

TO REQUIRE THE COMPTROLLER GENERAL OF THE UNITED STATES TO
CONDUCT A COMPREHENSIVE FRAUD AUDIT OF THE DEPARTMENT OF
EDUCATION

JUNE 12, 2000.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. GOODLING, from the Committee on Education and the
Workforce, submitted the following

R E P O R T

[To accompany H.R. 4079]

[Including cost estimate of the Congressional Budget Office]

The Committee on Education and the Workforce, to whom was referred the bill (H.R. 4079) to require the Comptroller General of the United States to conduct a comprehensive fraud audit of the Department of Education, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. COMPREHENSIVE FRAUD AUDIT OF DEPARTMENT OF EDUCATION.

(a) AUDIT.—Within 6 months after the date of the enactment of this Act, the Comptroller General of the United States shall—

(1) conduct and complete a fraud audit of selected accounts at the Department of Education that the Comptroller General determines to be particularly susceptible to waste, fraud, and abuse; and

(2) submit a report setting forth the results of the audit to the Committee on Education and the Workforce of the House of Representatives and the Committee on Health, Education, Labor, and Pensions of the Senate.

PURPOSE

The purpose of H.R. 4079, which requires the Comptroller General to conduct a fraud audit of the Department of Education, is to enhance the detection of waste, fraud and abuse at the agency.

COMMITTEE ACTION

On March 23, 2000, Representative Pete Hoekstra (R-MI) introduced H.R. 4079. This Act requires the Comptroller General to conduct a fraud audit of the Department of Education.

On May 25, 2000, the Committee on Education and the Workforce assembled to consider H.R. 4079. The Committee adopted by voice vote an amendment in the nature of a substitute offered by Mr. Hoekstra. The bill, as amended, was favorably reported by the Committee on Education and the Workforce by voice vote.

The Hoekstra amendment in the nature of a substitute modified H.R. 4079, as introduced, by specifically limiting the scope of the fraud audit to selected high-risk areas to be determined by the Comptroller General.

SUMMARY

H.R. 4079 requires the Comptroller General to audit select high-risk accounts at the Department of Education. The accounts audited shall be those determined by the Comptroller General to be most susceptible to waste, fraud and abuse. A report setting forth the results of this fraud audit is to be submitted within six months to the Committee on Education and the Workforce of the U.S. House of Representatives and the Committee on Health, Education, Labor, and Pensions of the U.S. Senate.

COMMITTEE VIEWS

On March 29, 2000, an amendment with parallel language to H.R. 4079, as introduced, passed by voice vote when offered on the House floor by Representative Schaffer (R-CO) as an amendment to the fiscal year 2000 Supplemental Appropriations bill.

There is a need to determine the extent of waste, fraud and abuse occurring at the Department of Education. The agency failed to receive a clean opinion from auditors on its agency-wide financial statements for the past two years. The next two fiscal year audits are likely to produce similar results, since the Department does not expect to have an effective accounting system in place until at least October 2001.

The agency-wide audits regularly reveal a host of internal control weaknesses in the Department's financial management. These weaknesses imply a susceptibility to waste, fraud and abuse, according to independent auditors and General Accounting Office officials who have testified at a series of hearings held by the Subcommittee on Oversight and Investigations.

Underscoring the need for a fraud audit are recent disclosures of fraud and abuse at the Department which include:

On May 10, a contract employee pled guilty to participation in a theft ring in which, over the course of several years, about \$300,000 worth of electronic equipment was illegally steered to an Education Department employee overseeing his work. The employee in return signed off on more than \$600,000 in phony overtime for the contractor and a coworker. The Inspector General and outside auditors have in the past cited inventory control weaknesses at the Department as a problem area.

Also in May, the General Accounting Office completed an audit of the Department's "grant back" account, concluding that the Department lacks sufficient documentation to verify that money from this account was distributed appropriately. The account at one point contained almost

three-quarters of a billion dollars, only about \$13 million of which was genuine grant back money. The Inspector General and outside auditors have identified security weaknesses in the Department's Grants Automated Payment System (GAPS), which dispenses funds from the grant back account and other agency accounts.

In February, the Inspector General issued a report disclosing serious flaws in computer data security in several of the Department's mission-critical computer systems. These systems contain student loan and grant records for tens of millions of individuals. It is not known whether, or to what extent, unauthorized users may have altered these records.

Over the past two years, the Department has issued at least \$150 million in duplicate payments to grantees and contractors. It is not known whether all duplicate payments issued are eventually identified by the agency, since payees are the ones who often discover and report them.

The Committee believes that a fraud audit should be done to determine whether there are additional problems at the Department similar to those listed above. Detecting problems at an early stage can product long-term savings of time and money because it enables an agency to target areas of weakness before more costly damage results. The audit findings, then, should facilitate a more efficient harnessing of the Department's financial management resources.

SECTION-BY-SECTION

Section 1. Directs the Comptroller General to conduct and complete a fraud audit of selected accounts at the Department of Education that he deems to be particularly susceptible to waste, fraud and abuse. Requires the Comptroller General to submit a report setting forth the results of the audit to the Committee on Education and the Workforce of the U.S. House of Representatives and the Committee on Health, Education, Labor, and Pensions of the U.S. Senate.

EXPLANATION OF AMENDMENTS

The amendment in the nature of a substitute is explained in the body of this report.

APPLICATION OF LAW TO THE LEGISLATIVE BRANCH

Section 102(b)(3) of Public Law 104-1 requires a description of the application of this bill to the legislative branch. The purpose of H.R. 4079, which requires the Comptroller General to conduct a fraud audit of the Department of Education, is to enhance the detection of waste, fraud and abuse at the agency. The bill does not prevent legislative branch employees from receiving the benefits of this legislation.

UNFUNDED MANDATE STATEMENT

Section 423 of the Congressional Budget and Impoundment Control Act (as amended by Section 101(a)(2) of the Unfunded Mandates Reform Act, P.L. 104-4) requires a statement of whether the

provisions of the reported bill include unfunded mandates. The purpose of H.R. 4079, which requires the Comptroller General to conduct a fraud audit of the Department of Education, is to enhance the detection of waste, fraud and abuse at the agency. As such, the bill does not contain any unfunded mandates.

ROLLCALL VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include for each record vote on a motion to report the measure or matter and on any amendments offered to the measure or matter the total number of votes for and against and the names of the Members voting for and against.

No recorded votes were taken on H.R. 4079.

STATEMENT OF OVERSIGHT FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE

In compliance with clause 3(c)(1) of rule XIII and clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the body of this report.

NEW BUDGET AUTHORITY AND CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 and with respect to requirements of 3(c)(3) of rule XIII of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 4079 from the Director of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 8, 2000.

Hon. WILLIAM F. GOODLING,
Chairman, Committee on Education and the Workforce, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4079, a bill to require the Comptroller General of the United States to conduct a comprehensive fraud audit of the Department of Education.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Paul Cullinan.

Sincerely,

STEVEN M. LIEBERMAN
(For Dan L. Crippen, Director).

Enclosure.

H.R. 4079—A bill to require the Comptroller General of the United States to conduct a comprehensive fraud audit of the Department of Education

H.R. 4079 would direct the Comptroller General of the United States to conduct an audit of certain accounts at the Department

of Education. Assuming appropriation of the necessary funds, CBO estimates that implementing the bill would cost about \$1 million in 2001. Because enactment of H.R. 4079 would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

Based on information from the General Accounting Office (GAO), CBO estimates that the audit would cost between \$800,000 and \$1 million. Because the audit would have to be completed within six months of the bill's enactment, it would have a relatively restricted scope. It would be oriented toward the department's student financial aid programs and focus on specific areas that the GAO identifies as highly susceptible to errors. A preliminary review by GAO staff suggests that the limited audit would require about three full-time equivalent positions (for example, six employees working full time for six months) as well as some work by outside contractors.

H.R. 4079 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would have no effect on the budgets of state, local, or tribal governments.

The CBO staff contact is Paul Cullinan. This estimate was approved by Peter H. Fontaine, Deputy Director for Budget Analysis.

STATEMENT ON OVERSIGHT FINDINGS OF THE COMMITTEE ON GOVERNMENT REFORM

With respect to the requirement of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee has received no report of oversight findings and recommendations from the Committee on Government Reform on the subject of H.R. 4079.

CONSTITUTIONAL AUTHORITY STATEMENT

Under clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee must include a statement citing the specific powers granted to Congress in the Constitution to enact the law proposed by H.R. 4079. Article I, section 8, clause 1, which grants Congress the power to lay and collect taxes, duties, imports and excises, to pay the debts and provide for the common defense and general welfare of the United States.

COMMITTEE ESTIMATE

Clause 3(d)(2) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs that would be incurred in carrying out H.R. 4079. However, clause 3(d)(3)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

No change made to existing law.