public affairs / congressional liaison with responsibility for all press and congressional matters. The Special Investigations Unit resolves sensitive allegations involving senior level employees and conducts internal reviews.

### **Non-Personnel Costs**

The OIG request includes \$17.220 million for non-personnel costs, an increase of \$1.314 million over FY 2008. Of the total, \$10.421 million is for Departmental centralized services and \$6.799 million is for other non-personnel costs. The requested resources will allow OIG to identify improvements needed in Department programs and operations and investigate significant instances of fraud, waste and abuse. The non-personnel costs also will support the financial statements audit contract in FY 2009.

### Departmental Centralized Services

OIG's request of \$10.421 million for overhead will cover a variety of costs. The major items included in overhead costs are: rent, interagency agreements for services such as payroll processing, guard services, and security investigations, communications, and IT services and contracts. The communications and IT amounts will be used primarily for the EDUCATE contract, which covers telecommunications, IT processing services, network support, end-user support, maintenance, and improvements. Rent and the EDUCATE contract use 77 percent of the centralized services resources.

### **Non-Pay Centralized Services**

(Dollars in 000s)

| <b>Item</b>                          | <b>2008 Revised</b> | <b>2009 Request</b> | <b>Difference</b> |
|--------------------------------------|---------------------|---------------------|-------------------|
| Rent                                 | \$4,669             | \$4,885             | \$216             |
| IT services, contracts and equipment | 2,745               | 3,150               | 405               |
| Interagency agreements               | 1,160               | 1,146               | (14)              |
| Communications                       | 537                 | 347                 | (190)             |
| Other                                | 930                 | 893                 | (37)              |
| <b>Non-Pay Centralized Services</b>  | <b>10,041</b>       | <b>10,421</b>       | <b>380</b>        |



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### Other Non-Personnel Costs

#### Travel

OIG is requesting \$2.044 million in travel funds, \$221,000 more than the 2008 level, primarily for travel for the additional staff. The majority of OIG's travel is directly associated with audits and investigations. At this funding level, OIG will streamline carrying out nationwide audits and investigations, inspections, and other related work. Most OIG audit and investigative work involves travel to State education agencies, schools, guaranty agencies, or single beneficiaries that are recipients of Federal education funds. Since few schools, guaranty agencies, or single beneficiary cases are located in the cities where OIG has staff, it is necessary for regional audit and investigations staff to travel to the work site to ensure the financial integrity of the Department's programs.

#### Advisory and Assistance Services

In order to fulfill its statutory audit responsibilities, assist the Department in obtaining an unqualified opinion on its financial statements, and support the Department's strategic objective of developing and maintaining financial integrity and management and internal controls, OIG is requesting \$2.080 million, \$275,000 less than the 2008 level, to contract for the audit of the departmentwide fiscal year 2009 financial statements. The contract cost reduction reflects efficiencies to be developed by the contractor, Ernst & Young, during the second year of the contract. Additional funding for this contract is included in the Student Aid Administration account.

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

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

An additional \$368,000 will fund a contract for quality control reviews of audits performed by independent public accountants for the Department's grantees. Program staff rely on these independent audits to monitor compliance by grantees. OIG is also requesting \$158,000 for a contract to train these independent public accountants about the requirements for performing audits for grantees.

OIG is requesting \$150,000 to contract for systems security audits to evaluate the security performance of the Department's critical systems and to assess the Department's overall compliance with information security standards.

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\$25,000 is requested for miscellaneous small contracts.

### Training

OIG is requesting \$549,000 for staff training, including \$100,000 included in the central support expenses budget. OIG routinely examines the skills and knowledge needed by its entire staff and develops individual training plans to address identified skill gaps. Based upon its succession and leadership plans, OIG requires training funds to build the skills within its workforce to address future management and leadership requirements. In addition, OIG auditors and investigators must fulfill extensive professional training requirements. Such courses given by professional organizations are generally expensive. This amount will cover the full costs of review courses and examinations to obtain professional certifications, such as Certified Public Accountant, Certified Information Systems Auditor, Certified Government Financial Manager, etc. OIG also has broad-based IT skill development requirements primarily due to the crosscutting nature of the IT environment encountered within the Department and its e-Government initiatives. As new IT technologies emerge, training becomes even more critical to maintaining up-to-date skills and knowledge. New computer threat techniques and weaknesses continually evolve and IT personnel must remain diligent in maintaining an expert knowledge base of all IT technologies.

### Operations and Maintenance of Equipment

OIG is requesting an increase of \$107,000, to \$276,000, to support software maintenance agreements and software license renewals for the Information Technology Audits and Computer Crime Investigations staff. This amount also covers a separate forensic media analysis network not covered by the EDUCATE contract, to be used for evaluation and assessment of the Department's FISMA compliance.

### IT Equipment and Software

The \$360,000 requested for non-centralized IT equipment and software purchases is an increase of \$278,000 from 2008. This request is consistent with OIG's 5-year IT plan. These funds will be used, through the EDUCATE contract, to purchase IT equipment and software for the 20 new employees, upgrade or replace equipment and software for some current staff, and support renewal of licenses for software that supports audit, investigative, and inspection activities. It includes funds for items, such as wireless network cards for laptops, that are not part of the standard EDUCATE configuration, and therefore not included in the centralized budget request. Purchases of IT equipment that do meet the standard configuration under the EDUCATE contract are included in the Central Information Technology request.

### Interagency Agreements

OIG's request includes \$288,000 for a variety of services provided by other Federal agencies, such as pre-employment medical examinations for criminal investigators, and specialized auditor and investigator training.

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### Building Alterations

OIG's request includes \$200,000 in non-centralized building alterations costs for special projects, such as evidence storage rooms, special agent gear lockers, and cipher locks.

### PROGRAM OUTPUT MEASURES

|   | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|---|-------------|-------------|-------------|
| Reports and other products issued by OIG auditors | 87          | 82          | 85          |
| Quality control reviews on non-Federal audits     | 83          | 75          | 80          |
| Financial statements audited                      | 3           | 3           | 3           |
| Criminal investigations completed                 | 137         | 125         | 130         |
| Complaints referred                               | 2,583       | 2,850       | 3,100       |
| Hotline calls processed                           | 5,720       | 6,000       | 6,300       |
| Inspections and other reports                     | 5           | 5           | 6           |

### PROGRAM PERFORMANCE INFORMATION

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

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

### FY 2006 OIG Performance Report

#### **Performance Measures**

This section presents selected performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving results. Achievement of results is based upon the cumulative effect of the resources provided in previous years and those requested in FY 2009.

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**Goal:** To promote the efficiency, effectiveness, and integrity of the Department's programs and operations by conducting independent and objective audits, investigations, inspections, and other activities.

**Objective:** To improve the Department's programs and operation.

| <b>Measure:</b> The percentage of significant recommendations accepted by the Department each year. |               |                                      |                 |
|---|---------------|--------------------------------------|-----------------|
| <b>Year</b>   | <b>Target</b> | <b>Actual<br/>(or date expected)</b> | <b>Status</b>   |
| 2005  | 70%           | 78%                                  | Target Exceeded |
| 2006  | 70%           | 87%                                  | Target Exceeded |
| 2007  | 70%           | 92%                                  | Target Exceeded |
| 2008  | 70%           | (October 2008)                       | Pending         |
| 2009  | 70%           | (October 2009)                       | Pending         |

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

| <b>Measure:</b> The percentage of written reports that meet OIG timeliness standards. |               |                                      |                               |
|---|---------------|--------------------------------------|-------------------------------|
| <b>Year</b>   | <b>Target</b> | <b>Actual<br/>(or date expected)</b> | <b>Status</b>                 |
| 2005  | 75%           | 67%                                  | Made Progress from Prior Year |
| 2006  | 75%           | 84%                                  | Target Exceeded               |
| 2007  | 75%           | 84%                                  | Target Exceeded               |
| 2008  | 75%           | (October 2008)                       | Pending                       |
| 2009  | 75%           | (October 2009)                       | Pending                       |

**Assessment of progress:** Between 2005 and 2006, OIG made considerable progress in the issuance of reports within the timeframes specified by OIG's internal policies for each type of report, and maintained that progress in 2007.

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**Objective:** To protect the integrity of the Department's programs and operations.

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

| Year | Target | Actual<br>(or date expected) | Status                           |
|------|--------|------------------------------|----------------------------------|
| 2005 | 125%   | 120%                         | Made Progress from<br>Prior Year |
| 2006 | 100%   | 111%                         | Target Exceeded                  |
| 2007 | 100%   | 112%                         | Target Exceeded                  |
| 2008 | 100%   | (October 2008)               | Pending                          |
| 2009 | 100%   | (October 2009)               | Pending                          |

**Assessment of progress:** Monetary recoveries are those reported in the OIG Semiannual Reports. Because the amounts may vary significantly year to year, OIG uses a 5-year rolling average for performance measurement. In 2005, OIG reduced the performance target, based on historical trends. In 2006 and 2007, the revised target was exceeded.

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