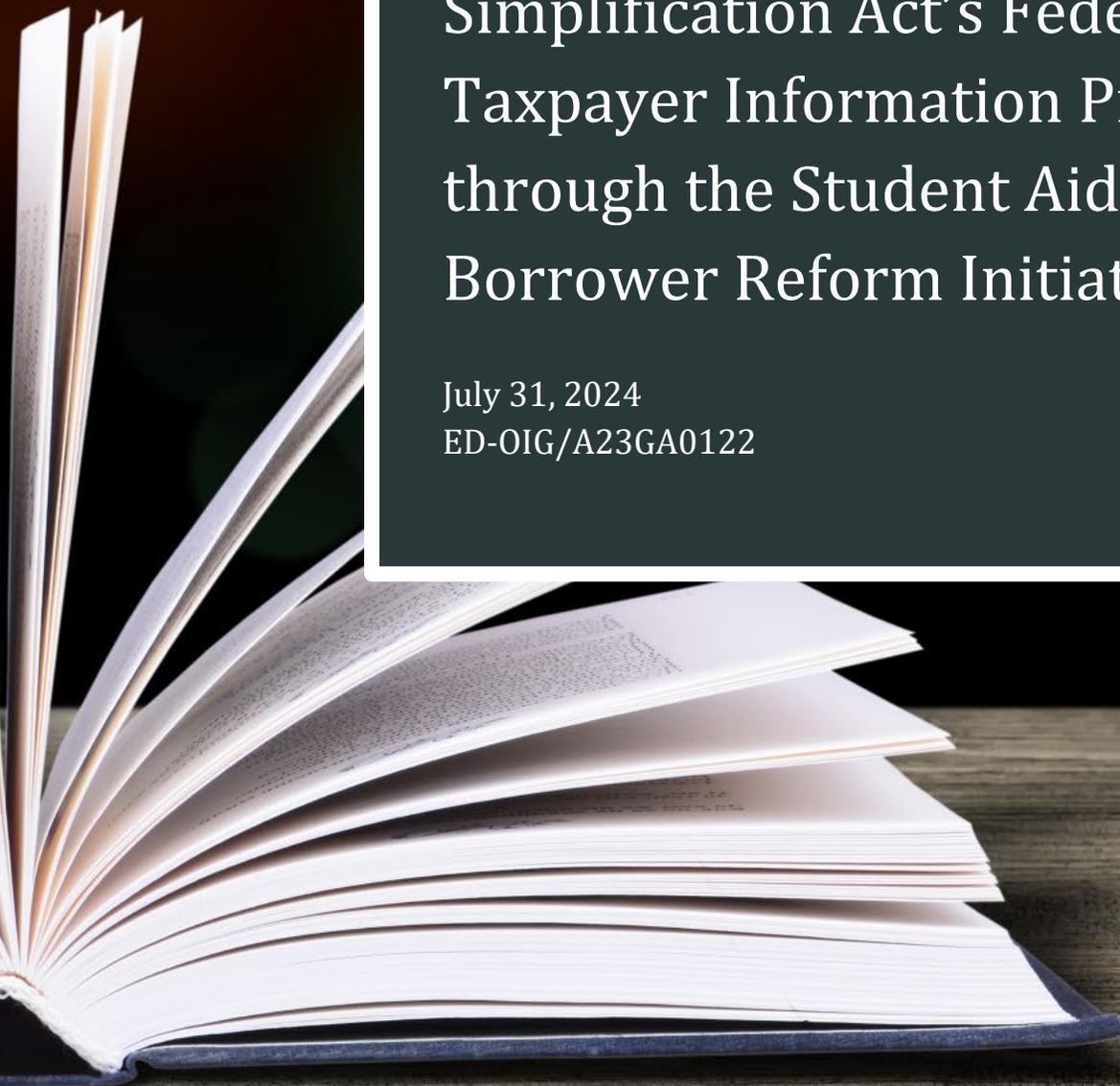U.S. Department of Education
Office of Inspector General

FSA's Implementation of the FUTURE Act and FAFSA Simplification Act's Federal Taxpayer Information Provisions through the Student Aid and Borrower Reform Initiative

July 31, 2024
ED-OIG/A23GA0122

NOTICE

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

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

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

July 31, 2024

TO: Denise Carter
Acting Chief Operating Officer
Principal Deputy Chief Operating Officer
Federal Student Aid

FROM: Sean Dawson /s/
Assistant Inspector General for Audit

SUBJECT: Final Audit Report, "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," Control Number ED-OIG/A23GA0122

Attached is the subject final audit report that consolidates the results of our review of 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. We have provided an electronic copy to your audit liaison officer. We received your comments agreeing with two recommendations, generally agreeing with three recommendations, and disagreeing with one recommendation in our draft report.

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

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on recommendations that have not been completed after 6 months from the date of issuance.

We appreciate your cooperation during this review. If you have any questions, please contact Selina Boyd at (404) 974-9424 or Selina.Boyd@ed.gov.

Attachment

Results in Brief

FSA's Implementation of the FUTURE Act and FAFSA Simplification Act's Federal Taxpayer Information Provisions through the Student Aid and Borrower Reform Initiative

Why the OIG Performed This Audit

The Student Aid and Borrower Eligibility Reform (SABER) initiative is a multi-project plan to address the legislative changes within the Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act and the Free Application for Federal Student Aid (FAFSA) Simplification Act by implementing critical changes to Federal Student Aid (FSA) systems and processes. FSA created the SABER initiative to coordinate project implementation teams that depend on each other to make the critical changes work together and to protect applicant and borrower information by safeguarding FSA systems and processes.

The FAFSA Simplification Act represented a significant overhaul of the processes and systems used by FSA to award federal student aid starting with the 2024–2025 award year. This included revising the FAFSA form, need analysis, and many policies and procedures for schools that participate in federal student aid programs. According to FSA's SABER Initiative Charter, the SABER initiative aligns with FSA's strategic goals by modernizing the FAFSA form to improve the customer experience, automate processes, and ultimately reduce borrower default.

The objective of our audit was to determine whether FSA was effectively implementing the FUTURE Act and the FAFSA Simplification Act provisions pertaining to Federal Tax Information (FTI) through the SABER initiative.

What Did the OIG Find?

FSA did not effectively implement the FUTURE Act and the FAFSA Simplification Act provisions pertaining to FTI through the SABER initiative. Overall, FSA did not effectively perform implementation activities for the four FTI-related SABER systems that we reviewed in accordance with some of the processes for monitoring project costs and budgets, monitoring contracts, and managing risks that FSA established as part of an effective systems implementation framework because it did not always perform key steps or could not provide sufficient evidence to support completion of such key steps. Specifically, 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.

For the Internal Revenue System (IRS) Publication 1075 "Tax Information Security Guidelines for Federal, State, and Local Agencies" security requirements that the IRS required FSA to implement prior to allowing the transfer of FTI to FSA systems, we found that FSA established and followed a plan to ensure that the security requirements were implemented. Additionally, we found that FSA adhered to its change management process for two FTI systems for which we tested a sample of one contract modification for each.

What Is the Impact?

Not performing the key steps in the processes described above increases the risk of project cost overruns, such as the FTI Module contract that incurred $3.04 million of costs within our scope period that were not planned in the original contract. There are also increased risks of contractors not providing deliverables timely or being paid for deliverables that were never produced. For instance, FSA did not include contractor deliverables in an attachment to the FTI Infrastructure contract. Consequently, FSA could not hold the contractors accountable for providing the deliverables, even though the contractor was still being paid. Lastly, incomplete information in the risk registers and decisions logs increases the likelihood of FSA not having knowledge of whether risks, decisions, and questions are being addressed timely or at all, which can negatively impact system implementation efforts and results, including processing FAFSA forms and transmitting the Institutional Student Information Record, to schools, States, and scholarship agencies. For 73 percent of the sample tested, we could not determine whether the risks were resolved timely because the applicable fields were not completed.

What Are the Next Steps?

We made six recommendations to FSA to improve implementation effectiveness of the SABER initiative pertaining to FTI-related provisions. We summarize FSA's comments and provide the OIG's responses at the end of the finding. We also provide the full text of the comments at the end of the report (see FSA's Comments).

Final Audit Report   ED-OIG/A23GA0122

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Introduction

Purpose

The purpose of this audit was to determine whether Federal Student Aid (FSA) was effectively implementing the Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act and the Free Application for Federal Student Aid (FAFSA) Simplification Act's provisions pertaining to Federal taxpayer information (FTI) through the Student Aid and Borrower Eligibility Reform (SABER) initiative.

Our audit covered activities FSA conducted to implement the four FTI systems that FSA utilized, developed, or modified to adhere to the aspects of the FUTURE Act and FAFSA Simplification Act that primarily relate to FSA's ability to use and protect FTI received directly from the Internal Revenue Service (IRS). The FTI is then used to automatically populate a portion of applicants' FAFSAs.[1] Our audit covered December 19, 2019 (when the FUTURE Act was enacted)[2] through May 31, 2023.

To accomplish our objective, we interviewed FSA officials who had a significant role in implementing the SABER initiative and the related FTI system contracts, and we reviewed relevant laws, regulations, procedures, and guidance for processes related to the implementation activities. We also performed tests to determine whether FSA adhered to required or applicable procedures for implementation activities. Specifically, we looked at whether FSA established and monitored system project costs and budgets, implemented security requirements that the IRS established for the handling of FTI, monitored contracts for the three FTI systems in our review that had a contract, managed risks, and decision-making for the four FTI systems included in our review, and managed change requests for two of the four systems included in our review.

FSA has faced numerous implementation issues during the FAFSA rollout including problems with calculations, corrections, saving and submitting forms, and tax data. These issues experienced with the FAFSA rollout were not part of this audit. The primary focus for our audit was on FSA's system implementation activities to support its ability to use and protect FTI received directly from the IRS, rather than the application programming that supports FAFSA submissions, corrections, and processing. We did not

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[1] The FAFSAs will be populated with FTI through the new FAFSA system (which was required by the FUTURE Act and FAFSA Simplification Act) that students and parents are required to use to apply for student financial assistance.

[2] On December 27, 2020, the President signed the Consolidated Appropriations Act of 2021, which included the FAFSA Simplification Act.

conduct any tests or reviews to determine whether the FTI systems would function as FSA planned, nor did we test or review FSA's procurement of goods or services for the implementation of the FUTURE and FAFSA Simplification Acts' provisions pertaining to FTI through the SABER initiative.

Background

Under Section 141 of the Higher Education Act, as amended (HEA), FSA is responsible for the administration of the information and financial systems that support the federal student financial assistance programs. This includes the design and technical specifications for software development and systems supporting the delivery of federal student financial assistance, software acquisitions and information technology (IT) contracts related to the delivery and management of federal student financial assistance, and all aspects of contracting for the systems supporting federal student financial assistance programs.

On December 19, 2019, the President signed the FUTURE Act (Public Law 116-91) into law. The FUTURE Act amends section 6103 of the Internal Revenue Code and allows for certain FTI[3] to be shared with FSA for administration of the FAFSA form, income-driven repayment plans, and total and permanent disability discharge programs.

On December 27, 2020, the President signed the Consolidated Appropriations Act of 2021 (Public Law 116-260), which included the FAFSA Simplification Act that enabled FSA to automatically receive certain FTI from the Internal Revenue Service (IRS) through a direct-data exchange and established additional safeguards for how FSA and its partners are to manage and store FTI. The FAFSA Simplification Act required changes to the FAFSA to reduce administrative and informational burdens on applicants and their families.

In 2021, FSA launched the SABER initiative, a multi-project initiative to address the legislative changes within the FUTURE Act and the FAFSA Simplification Act by implementing critical changes to FSA systems and processes. FSA created the SABER initiative to coordinate project implementation teams that depend on each other to make the critical changes work together and to protect applicant and borrower

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[3] According to the Internal Revenue Service Publication 1075, FTI consists of Federal tax returns and return information (and information derived from it) that is in the agency's possession or control that is covered by confidentiality protections and subject to safeguarding requirements. FTI includes return or return information received directly from the Internal Revenue Service or obtained through an authorized secondary source. Any system which receives FTI must meet the requirements of section 6103 of the Internal Revenue Code, including the Safeguard and Security requirements.

information by safeguarding FSA systems and processes. According to FSA's SABER Initiative Charter, the SABER initiative aligns with FSA's strategic goals by modernizing the FAFSA form to improve the customer experience, automate processes, and ultimately reduce borrower default.

The FUTURE and FAFSA Simplification Acts[4] required FSA to implement IT system changes so that the revised FAFSA would be available for borrowers to apply for financial aid for award year 2024–2025. On March 25, 2024, the U.S. Department of Education (Department) announced that it had processed more than 4.3 million of the FAFSA forms submitted since the redesigned application went live on December 30, 2023. FSA reported it was on track to complete the processing of roughly 6 million FAFSA forms and transmitting the resulting information—known as the Institutional Student Information Record (ISIR) to its partners (such as schools, States, and scholarship agencies) by the end of March.

In addition, FSA is working to identify and resolve issues related to the 2024-25 FAFSA form. The FAFSA Simplification Act represented a significant overhaul of the processes and systems used to award federal student aid starting with the 2024-25 award year. This included revising the FAFSA form, need analysis, and many policies and procedures for schools that participate in federal student aid programs. The typical FAFSA processing cycle provides for FAFSA forms to be accepted beginning on October 1 in the year prior to the start of the award year. However, due to the complexity of implementing the FAFSA Simplification Act and FUTURE Act, FSA began accepting 2024–2025 FAFSA applications in December 2023. On December 15, 2023, FSA announced the soft launch of the 2024–2025 FAFSA form. Under the soft launch, FSA planned for the form to be available periodically while it monitored site performance and responded to any potential issues impacting the applicant experience.

Numerous issues have been identified during the FAFSA rollout that impacted students, families, and FSA's partners. These included errors in some Student Aid Index calculations because of treatment of reported assets, problems with making FAFSA corrections, the inability of some students to save or submit a FAFSA form, and inconsistent tax data (education tax credits, amended and updated returns, and taxes paid) provided by the IRS that could impact financial aid eligibility for students if unresolved. These events and other issues experienced with the FAFSA rollout were beyond our audit objectives and occurred outside of our scope period. The primary focus for our audit was on FSA's system implementation activities to support its ability

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[4] The Consolidated Appropriations Act 2022 (Public Law 117-103) extended the deadlines for implementing certain amendments in the FAFSA Simplification Act.

to use and protect FTI received directly from the IRS, rather than the application programming that supports FAFSA submissions, corrections, and processing.

FTI Systems

In fiscal year (FY) 2021, FSA contracted to develop or modify the systems necessary for managing and storing FTI. The implementation of the FUTURE Act required numerous IT system changes and IT security upgrades, including physical security access to safeguard the data for FSA to comply with both IRS security requirements and the FTI provisions of the FUTURE Act and the FAFSA Simplification Act. FSA's solution for implementation was to centralize all system and user interactions involving FTI within a small set of FSA systems. This small set of FSA systems includes the FTI Infrastructure system which hosts the FTI Module, FTI Data Mart, and FTI Student Aid Internet Gateway (SAIG) systems.[5] In addition, the IRS developed the FUTURE Act Direct Data Exchange (Data Exchange) to transfer FTI between FSA and the IRS. The Department and FSA's Chief Information Officers and FSA's Chief Information Security Officer issued memorandums to each FTI system owner granting the authority to operate as each system passed a formal security assessment.

FUTURE Act Direct Data Exchange

The Data Exchange interface allows FSA to request, and the IRS to transfer, FTI to the FTI Module for calculating students' Federal financial aid eligibility. According to FSA's SABER Initiative Acquisition Strategy, implementing the Data Exchange required revising more than 25 of FSA's critical systems and services to receive and manage FTI data. The IRS approved FSA for FTI transfer on July 12, 2023, after FSA complied with all the IRS Publication 1075 "Tax Information Security Guidelines for Federal, State and Local Agencies" (IRS Publication 1075) security requirements on its Safeguard Security Report. Because the IRS developed this system for FSA, there are no associated contracts; however, FSA utilized Interagency Agreements with the IRS for the associated costs related to its development of the system.[6]

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[5] We did not perform testing on the FTI Data Mart system.

[6] Interagency Agreements are also referred to as partnership agreements in FSA risk registers and decision logs.

FTI Infrastructure

Although the FTI Infrastructure is a separate system from Next Generation Data Center (NGDC),[7] FSA added the FTI Infrastructure related work to the NGDC contract (awarded on September 28, 2015) through a contract modification on August 12, 2020, because it was thought that the two systems were similar.[8] The FUTURE Act and IRS Publication 1075 required the development of an infrastructure and system to host all of FSA's FTI-related technology, business logic, and data. FSA developed the FTI Infrastructure, a secure cloud environment for the applications that manage and store FTI, as the platform to protect FTI as it is shared between FSA systems. The Authority to Operate[9] for the FTI Infrastructure was initially granted on October 7, 2022, for 1 year. It was renewed on September 17, 2023, for 3 years.

FTI Module

The FTI Module provides a central location for FTI storage and all FTI-related business functions such as income driven repayment and Student Aid Index calculations. FSA awarded the contract for FTI Module development and implementation in June 2021. The authority to operate for the FTI Module was granted on June 20, 2023, and expires in 1 year.

FTI SAIG

Although the FTI SAIG is a separate system from FSA's existing SAIG system, FSA added the FTI-related work to the SAIG contract (awarded on April 1, 2020) through a contract modification on September 17, 2021, because it determined that the FTI-related upgrades fell within the scope of the overall contract for system support services.[10] The FTI SAIG includes updated security protocols and enhanced features to meet security requirements of the FUTURE Act and IRS Publication 1075. The FTI SAIG system enables

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[7] The NGDC is a centralized infrastructure providing technical, operational, and maintenance services to FSA systems. According to FSA, it reduces application errors, provides confirmation of FAFSA filing completion, and preliminarily summarizes expected parental financial support.

[8] We will refer to the NGDC contract and the FTI Infrastructure related contract modification as FTI Infrastructure throughout this report.

[9] The Authority to Operate is the Department's Chief Information Officer approval of an FSA IT system after a formal security assessment has been conducted and FSA's Chief Information Officer has determined that residual risk to operations, assets, resources, and individuals resulting from processing FSA data is acceptable.

[10] We will refer to the SAIG contract and the FTI SAIG-related contract modification as the FTI SAIG contract throughout this report.

the secure electronic exchange of data for the purpose of student financial assistance program administration and exclusively transmits ISIR data (such as FAFSA data) containing FTI between FSA systems and its partners (such as institutions of higher education and their third-party servicers). FTI SAIG system users must also comply with IRS Publication 1075 security requirements for the transfer and storage of FTI data to receive the requested FTI-related data. FSA granted the FTI SAIG system authority to operate on November 2, 2023, for 1 year.

The contract or interagency agreement amounts with award dates from December 19, 2019, through May 31, 2023, for the four systems in our review are listed in Table 1.

Table 1. Award Dates and Totals for the Four Systems Reviewed

SABER System	Date of Initial Award	Total Amount Awarded 12/19/2019–5/31/2023
Data Exchange[11]	6/24/2020	$14,873,567
FTI Infrastructure[12]	8/12/2020	$27,949,155
FTI Module	6/21/2021	$10,499,450
FTI SAIG	4/1/2020	$4,771,182

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[11] Costs associated with the Data Exchange are from Interagency agreements between FSA and the IRS and not from contracts.

[12] The date listed for FTI Infrastructure is the date of the first contract modification related to FTI. The amount awarded only pertains to FTI-related work.

Finding. FSA Did Not Effectively Perform Implementation Activities for the Systems Related to FTI Under Its SABER Initiative

FSA did not effectively implement the FUTURE Act and the FAFSA Simplification Act provisions pertaining to FTI through the SABER initiative. Overall, FSA did not effectively perform implementation activities for the four FTI-related SABER systems that we reviewed in accordance with some of the processes for monitoring project costs and budgets, monitoring contracts, and managing risks that FSA established as part of an effective system implementation framework. The system implementation activities were not effective because FSA did not always perform key steps within its implementation processes or could not provide sufficient evidence to support completion of such key steps, which were established for effective system implementation. Specifically, 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.

As a Performance Based Organization under the HEA, FSA is allowed to exercise independent control of its budget allocations and expenditures, procurements, and other administrative and management functions. As such, FSA has developed guidance documents specific to its operations that align with Federal requirements and standards, including how it establishes and monitors project cost and budgets and manages acquisition processes and system implementations. FSA is required to follow departmental guidance related to contracts management.

Not performing key steps established for effective system implementation increases the risks of project cost overruns; contractors not providing deliverables timely or being paid for deliverables that were never produced; and risks, problems, and questions going unaddressed and important historical information on related decisions being lost.

Insufficient Evidence that FSA Completed Key Steps for Establishing and Monitoring Project Costs and Budgets

We found that although FSA had written standard operating procedures and guidance for establishing and monitoring project costs and budgets, FSA did not maintain documentation to support that it performed some of those key steps during the implementation of its SABER initiative. Specifically, for the four FTI-related SABER systems included in our review (Data Exchange, FTI SAIG, FTI Infrastructure, and FTI Module), FSA does not have sufficient evidence to support that budget initiative

requests[13] (budget requests) were created, reviewed, and approved prior to the systems becoming approved or funded investments. Also, for three of the four systems we reviewed (FTI SAIG, FTI Infrastructure, and FTI Module), there is not sufficient evidence to support that FSA created lifecycle cost[14] estimates for the full life of the investments.

Insufficient Evidence to Support Creation and Review of Budget Requests

For the four FTI-related SABER systems included in our review (Data Exchange, FTI SAIG, FTI Infrastructure, and FTI Module), FSA did not have sufficient evidence to support that budget requests were created and reviewed prior to the systems becoming approved or funded investments through FSA's Management Stage Gate 1: Investment Review (Management Review 1) process. Completion of FSA's Management Review 1 is important because it determines whether the proposed investment truly responds to agency needs; provides expected benefits, estimated costs, and schedules; and provides an opportunity to ensure appropriate stakeholder engagement surrounding the new project.

A budget request is a business case that identifies key elements such as goals, alternative approaches, costs, and benefits for the investment to be considered for inclusion and prioritized in FSA's investment portfolio. According to FSA's Management Review 1 Standard Operating Procedures (SOP), to pass Management Review 1, a budget request must be created for the investment and submitted through FSA's annual budget planning process, for the review and approval by appropriate officials.[15] Once reviewed and approved, the budget request investment is included on FSA's investment prioritization list or spend plan as an approved investment.[16]

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[13] A budget initiative request is a business case that identifies key elements such as goals, alternative approaches, costs, and benefits for an investment to be considered for and prioritized in FSA's investment portfolio.

[14] Lifecycle cost estimates provide the total cost to the Government of acquisition and ownership of a system over its full lifetime.

[15] In the Management Review 1 SOP, budget requests are referred to as an investment request because FSA's documents do not reflect the name change from early January 2019.

[16] The term "Investment Prioritization List" appears in the Management Review 1 SOP; however, according to FSA officials, "spend plans" replaced the investment prioritization list in 2019. Spend plans lay out FSA's plan for funding an investment by fiscal year. Spend plans reflect the fiscal year of the spend plan, business unit responsible for each of the approved investments listed on the spend plan, whether the investment request is IT or non-IT, investment name, and amount of the approved funding for the investment with the month and quarter that the funding was approved.

Although FSA provided the investment prioritization lists and spend plans that show the first time the investments for the four FTI-related systems appeared as approved investments, FSA did not maintain the budget requests that were created to support the investments' inclusion on those investment prioritization lists and spend plans. The only budget requests FSA was able to provide for the investments related to the four systems, were budget requests that either (1) did not contain scope narrative, budget information, or executive summary information that were applicable to the investments at the time they were first listed as approved investments; or (2) was incomplete because it did not have the full 3-year scope and budget information that "FSA's Budget Initiative Request Process – Guidance for FSA Business Units – 2022 Budget Cycle"[17] requires before it can be approved. Because FSA no longer has the applicable budget requests for the investments related to the four systems, there is not sufficient evidence to support that budget requests for the investments were submitted through the Management Review 1 process before being included on FSA's spend plan or investment prioritization list.

Insufficient Evidence to Support the Creation of Lifecycle Cost Estimates

FSA does not have evidence to support that it created lifecycle cost estimates for the full life of the FTI SAIG, FTI Infrastructure, and FTI Module systems. FSA provided a document dated December 2020, containing FY 2021 and FY 2022 estimated costs for the FUTURE Act projects (which among other systems include FTI Infrastructure, FTI SAIG, and FTI Module). The total estimated costs for the FUTURE Act projects showed $95.1 million and $55.9 million for FY 2021 and FY 2022, respectively. However, the document did not include estimated costs for FY 2020, even though FSA granted an FY 2020 approved budget of $19 million for the FUTURE Act investment.

FSA was required to follow the guidance and standards related to establishing and monitoring projects costs and budgets, listed below.

- Government Accountability Office's (GAO) Cost Estimating and Assessment Guide states that using cost estimates to determine a project's budget helps to ensure that all costs are fully accounted for so that resources are adequate to support the project. It also states that a realistic cost estimate facilitates trade-offs among cost, schedule, and requirements, which allows for better decision making to increase a program's probability of success.

- According to the Program and Project Management section of FSA's 2019 and 2021 Lifecycle Management Methodology (LMM), information system owners,

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[17] The 2022 budget cycle relates to budget requests submitted in 2020.

program managers, and project managers must address how oversight and governance will be applied to all aspects of programs and projects that involve changes to a system or systems. It also describes management and monitoring activities from three levels of oversight, including Program (IT Investment or system), Complex Project (potentially involving multiple systems), and Standard Project (typically projects done within the system boundaries). It further states that the artifacts listed on FSA's LMM homepage and in FSA's Project Management Toolkit, which addresses all three levels of oversight, are required. Budget requests and lifecycle cost estimates are included as artifacts in both of those referenced sources.

- FSA's Investment, Program, and Project Management Artifact Guidance lists budget requests and lifecycle cost estimates as key program management artifacts for IT investments and systems. FSA's Investment, Program, and Project Management Artifact Guidance applies to all investments, programs, and projects, including IT and non-IT efforts at FSA, according to the scope section of the guidance document.

- GAO's *Standards for Internal Control in the Federal Government* section 10.03, relating to appropriate documentation of transactions and internal control, states that

> [m]anagement clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

We determined the following main factors contributed to FSA's inability to provide the applicable budget requests for the systems we reviewed:

- FSA officials explained that an Enterprise Portfolio and Project Management system issue caused budget requests to be overwritten when changes were made to the budget requests during FSA's annual budget planning process. FSA officials stated that they fixed the issue for 2022 budget requests and beyond.

- FSA officials were not able to identify any staff members still working at FSA who were part of the Budget Contact Working Group during the project cost review period and who would be able to address whether the group reviewed FUTURE Act budget requests.

FSA did not provide an explanation for why they were not able to provide lifecycle cost estimates to support the full life of the FTI Infrastructure, FTI SAIG, and FTI Module systems.

Without budget requests and lifecycle cost estimates for projects, there is no basis from which to analyze project costs and expected investment outcomes to better keep project costs within budget, make informed decisions, and evaluate or analyze operations. The lack of historical data for analysis increases the risk of cost overruns from increases in the scope and unplanned costs of the project. During our audit scope period, the FTI Module contract had 12 modifications with $3.04 million in cost increases that were not planned for in the original contract. As of May 31, 2023, the total contract award amount for the FTI Module was $10.5 million.

Key Steps for Contractor Oversight were Not Completed

We found that both FSA's contracting officer's representative (COR) developed processes[18] and the Department-required processes related to contractor oversight were not always completed for the three FTI-related systems we reviewed (FTI SAIG, FTI Infrastructure, and FTI Module).[19] Specifically, FSA's COR-developed processes for deliverable and invoice monitoring were not fully or adequately performed or completed for the FTI SAIG contract, and deliverable monitoring was not fully or adequately performed or completed for the FTI Infrastructure contract.[20] Additionally, for the Department-required contractor oversight processes we focused on, which included the development of contract monitoring plans, development of Quality Assurance Surveillance Plans (QASP), and the proper authorization of an individual to perform COR duties through a COR Delegation and Appointment Memorandum, we found that those processes were not always performed or completed for the implementation of the FTI Module and FTI SAIG systems. Those three required processes are included in the Department's Contract Monitoring for Program Officials:

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[18] FSA does not have a document that prescribes specifically how deliverable monitoring is to be performed. Instead, each COR develops their own processes for deliverable monitoring.

[19] We did not perform a contract oversight review of the Data Exchange system because it was developed by the IRS; therefore, there was no FSA contract awarded to develop the system. Also, for FTI Infrastructure, we did not test a sample of contract payments because we did not receive a complete universe of contract modifications containing all the contract award amounts relevant to our audit scope period until the end of the audit.

[20] Other internal processes that the CORs were responsible for performing generally included review of contract modification proposals or change requests, and weekly or monthly meetings with the contractor or responsible FSA technology directorate staff to review the status of deliverables.

Departmental Directive OCFO: ACSD-OFO-001 (Department's Contract Monitoring Directive), which FSA is required to follow.[21] The three processes are important because (1) contract monitoring plans outline how FSA will manage a contract from award to the completion of the contract period, including key performance objectives to monitor the effectiveness and efficiency of the contract; (2) QASPs describe in detail how FSA should survey, observe, test, sample, evaluate, and document contractor performance; and (3) COR Delegation and Appointment Memorandums authorizes an FSA official to perform specified duties for a contract on behalf of the contracting officer. Below is a summary of the contractor oversight issues we identified for each of the three systems we reviewed.

FTI SAIG

- The COR did not perform a key aspect of their own deliverable monitoring process. Specifically, from our nonstatistical, random, stratified sample of 2 from 13 deliverables included in the FTI SAIG contract (which included an April 2021 weekly status report and system documentation), the COR did not provide their approval for acceptance for either deliverable in our sample.[22] Their approval for acceptance would signify that the contractor's obligation to provide the deliverable has been fulfilled.

- Although the COR performed invoice monitoring, their invoice monitoring did not include a review of the accuracy of invoices.[23] Our review of FTI SAIG contract payments revealed that for 6 of 10 contract payments[24] we sampled (random sample from a universe of 52 payments within our audit scope period), there is not sufficient evidence to support that the payments were proper. Specifically, for one of the six payments there was no invoice, for the other five payments there was no rationale in the invoices, applicable contract

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[21] Revised on February 15, 2022, and 2023, for technical changes related to renumbering per new Administrative Communications System document numbering system and Section 508 Accessibility Compliance updates.

[22] After the COR receives confirmation of the technical team's approval of a deliverable, the COR submits a written recommendation to the contracting officer recommending that they formally accept the contractor's submission of the deliverable. The written recommendation is considered the COR's approval for acceptance of the deliverable.

[23] FSA does not have a document that prescribes how invoice monitoring is to be performed. Each COR has their own processes for invoice monitoring.

[24] The 10 sampled payments totaled $613,953.

modification, or any other document that describes how the invoice amounts were derived. The six payments totaled $297,832.

- Neither the COR nor their contracting officer ensured that a contract monitoring plan was developed, that a QASP was developed timely (a QASP was developed 4 years after the contract was awarded and after we presented the issue as a finding to FSA), and that the COR had a signed COR Delegation and Appointment Memorandum prior to performing COR duties for the contract (the memorandum was signed on July 19, 2023, over 2 years after the contract was awarded and 9 days after we requested it as part of our review).

FTI Infrastructure

- Although there was a prescribed process (written by the contractor) associated with the review of deliverables for the FTI Infrastructure contract (which was part of the NGDC contract), both the contracting officer and the COR for the contract told us that the prescribed process was not being followed for FTI Infrastructure deliverables.[25] They explained that the written monitoring process was applicable to deliverables that were specified in Attachment D to the contract, and because FSA did not include any of the FTI Infrastructure deliverables in that attachment (or anywhere else in the contract and related modifications), they did not follow the prescribed monitoring process for those deliverables. When we asked for a list of the FTI Infrastructure deliverables, on July 31, 2023, FSA provided us with two different lists of deliverables that were irreconcilable.[26] On January 31, 2024, FSA explained that they and the contractor were still collaborating to finalize the deliverables and it will be memorialized via a contract modification. Maintaining an accurate and complete list of FTI Infrastructure deliverables is necessary for FSA to effectively monitor contractor performance.[27]

- Although there were not specific documents entitled "contract monitoring plan" or "QASP," the COR provided the Contract Administration Plan, Quality

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[25] The COR was not assigned the responsibility of deliverable monitoring for FTI Infrastructure.

[26] Some deliverables were on one list but not the other, some were on both lists, and some appeared multiple times on one list. From the 2 lists, we were able to identify a total of 43 unduplicated, unique deliverables.

[27] The only form of deliverable monitoring that FSA provided for a sample of 6 of 43 unduplicated, unique deliverables, were documents showing FTI Infrastructure Manager and Deputy Director's approval of the 6 deliverables.

Assurance Plan, Program Management Plan, the Work Product and Deliverable Review Process, and the Program Management Plan that they used to monitor the contract. Together these plans included the same items found in Department-required contract monitoring plans and QASPs. The Contract Administration Plan provided guidance for the successful management of the contract by identifying individuals and their roles and responsibilities for administration of the contract and detailing the processes for modifications to the contract. The Quality Assurance Plan identified the governance and quality assurance responsibilities of the contractor and FSA; quality management objectives; the purpose and frequency of quality management meetings and reports; how the contractor tracks and reviews deliverables for deliverable assurance; and service level agreement data collection, analysis, and reporting processes. The Program Management Plan listed the objectives of the contract and detailed the processes and methodologies meant to accomplish the objectives. This plan detailed the different types of meetings held to evaluate the progress towards objectives, issues, and risks; the frequency of the meetings; and the standardized templates and agendas used in the meetings. The Work Product and Deliverable Review Process documented guidelines for creating, reviewing, and maintaining deliverables listed in Attachment D of the contract. However, as stated above, the FTI Infrastructure deliverables were not included in Attachment D of the contract and the COR did not have a complete list of deliverables to ensure that the monitoring procedures described in these documents were performed.

FTI Module

- Neither the COR nor the contracting officer ensured that a contract monitoring plan was developed for the contract or that a QASP was developed and administered for the contract, as required by the Department's Contract Monitoring Directive.[28]

There are various guidance and standards FSA was required to follow as it pertains to contractor oversight. They are listed below.

- The Department's Contract Monitoring Directive states that

   o the designated COR is responsible for the monitoring of the contractor's technical performance to ensure deliverables meet specifications and due dates as required, and to review and recommend the approval,

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[28] We did not identify any issues with the tests we conducted on the COR's invoice and deliverable monitoring processes and contract payments.

disapproval, or other action of payment requests, deliverables, and financial reports to the contracting officer, and to maintain payment records to facilitate monitoring of payment expenditures against total obligations;

- contracts should have a Contract Monitoring Plan developed by the contracting officer in consultation with the COR;

- all major IT investments must have a Contract Monitoring Plan equivalent with risks such as complexity, cost, length, and lifecycle stage;

- the COR administers the QASP which lays out in detail how the contractor's performance is to be monitored, including how and when performance will be measured to ensure project performance standards are met;

- contracting officers appoint CORs by memorandum describing the COR's responsibilities and limitations. CORs must sign and return the memorandum to the contracting officer, and contracting officers must ensure that CORs understand their responsibilities and that contractors are informed of the CORs limitations. An employee cannot perform COR duties without the memorandum from the assigned contracting officer;

- the COR must ensure receipt of the appointment memorandum from the contracting officer before performing any COR duties; and

- the contracting officer is ultimately responsible for the overall monitoring and administration of the contracts which includes the review and approval of incurred costs, subcontracts, invoices, deliverables, and the issuance of modifications.

- The COR Program Guide, Appendix E, dated January 18, 2013, which is also referenced in the Department's Contract Monitoring Directive, states that the COR may be held personally liable for unauthorized actions.

- Principle 10 of GAO's *Standards for Internal Control in the Federal Government* states that management should ensure proper execution of transactions, accurate and timely recording of transactions, and appropriate documentation of transactions and internal control.

- Principle 11 of GAO's *Standards for Internal Control in the Federal Government* states that management should evaluate information processing objectives to meet its information requirements. Completeness, accuracy, and validity are attributes of information processing objectives. It defines validity as "[r]ecorded

transactions represent economic events that actually occurred and were executed according to prescribed procedures."

The following main factors contributed to FSA's CORs and contracting officers not adhering to required contractor oversight processes and procedures:

- FSA's Stakeholder Coordination Project Manager and Business Implementation Coordination lead stated that they have experienced staffing challenges in contractor oversight roles that resulted in a lack of consistently applied standardized processes, and transitions between technologies that facilitate the storage of documentation from onsite shared drives to One Drive and SharePoint.

- Regarding the FTI Infrastructure deliverables issue, the current COR and a senior manager in FSA's Internal Operations Group explained that throughout the life of the FTI Infrastructure contract (starting in August 2020), the responsibility for the tracking of deliverables changed hands several times and, at some points in time, it was not clear who was responsible for tracking the FTI Infrastructure deliverables. They also added that some of those individuals no longer work for FSA so there are gaps in tracking the chain of responsibility.

- Regarding contract monitoring plans and QASPs, contracting officers and COR supervisors are unclear on who is responsible for ensuring that contract monitoring plans and QASPs are created and adhered to.

Without the required COR Delegation and Appointment Memorandum, some contract actions and obligations made by the COR on behalf of the contracting officer could be considered unauthorized. Additionally, not adhering to required processes and procedures for contractor oversight increases the risk of

- contractors being paid for deliverables that were not provided, do not meet requirements, or not provided timely which could impact "go live" dates and other key milestones. According to the COR for FTI Infrastructure, because FSA did not include FTI Infrastructure deliverables in an attachment to the contract, FSA cannot hold the contractors responsible for the deliverables, even though the contractor was still being paid;

- improper payments made by not properly monitoring contractor performance, deliverables, and invoices; and

- poor contractor performance, contractor activities not being completed timely or at all, and misunderstandings, miscommunications, and lack of transparency between FSA and the contractor.

Good communication is essential to effective system implementation as FSA identified in its analysis of lessons learned during the implementation of the SABER initiative. In

FSA's Lessons Learned documents related to the systems under our review, FSA identified the need for improved communication between project teams to ensure everyone can add input early to avoid issues such as last-minute IT system changes that cause delays, better tracking of activities to ensure implementation-related issues are addressed timely, transparency from contractors regarding timely completion of some contract activities to reduce unexpected delays, and prompt responses from subject matter experts and acquisition staff to ensure that project teams are working effectively. Similarly, we identified poor communication in FSA's contract monitoring; specifically, staff being unclear as to who was responsible for tracking the FTI Infrastructure deliverables and ensuring that contract monitoring plans and QASPs were created and adhered to.

Key Tools for Management of Risks, Decisions, and Questions Pertaining to FTI System Implementations Were Not Completed

We found that although FSA had policies and procedures in place to identify, mitigate, and monitor risks and to address and resolve questions and issues associated with the implementation of FTI–related systems through its SABER initiative, there were key risk and decision management tools that FSA had established but did not always complete.

Incomplete Risk Management Tool

As part of its risk management processes, FSA has risk registers that document SABER system implementation risks and the results of the analyzed risks. The risk register also tracks the mitigation activities associated with the risks. However, we found that for the 4 FTI-related systems included in our review, fields in the risk registers that FSA defines in the Appendix of its SABER Risk Management Plan as primary were not always completed. From our random sample of 20 of the 79 current and archived risks related to the 4 FTI-related systems, we found that

- FSA did not fully complete the risk register for 13 of the 15 risks (87 percent) that were identified as resolved or mitigated (for the other 2 of the 15 mitigated or resolved risks, all applicable fields in the risk register were complete),[29]

- for 11 of the 15 (73 percent) resolved or mitigated risks in our sample, we could not determine whether the risks were resolved timely because the applicable field (target completion date) in the risk register was not complete, and

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[29] For the remaining 5 risks from our sample of 20, 4 were not completed because the mitigation activities were ongoing at the time of our review, and 1 risk was deemed acceptable by FSA and did not require a mitigation activity.

- for the 15 risks that FSA identified as mitigated or resolved, FSA provided documentation to support that in general the related mitigation activity was completed.

For more detailed information relating to FSA's risk management tool and our review of it, see Appendix B.

Incomplete SABER Decision Governance Tool

As part of its SABER decision governance tool, FSA has decision logs that document SABER implementation questions and issues and the resolution of those questions and issues. However, we found that for the FTI-related systems we reviewed, fields in the decision log were not always complete. From our random sample of 10 of the 19 questions and issues relating to the 4 systems we reviewed, we found that FSA did not fully complete the decision log for 4 (40 percent) of them. For more detailed information relating to FSA's decision governance tool and our review of it, see Appendix B.

Completing the risk register and decision log are important. According to the SABER Risk Management Plan, the fields included and tracked within the risk registers will lead to better analysis and more reliable predictive outcomes. Completion of the risk registers are also important because the information from the risk registers is included in weekly status reports that Project Leads use to identify the highest risks, the risks that are trending towards becoming an issue, and the status of mitigation strategies. Also, completing the decision log with decision outcomes and assessments of how decisions impact stakeholders and SABER systems is important because it helps to ensure that the project managers and integration lead are fulfilling their decision governance responsibility outlined in the SABER Program Management Plan.

Guidance applicable to risk management and decision governance are listed below.

- SABER Risk Management Plan states that project teams will plan for and manage risks and issues specific to the project lifecycle and in accordance with the required artifacts outlined in FSA's LMM.[30] In addition, the plan provides for the collaboration of SABER team members and the Enterprise Risk Management Directorate to identify and monitor risks and identify common themes across the projects.

- SABER Program Management Plan states that the decision log is the primary tool for the SABER decision governance framework. The plan describes the

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[30] Risk registers are listed as a required artifact.

governance and escalation process which is broken down into three Tier levels[31] and details of the decisions that were escalated to the project leadership level and to FSA and the Department's leadership for the approval of a decision. It further states that the log will be updated with the Tier II decision outcome or escalated to Tier III for input from FSA or ED Leadership. Furthermore, the plan states that the SABER Program Coordination team will monitor the SABER decision log and assess and prioritize the decisions as appropriate.

- Principle 13 of GAO's Standards for Internal Control in the Federal Government states that management should use quality information to achieve its objectives. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management uses the quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks.

The following main factors contributed to FSA's incomplete risk management tool and SABER decision governance tool:

- FSA officials stated that there is no requirement that all the fields in the risk registers and decision logs be completed. Although neither the Risk Management Plan nor SABER Program Management Plan explicitly require that all fields in the risk register and decision logs to be complete, the Risk Management Plan does emphasize that "the fields included and tracked within the risk register will lead to better analysis and more reliably predictive outcomes." Another contributing factor to the incomplete risk registers is that according to the Deputy Chief Risk Officer, the risk management team experienced data loss in the risk registers due to formatting issues and multiple users simultaneously working in the large files.

- Regarding the decision logs, FSA officials stated that for the impacted systems and impacted stakeholders' fields left empty, there should be separate documentation relating to impact that should have the relevant information. We confirmed the information existed although it was outside of the decision log. FSA also stated that for the final decision outcome fields left empty, the decisions are included in the notes field. However, for the decisions in our

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[31] Tier I consists of decisions made at the project team level for questions or issues that do not impact other areas and do not require escalation. Tier II consists of decisions made for questions and issues that require the collaboration of various stakeholders to assess recommendations and actions to take or to make the determination of escalating the decision to Tier III. Tier III decisions are those that require FSA and the Department's leadership to collaborate and make a decision.

sample that had an empty final decision outcome field, the notes field was also empty.

Not completing prescribed risk management and decision governance tools increases the risk of not achieving objectives, such as the successful implementation of FSA's FTI SABER projects. Ineffective tracking of risks, decisions, and questions increases the likelihood of poor communication and reduces the likelihood of prompt and timely mitigation activities and decision-related activities.[32] Incomplete information in the risk registers and decisions logs increases the likelihood of FSA not having knowledge of whether risks, decisions, and questions are being addressed timely or addressed at all, which can negatively impact system implementation efforts and results,[33] including processing FAFSA forms and transmitting the resulting information, known as ISIR, to its partners (such as schools, States, and scholarship agencies).

Recommendations

We recommend that the Chief Operating Officer of FSA—

1.1   Ensure that budget requests and lifecycle cost estimates for SABER-related projects are submitted and approved according to FSA's Management Review 1 SOP and FSA's other established policies and procedures, and that they are properly maintained.

1.2   Ensure that FSA Acquisition officials follow the Department's Contract Monitoring Directive, specifically pertaining to COR Appointment Memorandums, deliverable monitoring, contract payment records, contract monitoring plans, and QASPs for the FTI SABER system contracts we reviewed.

1.3   Ensure that all future SABER-related contract deliverables, including the FTI Infrastructure deliverables, are clearly defined in the contracts, related modifications, or as an attachment to contracts and related modifications to ensure proper tracking, monitoring, and contractor performance.

1.4   Clearly define who is responsible for supervising each part of the COR's performance for SABER-awarded contracts and hold the contracting officers accountable for the overall monitoring of the contracts awarded by FSA, including the FTI Module, FTI SAIG, and FTI Infrastructure contracts.

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[32] Decision-related activities refers to monitoring and tracking activities to ensure issues are resolved.

[33] For the majority of the risks we sampled, it was not clear the risks were resolved timely because the applicable fields in the risk register were not complete.

1.5 Require that the data fields that FSA defines as primary in the SABER risk registers be completed as appropriate, and data fields in decision logs be completed.

1.6 Fix the technical issues to reduce data loss in SABER risk registers and other risk registers.

Auditee Comments and Our Response

FSA's Comments

FSA did not state whether it agreed or disagreed with the finding; however, it agreed or generally agreed with five recommendations and disagreed with one of the six recommendations. FSA stated that it operates under operational and budgetary constraints and much of SABER initiative's planning was done as part of a broad overhaul of FSA's eligibility processes.

FSA generally agreed with Recommendation 1.1 but noted that review and approval processes are under review and may change. FSA stated that it is creating a working group to improve FSA's project management guidance and practices based on the recommendations contained in this report. Initially, the group is focusing on project management training, project tracking, and shared templates involving both FSA and its contractors. This working group will continue to identify and implement improvements aligned with the recommendations provided resources and funding are available.

FSA also generally agreed with Recommendations 1.2 and 1.3 and that FSA's Acquisitions Office will work closely with the Student Experience and Aid Delivery Office and Enterprise Technology Directorate to review and ensure that the appropriate contract monitoring measures are in place.

FSA did not agree with Recommendation 1.4 and stated that resource constraints necessitated shared coordination across multiple offices and that FUTURE Act-related contracts are managed by multiple offices. FSA also stated that its Acquisitions Directorate will provide governance processes to identify the offices and staff members accountable for managing the FUTURE Act-related contract deliverables.

FSA agreed with Recommendation 1.5 but noted that it does not appear that the recommendation will fully address blank data fields or fields containing "to be determined" in the SABER risk register. FSA stated that the risk team relies on subject matter experts to provide most of the information in the risk registers. FSA also stated that the SABER risk register is a living document that changes frequently and that the risk register provided to the OIG was a snapshot in time. FSA further stated that even if it required the primary data fields in the risk register to be completed, there are various reasons why fields may have been blank in the version that was provided to the OIG. FSA stated that fields may be blank as teams may run out of time during discussions or

confer with others regarding risk information and that these reasons will continue to exist regardless of the primary data fields being "required."

FSA agreed with Recommendation 1.6 and stated that it has been working to obtain an Enterprise Risk Management software solution for several years with no success primarily due to ongoing budget constraints.

OIG Response

FSA's proposed actions, if planned and implemented appropriately, are generally responsive to five of our recommendations. Regarding FSA's disagreement with Recommendation 1.4, providing processes for identification of those accountable for managing deliverables is a step towards partially addressing this weakness, if properly implemented. However, the processes for identification will not ensure that CORs are properly supervised or that contracting officers are held accountable for contract monitoring. Managing deliverables is one piece of effective contract monitoring. As stated in the finding, we found instances of inadequate invoice monitoring and missing COR Delegation and Appointment Memorandums, contract monitoring plans, and QASPs which are also tools to ensure effective contract monitoring. We identified the cause for these instances to be poor communication in FSA's contract monitoring; specifically, turnover in staff responsible for contract oversight and staff being unclear as to who was responsible for tracking deliverables and ensuring that contract monitoring plans and QASPs were created and adhered to. For these reasons, the OIG stands by the recommendation to clearly define who is responsible for supervising each part of the COR's performance and to hold contracting officers accountable for monitoring contracts.

We disagree with FSA's concern with Recommendation 1.5 that requiring primary fields to be completed wouldn't address the issue of blank fields because the risk register is a snapshot in time, changes frequently, and teams may run out of time in meetings. We recognize certain primary fields in the risk register may be blank at a given point in time and as a project progresses and additional information becomes available the risk register would be updated timely to reflect the current status and to better help manage the project's risk. However, we provided FSA with information on this weakness prior to issuing the draft report, and it did not provide additional documentation to demonstrate that these data fields had been updated or completed since that time.

Appendix A. Scope and Methodology

This audit covered FSA's processes for implementing the FUTURE Act and FAFSA Simplification Act's provisions pertaining to FTI through the SABER initiative from December 19, 2019, when the FUTURE Act was enacted, through May 31, 2023.[34] To achieve our objective, we first gained an understanding of the following laws, regulations, and guidance relevant to FSA's SABER initiative:

- FUTURE Act, 2019 (Public Law 116-91);

- Consolidated Appropriations Act, 2021 (Public Law 116-260);

- Consolidated Appropriations Act, 2022 (Public Law 117-103);

- IRS Publication 1075;

- 26 U.S.C. section 6103—Confidentiality and disclosure of returns and return information;

- Department's Directive Contract Monitoring for Program Officials, April 2013;

- GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Program Costs, March 2020 (GAO-20-195G);

- GAO *Standards for Internal Control in the Federal Government*, September 2014 (GAO-14-704G); and

- GAO Schedule Assessment Guide: Best Practices for Project Schedules, December 2015 (GAO-16-89G).

We reviewed and gained an understanding of FSA's internal written processes for implementing and managing projects and FSA's processes developed for the implementation of FUTURE Act and FAFSA Simplification Act requirements. These processes include the following:

- FSA's Lifecycle Management Methodology, July 17, 2019, and March 9, 2021;

- FSA's Project Management Toolkit;

- FSA's Standard Operating Procedure—Management Stage Gate 1: Investment Review, January 1, 2018;

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[34] Initially, the audit covered the period through November 30, 2022; however, the audit period was expanded to increase the sample populations and to improve the report's relevancy. We did review safeguard security reports from June 2023 and July 2023 to ensure the process which began within our scope was completed.

- FSA's Investment, Program, and Project Management Artifact Guidance, September 2018;

- SABER Program Management Plan, August 2021; and

- SABER Project Risk Management Plan, October 1, 2020.

We gained an understanding of FSA's SABER implementation activities through reviews of relevant documents and records, including contracts for the FTI Infrastructure, FTI Module, and FTI SAIG systems; interagency agreements between the IRS and FSA for the Data Exchange; contract deliverables; safeguards security reports that FSA submitted to the IRS; the SABER decision log; risk registers; budget requests; investment prioritization lists; and spend plans.

We interviewed key FSA officials that had a significant role in the implementation of the FUTURE and FAFSA Simplification Act requirements[35] through the SABER initiative to obtain an understanding of the processes that were followed to implement these requirements. We interviewed key officials from FSA's office of Policy Implementation and Oversight, SABER Safeguards Team, Technology Directorate, Student Experience and Aid Delivery, Policy Research and Analysis Group, Enterprise Risk Management, Budget Formulation, Partner Participation and Oversight Group, Next Generation Contracts Group and Enterprise Support Contracts Group, SABER Decision Governance, and the Acquisitions Directorate. To the extent practical, we corroborated the testimonial evidence with documentary evidence.

We conducted tests on samples related to the IRS Publication 1075 security requirements, contractor oversight procedures, contract payment processing, change management, risks, and problem resolution (see "Sampling Methodology") associated with the implementation of the FUTURE Act and FAFSA Simplification Act through the SABER initiative. As part of these tests, we performed the following procedures:

- Reviewed IRS Publication 1075 security requirements and documentation that FSA officials provided to support the actions taken to become compliant with the IRS Safeguards Security Report during the development of the FTI Infrastructure, FTI Module, and FTI SAIG systems. The documentation we reviewed included the December 2022, April 2023, June 2023, and July 2023 safeguards security reports submitted to and reviewed by the IRS, discussion notes between the IRS and FSA, and FSA's Safeguards Traceability Matrix.

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[35] The requirements resulted in the creation of the FTI Infrastructure, FTI Module, FTI SAIG, and Data Exchange systems.

- Reviewed documentation that FSA officials provided to support that a plan to oversee contractors performing work for the FTI Infrastructure, FTI Module, and FTI SAIG systems was established and followed. Such documentation included contract deliverables; receipt, acceptance, and approval of the contract deliverables; contract monitoring, project schedules, change management, weekly status reports, invoices, contract payments, and Financial Management System Software award financial history reports.

- Reviewed FSA's Business Change Management SOP and SABER Program Management Plan, as well as documentation that FSA's SABER change management procedures were followed for contract modifications made as part of the implementation of the FTI Module and FTI SAIG systems. Such documentation included change requests, enterprise impact assessments, and communication for the change requests.

- Reviewed the SABER Risk Management Plan processes and documentation that support the actions taken to identify, mitigate, and monitor potential risks in the development of the FTI Infrastructure, FTI Module, FTI SAIG, and Data Exchange systems. In addition, we determined whether FSA officials resolved problems from materialized risks of the FTI Infrastructure, FTI Module, FTI SAIG, and Data Exchange systems. The documentation we reviewed included risk registers, mitigation strategy notes, change request forms, meeting notes, and communication showing evidence of completion.

- Reviewed the SABER Program Management Plan decision governance processes and documentation that support the actions taken to resolve problems that arose during the implementation of the FTI Infrastructure, FTI Module, FTI SAIG, and Data Exchange systems. Such documentation included the SABER decision log, impact analysis, Tier II decision governance meeting notes, and communication showing problems were resolved.

We did not conduct any tests or review relating to FSA's procurement of goods or services for the implementation of the FUTURE and FAFSA Simplification Acts' provisions pertaining to FTI through the SABER initiative, nor did we test or review the FTI systems to determine whether they would function as FSA planned.

Internal Controls

We obtained an understanding of internal controls relating to FSA's project management, IRS Publication 1075 security requirements, budget requests, contract monitoring and contract invoice payment processes, change management, communication, risk management, and decision governance. We determined that the control activities related to these processes were significant to our audit objective. We

reviewed and tested the process and found weaknesses, which are reported in the finding.

Sampling Methodology

To determine whether FSA was effectively implementing the FUTURE Act and FAFSA Simplification Act provisions pertaining to FTI through the SABER initiative, we selected the following samples for audit testing:

- **IRS Publication 1075 Security Requirements Testing.** We randomly selected a nonstatistical sample of 50 percent from the 16 unimplemented security requirements identified from the December 2022 safeguards security report[36] for the FTI Module, FTI Infrastructure, and FTI SAIG, and other related requirements for testing. This random sample of eight unimplemented security requirements from the December 2022 safeguards security report included: four from FTI Module; two from FTI Infrastructure; one from FTI SAIG; and one that pertained to all three systems.[37]

- **Contractor Oversight Testing.** We selected a nonstatistical, random, stratified, sample of contract deliverables with a due date within our audit scope (December 19, 2019, to May 31, 2023) for the contracts associated with the three systems.[38]

  - For the FTI Module and FTI SAIG systems, we selected a nonstatistical, random, stratified, sample of nine FTI Module deliverables and three FTI SAIG deliverables.[39] The samples were selected as follows: one from Category 1; one from Category 2; and the remainder of the sample from Category 3. To select the samples, we reviewed the contracts and

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[36] According to IRS Publication 1075, to obtain initial IRS approval to receive FTI, an agency must have an approved safeguards security report. FSA officials submitted the initial report to the IRS and IRS officials then identified security requirements that FSA needed to update to become compliant.

[37] The Data Exchange system, the fourth system included in our audit scope did not have security requirements in the safeguards security report because this system was created by the IRS.

[38] The fourth system we reviewed during our audit, the Data Exchange, did not have a contract associated with it therefore did not have a sample included in this testing.

[39] Although we selected three FTI deliverables for testing, we were unable to test for one deliverable because it was related to volume reports and the system was not yet operational. We included it in our sample because according to the contract, the volume reports should have been completed by October 30 of each year beginning with calendar year 2020.

modifications with effective dates between December 19, 2019, to May 31, 2023, and identified 169 deliverables from the FTI Module and 8 deliverables from the FTI SAIG contracts. We then stratified based on three categories: monthly report or meeting (Category 1); operations and maintenance (Category 2); and system, system documentation, or other project documentation (Category 3). We removed from each strata all deliverables that did not have a due date with our audit scope.[40] We determined a sample size of 5 percent of the final sampling frame or a minimum of three deliverables.

  o We selected a nonstatistical, random, stratified, sample of six FTI Infrastructure deliverables. The samples were selected as follows: one deliverable from the spreadsheet only; three from the list only; and two from both the list and spreadsheet. To select the samples, we reviewed the contract modifications that involved FTI Infrastructure.[41] We could not identify the deliverables that were specifically for the FTI Infrastructure in the contract modifications. We received a list of 41 FTI Infrastructure deliverables from FSA as well as a tracking spreadsheet with 32 FTI Infrastructure deliverables from the FTI Infrastructure COR. We reviewed the two data sets, removed any duplicates from each set, and compared the two data sets resulting in 43 deliverables identified. We then stratified based on three categories: deliverables only in the list, deliverables only in the spreadsheet; and deliverables in both the list and spreadsheet.

- **Payment Processing Testing.** We selected a nonstatistical random sample of 10 of the 95 contract payments made to the FTI Module contractor, and 10 of the 52 payments made to the FTI SAIG contractor. The universe included only the contract payments made within our audit scope.

- **Change Management Testing.** We selected a judgmental stratified sample of 2 contract modifications from 22 FTI Module contract modifications and 2 contract modifications from 8 FTI SAIG contract modifications identified within our audit scope. For both systems, we stratified the modifications into three groups: those that exercised contract options from the base contract, those that implemented change requests, and those that were zero cost. For both systems

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[40] We removed 103 FTI Module deliverables and 5 FTI SAIG deliverables because they were not within the audit scope.

[41] For the FTI Infrastructure, contract modifications were added to the existing NextGen Data Center contract.

we then judgmentally selected the highest cost contract modification from the exercised contract options group and the highest cost contract modification for from the implemented change requests group. This resulted in a sample of 2 contract modifications from the FTI Module and 2 contract modifications from the FTI SAIG. After our sample selection we learned that the FSA's change management process is not applicable to contract modifications related to the exercising of options listed in the original contract. As such, we only tested the two sampled contract modifications from the implemented change requests group (one for FTI Module and one for FTI SAIG).

- **Risk Testing.** We selected a nonstatistical random sample of 20 of the 79 current and archived risks identified by FSA officials in the SABER risk register for each of the four systems for testing, resulting in a simple random sample of 20 identified current and archived risks: 6 from FTI Module, 7 from FTI Infrastructure, 4 from FTI SAIG, and 3 from the Data Exchange.

- **Problem Resolution Testing.** We selected a nonstatistical random sample of 10 of the 19 potential problems identified in the SABER decision log for each of the 4 systems for testing, resulting in a simple random sample of 10 potential problems: 6 from FTI Module, 2 from FTI Infrastructure, 1 from FTI SAIG, and 1 from the Data Exchange.

- **Risks and Problems Testing.** We identified a universe of problems that materialized from risks by reviewing both the SABER risk register and SABER decision log and identifying any risks for the four systems that were also on the decision log as problems. We tested 100 percent of those we identified, resulting in a total of eight problems and risks: five from FTI Module, one from FTI Infrastructure, and two from SAIG. There were no problems that materialized from risks for the Data Exchange.

The results of our testing apply only to the samples selected and cannot be projected.

Use of Computer-Processed Data

To answer our audit objective, we relied, in part, on computer-processed data provided by FSA including budget requests, baseline change requests, spend plans, financial award history reports, and invoice screenshots from the invoice processing platform. To assess the reliability of the budget requests, baseline change requests, and spend plans, we reviewed FSA process guidance and procedures to determine the requirements for these documents; reviewed the dates of the budget requests to determine if they were submitted when required; and compared the funding amounts in the baseline change requests and budget requests to the spend plan. To assess the reliability of the financial award history reports, we compared the total amounts paid during our scope period to the total amount in the payment schedules of the contracts and traced demographical

data to source information. Based on this work, we concluded that the computer-processed data provided were sufficiently reliable for the purpose of our audit.

Compliance with Auditing Standards

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

We remotely conducted our audit from January 4, 2023, through February 7, 2024. We held an exit conference and discussed the results of the audit with FSA officials on January 19, 2024. After the exit conference, FSA provided additional documents which we reviewed and took into consideration.

Appendix B. Risk Management and Decision Governance for SABER Projects

FSA has a risk management process for identifying, mitigating, and monitoring risks related to the SABER initiative, and a SABER decision governance model for identifying and resolving questions and issues related to SABER systems implementations. As discussed in the finding, we found that the key risk and decision management tools that FSA had established were not always complete. The sections below discuss those tools and our review of those tools.

Process for Risk Management

The SABER risk management approach, detailed in the SABER Risk Management Plan, includes risk identification, assessment and analysis; monitoring and reporting; escalation, and closure with results documented in the risk registers. Risk identification captures initial information about new risks including the description, implications, mitigation strategies that are already in place, preliminary assessment scores (likelihood of the risk occurring and the impact if it does occur), and the name of the system at risk. Assessment and analysis include the calculation of a residual risk score (likelihood of the risk occurring and the impact if it does occur)[42] and FSA's determination on whether it will accept or implement strategies to reduce the risk. Monitoring and reporting includes continuous discussions on the status and progress of the mitigation activities and updating fields such as trigger date, assigned staff, mitigation target completion date, risk mitigation strategy, status indicator, and status update with date in the risk registers as appropriate.[43] Escalation is used for risks with significantly high-risk scores that are escalated to SABER leadership for resolution. Closure includes an assessment of whether the risk is resolved or mitigated and, if so, the risk score is reassessed. FSA determines whether to accept or continue to implement strategies to reduce the risk, and when to archive the risk in the appropriate risk register.[44] The Deputy Chief Risk Officer explained that the risk team does not collect evidence supporting that the mitigation strategies are completed; instead, the risk team relies on the staff

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[42] The residual risk scores range from 1 to 5 for each of the two categories (likelihood of the risk occurring and the impact if it does occur), and then multiplied together to arrive at a final score.

[43] The trigger date is the date that FSA officials believe a risk may materialize into an issue if no mitigation activities are implemented.

[44] For archived risks an archived date is inputted.

responsible for implementing the mitigation activities to inform them when they have been completed.

Process for Resolving Issues and Questions

The SABER decision governance model that FSA used to identify and resolve questions and issues related to the SABER systems implementation consists of three tier levels for decision making. The tier approach ensures project teams only involve SABER and FSA leadership for making decisions with significant scope, cost, and scheduling issues. For Tier I, issues within the scope, schedule, and cost of their project are resolved by the project team, as long as other projects are not impacted. Tier II issues require the collaboration of various stakeholders to assess recommendations and resolve or to determine whether to escalate the issue to Tier III. Tier III issues require FSA and Department leadership to collaborate for resolutions. Suggested resolutions for Tier II and Tier III issues are voted on and pertinent information is included in the SABER decision log. Such information includes the issue in question, resolution options, decision owner, impacted stakeholders, impacted systems, submission date, target decision date, and the final decision outcome.

Incomplete Data Fields in Risk Registers and Decision Logs

Our review of the SABER risk registers included a random sample of 20 of the 79 current and archived risks for the systems in our review. We found that FSA did not fully complete the risk register for 13 of the 15 risks (87 percent) that were identified as resolved or mitigated.[45] Table 2 on the following page identifies the incomplete fields in the risk register for the 13 risks.

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[45] For the remaining 5 risks from our sample of 20, 4 were not completed because the mitigation activities were ongoing at the time of our review, and 1 risk was deemed acceptable by FSA and did not require a mitigation activity.

Table 2. Risks with Incomplete Data Fields in the Risk Registers (X indicates left blank)

Risk Number	Implications	Attributing Factors	Proposed Mitigation Strategies	Trigger Date	Assigned To	Mitigation Target Completion Date
012	-	-	-	-	X	X
106	-	X	-	-	-	-
165	-	X	-	-	-	-
167	-	-	-	-	-	X
169	-	-	-	-	-	X
192	-	X	-	-	-	X
238	X	X	X	X	-	X
244	X	X	-	-	-	X
249	-	-	-	-	-	X
306	-	-	-	X	-	X
341	-	-	-	-	X	X
359	-	-	-	-	-	X
413	-	-	-	-	X	X
Total	**2**	**5**	**1**	**2**	**3**	**11**

In addition, our review of the SABER decision logs included a random sample of 10 of the 19 Tier II and Tier III questions and issues related to the systems in our review. We found that FSA did not fully complete the decision log for 4 of the 10 (40 percent) questions. Table 3 below identifies the key fields that were left blank for the four questions and issues.

Table 3. SABER Decision Log Fields Left Blank for Selected Sample of Questions and Issues (X indicates left blank)

Question or Issue Area	Impacted Stakeholders	Impacted Systems	Submission Date	Final Decision Outcome
FTI Module Phase 1 schedule approval	X	X	-	X
FTI Module baseline schedule	X	X	-	X
Partnership Agreements	X	X	X	X
FTI SAIG Re-baseline	X	X	X	X
Totals	**4**	**4**	**2**	**4**

Appendix C. Acronyms and Abbreviations

budget request	budget initiative request
COR	Contracting Officer's Representative
Department	U.S. Department of Education
Data Exchange	Fostering Undergraduate Talent by Unlocking Resources for Education Direct Data Exchange
FAFSA	Free Application for Federal Student Aid
FSA	Federal Student Aid
FTI	Federal taxpayer information
FUTURE	Fostering Undergraduate Talent by Unlocking Resources for Education
FY	fiscal year
GAO	Government Accountability Office
HEA	Higher Education Act of 1965, as amended
IRS	Internal Revenue Service
IRS Publication 1075	IRS Publication 1075 "Tax Information Security Guidelines for Federal, State, and Local Agencies"
ISIR	Institutional Student Information Record
IT	information technology
LMM	Lifecycle Management Methodology
Management Review	FSA's Management Stage Gate 1: Investment Review
NGDC	Next Generation Data Center
QASP	Quality Assurance Surveillance Plan
SABER	Student Aid and Borrower Eligibility Reform
SAIG	Student Aid Internet Gateway
SOP	Standard Operating Procedure

June 14, 2024

TO: Selina Boyd
                      Regional Inspector General for Audit, Internal Operations
                      Atlanta/Puerto Rico Region
                      Office of Inspector General
                      U.S. Department of Education

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

FROM: Richard Cordray
                      Chief Operating Officer
                      Federal Student Aid

SUBJECT: Draft Audit Report, "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," Control Number ED-OIG/A23GA0122

Dear Ms. Boyd:

Thank you for the opportunity to review and comment on the statements and recommendations made in the Office of Inspector General ("OIG") Draft Report, *Federal Student Aid's (FSA) Implementation of the FUTURE Act and FAFSA Simplification Act's Federal Taxpayer Information Provisions through the Student Aid and Borrower Eligibility Reform Initiative* (**A23GA0122**), dated May 3, 2024. We appreciate all the work that went into the audit and the draft report on this topic.

Secretary Cardona and Federal Student Aid (FSA) are committed to successfully implementing legislation intended to bring about a new and improved Free Application for Federal Student Aid (FAFSA) that will allow more students to have access to the aid they need to pursue higher education. For example, we have communicated regularly with borrowers, schools and families during this rollout process. In addition, we will continue to quickly identify, resolve, and communicate about issues as they may arise.

As you are aware, FSA operates under certain operational and budgetary constraints and must consider how to optimize the terms of existing contracts, current staffing levels, contractor

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capabilities, and other available resources, including annual funding levels. In addition, much of this planning was done as part of a broad overhaul of federal student aid eligibility processes that had been in place for several decades, all of which have had to be adjusted frequently and in real time under the unique and extremely challenging circumstances of the extended pandemic.

I have directed my senior leadership team to use the lessons learned from this experience to establish a working group to identify potential improvements to FSA's project management guidance and practices based on the recommendations contained in this report. In their initial work together, this group is focusing on project management training, project tracking, and shared templates involving not only FSA but its multiple contractors – and we have begun applying these practices to other areas in FSA as well. This working group will continue to identify approaches that we may be able to implement more generally to align with the recommendations provided, as our available resources and limited funding will permit.

As such, we continue working to improve the borrower and partner experience by creating more seamless interactions throughout the lifecycle of Title IV student aid. This has created a more consistent experience under the FSA brand and has improved our operational flexibility. Rolling out all aspects of the Better FAFSA, including especially the new cybersecurity standards needed to safeguard the Federal Tax Information that is being imported into the FAFSA process from the Internal Revenue Service, has proven challenging. But we know that once we have gotten this right, we will be better able to open countless doors of opportunity and transform our student financial aid system for generations to come.

With that in mind, we appreciate OIG's thoughtful work on this important matter and the opportunity to respond to the draft report.

OIG presented one finding in the Draft Report, with six recommendations. FSA's responses to the recommendations are below.

Finding 1. FSA Did Not Effectively Perform Implementation Activities for the Systems Related to FTI Under its SABER Initiative

Recommendation 1.1: Ensure that budget requests and lifecycle cost estimates for SABER-related projects are submitted and approved according to FSA's Management Review 1 SOP and FSA's other established policies and procedures, and that they are properly maintained.

FSA's Response to Recommendation 1.1: FSA generally agrees with OIG's recommendation, but would note that specific review and approval processes are under review and may change. My senior leadership team is creating a working group to improve FSA's project management guidance and practices based on the recommendations contained in this report. In their initial work together, this group is focusing on project management training, project tracking, and shared templates – and we have begun applying these practices to other areas in FSA. This working group will continue to identify approaches that we may be able to implement to align with the recommendations provided, as our available resources and limited funding will permit.

Recommendation 1.2: Ensure that FSA Acquisition officials follow the Department's Contract Monitoring Directive, specifically pertaining to COR Appointment Memorandums, deliverable monitoring, contract payment records, contract monitoring plans, and QASPs for the FTI SABER system contracts we reviewed.

FSA's Response to Recommendation 1.2: FSA generally agrees with OIG's recommendation, and I have directed FSA's Acquisitions Office to work closely with the Student Experience and Aid Delivery Office and Enterprise Technology Directorate to review and ensure that the appropriate contract monitoring measures are in place for these *FUTURE Act* solutions.

Recommendation 1.3: Ensure that all future SABER-related contract deliverables, including the FTI Infrastructure deliverables, are clearly defined in the contracts, related modifications, or as an attachment to contracts and related modifications to ensure proper tracking, monitoring, and contractor performance.

FSA's Response to Recommendation 1.3: FSA generally agrees with OIG's recommendation, and I have directed FSA's Acquisitions Office to work closely with the Student Experience and Aid Delivery Office and Enterprise Technology Directorate to review and ensure that the appropriate contract monitoring measures are in place for these *FUTURE Act* solutions.

Recommendation 1.4: Clearly define who is responsible for supervising each part of the COR's performance for SABER-awarded contracts and hold the contracting officers accountable for the overall monitoring of the contracts awarded by FSA, including the FTI Module, FTI SAIG, and FTI Infrastructure contracts.

FSA's Response to Recommendation 1.4: FSA disagrees with OIG's recommendation. FSA operates in a highly matrixed environment; and the contract modifications that enabled the *FUTURE Act* solutions are managed by multiple offices, which include the Enterprise Technology Directorate, Next Generation Program Office, and Student Experience and Aid Delivery Office. Operating under resource constraints has necessitated shared coordination across multiple offices and multiple staff members. FSA's Acquisitions Directorate will provide acquisitions governance processes to identify which offices and corresponding staff members are accountable for managing the contract deliverables associated with the *FUTURE Act* solutions.

Recommendation 1.5: Require that the data fields that FSA defines as primary in the SABER risk registers be completed as appropriate, and data fields in decision logs be completed.

FSA's Response to Recommendation 1.5: While FSA may agree to this recommendation, it does not appear that it will fully address blank data fields or fields containing "to be determined" (TBD) in the SABER risk register.

The SABER risk team relies on subject matter experts to provide a majority of the information as they are closest to the topic areas and have a broader understanding of the risks, impacts, attributing factors, and other matters. The active SABER risk register is a living document and

changes frequently. The risk register that was provided to the OIG was a snapshot in time of the SABER risk register.

While there is currently no "requirement" that all fields must be completed in the risk registers, it is always FSA's goal to include as much information as possible, depending on what is known and available at the time. However, even if FSA required the primary data fields in the risk register to be completed, there are various reasons why fields may have been blank in the version that was provided to the OIG as part of this audit.

For example, the SABER risk team meets with workstreams monthly and may have simply run out of time during discussions that would require a subsequent meeting. Or workstreams may want to take some additional time to confer with other team members to ensure they provide appropriate and current risk information (given the limited resources and workloads of SABER team members not everyone involved is able to make every risk discussion). These reasons will continue to exist regardless of the primary data fields being "required."

Recommendation 1.6: Fix the technical issues to reduce data loss in SABER risk registers and other risk registers.

FSA's Response to Recommendation 1.6: FSA agrees with OIG's recommendation. FSA has been working to obtain an Enterprise Risk Management (ERM) software solution for several years with no success primarily due to ongoing budget constraints. The ERM team looks forward to resolving this ongoing technical challenge.

Thank you for the opportunity to respond to the recommendations outlined in this OIG draft report. Again, we appreciate the time and the effort spent auditing this issue and developing the thoughtful recommendations, as well as the opportunity to comment upon them.

Sincerely,

Exemption (b)(6)

Richard Cordray
Chief Operating Officer
Federal Student Aid