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# **The Federal Update for May 31, 2024**

From: Michael Brustein, Julia Martin, Steven Spillan, Kelly Christiansen

Re: Federal Update

Date: May 31, 2024

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## Legislation and Guidance

### OMB Publishes 2024 Compliance Supplement

The Office of Management and Budget (OMB) published the 2024 Compliance Supplement this week – the tool that auditors are required to use when evaluating federally funded programs.

The Compliance Supplement includes 12 compliance areas that auditors may review: activities allowed or unallowed and allowable costs/cost principles; cash management; eligibility; equipment/real property management; matching, level of effort, earmarking; period of performance; procurement, suspension & debarment; program income; reporting; subrecipient monitoring; and special tests and provisions.  Each federal agency is required to choose six of the 12 requirements for auditors to focus on in the upcoming year for each federal program. The compliance areas chosen by the U.S. Department of Education (ED) may vary from program to program. However, although auditors may not be testing all 12 requirements each year, grantees must still comply with all federal program and fiscal requirements.

Most of the compliance areas selected by ED remained similar to those included in the 2023 Compliance Supplement, but some programs saw the removal or addition of one or two of the six selected areas. Grantees should ensure they are familiar with the compliance areas chosen for each program in the 2024 Compliance Supplement in preparation for audits.

Other changes include adding references to new or updated guidance documents released by ED over the last year, as well as removing the McKinney-Vento Homeless Assistance Act as an allowable non-Elementary and Secondary Education Act (ESEA) program for State administrative consolidation. The program was included in prior compliance supplements despite ED guidance not explicitly designating McKinney-Vento as an allowable program for consolidation under ESEA Section 8201, but the 2024 version removes the reference.

[The U.S. Department of Education section of the 2024 Compliance Supplement is available here](https://www.whitehouse.gov/wp-content/uploads/2024/05/Part-4-Department-of-Education-ED.pdf).

Author: KSC

## News

### ED Says it Will Revamp Student Aid Office

The U.S. Department of Education (ED) announced late Thursday that it would take steps to “modernize” the Federal Student Aid office (FSA), including conducting a full-scale review, finding a new chief operating officer, increasing oversight, and making other improvements.

In a letter to staff, Secretary of Education Miguel Cardona announced that Denise Carter will be the principal deputy chief operating officer and will take the place of chief operating officer Richard Cordray until his replacement is found.  Cordray is scheduled to depart at the end of June.  ED will use an outside consultant to conduct a full-scale review of FSA’s organization, management, staffing, and business practices, which will include a review of its procurement practices.  ED will also look to hire more IT staff, including engineers and designers, to support the continued FAFSA roll-out.  Cardona said that ED will “restructur[e] senior leader reporting protocols” to “increase accountability.”

The announcement comes after months of technical issues with a new FAFSA website that prevented many students from applying for Pell grants and other financial aid, and delays in processing the information received.  The troubled roll-out has been the subject of several Congressional hearings and other inquiries about the contractors hired to build out the online application.

The [full FSA announcement is here](https://blog.ed.gov/2024/05/secretary-cardona-outlines-steps-modernized-fsa/?source=email#more-32621).

Author: JCM

## Reports

### Financial Risks Persist a Year After GAO Assessment

In an annual report on the U.S. Department of Education (ED) issued this month, the U.S. Government Accountability Office (GAO) says the agency has a number of “priority” risks it should address.

GAO notes that ED implemented one of the six priority recommendations it made last year, issuing a study on the effectiveness of federal student aid programs under Title IV of the Higher Education Act of 1965. GAO is not adding any new priority recommendations but is maintaining the other five that ED has not yet addressed. Those are:

* Collecting data on services to college students with disabilities;
* Updating the Federal Student Aid Cost Estimating and Assessment guidance;
* Improving the management of IT acquisition and operations (GAO has identified this area as a “high risk” priority across government);
* Improving the quality of data collected regarding the restraint and seclusion of students with disabilities (a recommendation originally made in 2020); and
* Helping to address testing issues and financial risks associated with virtual schools, particularly virtual charter schools.

ED says updates to the Cost Estimating and Assessment guidance should be completed by August 2024. With respect to virtual schools, ED says that it has “taken action to identify factors that may cause misreporting of information on management organizations that contract with grantees of the Charter Schools Program (CSP)” and “revised CSP regulations to strengthen safeguards against for-profit organizations applying for grants or subgrants under the CSP.” However, GAO expresses skepticism that this will help States “mitigate elevated financial and programmatic risks,” because CSP is not a direct grant to charter schools and not all schools receive CSP funds.

The [full financial risk report is available here](https://www.gao.gov/assets/gao-24-107296.pdf).

Author: JCM

### Information on Accommodations for College SWDs Needed, Says GAO

In a separate report released this week, the U.S. Government Accountability Office (GAO) notes that while the percentage of college students with disabilities has grown since 2004, some students remain unaware that they can request reasonable accommodations from their institutions. GAO also notes that students with disabilities graduate from college at lower rates than those without disabilities and are less likely to be employed full-time than peers without disabilities.

GAO suggests that the U.S. Department of Education encourage State and local educational agencies to disseminate resources to help students transitioning to college learn about “the importance of self-advocacy in obtaining accommodations in college” and provide student services staff with a way to receive notification of newly issued guidance and other information related to accommodations for students with disabilities in higher education.

The [full report on transitioning students with disabilities to college is here](https://www.gao.gov/assets/gao-24-105614.pdf).

Author: JCM

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Posted by the California Department of Education, May 2024