

# The Federal Update for June 3, 2022

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Re: Federal Update

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*Congress is in recess this week in observation of the Memorial Day holiday. The House has 24 days left in session before the Congressional summer recess, and the Senate will be in session for another 34 days prior to the recess.*

## Reports

### ED OIG Publishes Semiannual Report to Congress

The U.S. Department of Education’s (ED’s) Office of Inspector General (OIG) published its semiannual report to Congress last month covering ED OIG’s work for the October 1, 2021 through March 31, 2022 period. The report discusses OIG’s work on ensuring coronavirus and disaster relief funds were used appropriately, its investigation of institutions’ use of federal student aid and school districts’ use of elementary, secondary, and special education program funds, as well as OIG’s review of ED’s management and operations. The report also discusses other OIG efforts, including its review of single audits conducted by non-federal auditors.

Related to OIG’s review of coronavirus relief funds, the report looked at ED’s implementation of CARES Act flexibilities to TEACH Grant service obligations, reviewed State plans for using Governor’s Emergency Education Relief (GEER) Funds, and reviewed States’ awarding and monitoring of GEER funds. For disaster recovery funds, the report summarized a State’s administration of the Temporary Emergency Impact Aid for Displaced Students program, which found that it did not have adequate controls to prevent or detect inaccurate displaced student counts. For OIG’s review of institutions’ use of federal student aid, the report briefly addressed schools’ use of professional judgment, focusing on a college from Baltimore, and summarized OIG investigations into federal student aid fraud, waste, and abuse. Notably, investigations included in the report include a multimillion-dollar fraud scam at Center for Employment Training in Illinois, and the prosecution of a chief executive officer of a diving school in New Jersey and the owner of an Ohio barber academy for fraud. The semiannual report also highlighted notable cases involving the fraudulent use of elementary, secondary, and special education program funds, including a $10 million virtual education fraud scheme in Alabama and a public corruption investigation of the former chief financial officer of Houston Independent School District.

Regarding OIG’s review of ED’s management and operations, the report discussed ED information technology security and found that five out of nine ED practices were not effective in the security functions tested. The report also presented OIG’s audit of ED financial statements, which found one material weakness and three significant deficiencies in internal controls over financial reporting.

Finally, related to OIG’s review of non-federal audits through “desk” and quality control reviews, the report found that of the 45 desk reviews of single audits conducted by independent auditors, 21 received a “pass,” 23 received a “pass with deficiencies,” and one failed. OIG also found that of the 11 quality control reviews of single audits conducted by independent auditors, four received a “pass with deficiencies” and seven failed.

[A full copy of the report can be viewed here.](https://www2.ed.gov/about/offices/list/oig/misc/edoigsar84.pdf)

Author: ASB

## News

### White House Forgives Corinthian Debt, Considers Larger Program

The White House announced this week that it would forgive the remainder of federal student loan debt held by students of the now-shuttered Corinthian Colleges. The school closed in 2015 amid allegations that it defrauded students into taking out millions of dollars in federally backed loans in what the U.S. Department of Education (ED) called “widespread and pervasive misrepresentations” and “wholesale financial exploitation.” The loan forgiveness would total about $5.8 billion and affect approximately 560,000 borrowers. Impacted borrowers would receive forgiveness automatically, without the need to apply. Vice President Kamala Harris is expected to play a large part in the announcement. As California’s Attorney General, she led a lawsuit against Corinthian which yielded a large judgment on behalf of former students in the State.

Administration officials also noted that this is part of a larger plan of widescale student loan forgiveness. Though the details of the plan are still being finalized, the President had campaigned on providing forgiveness of at least $10,000 per borrower, which seems to be a consensus number. But the administration and lawmakers—some of whom have been pushing for a larger amount of forgiveness—still have not agreed on whether to means test forgiveness, limiting it to those borrowers earning less than $125,000 or $150,000 per year. But ED staff have reportedly warned the White House that income-limiting debt forgiveness would make the process significantly more complicated for the agency—and thus much slower for borrowers.

Resources:
Hanna Trudo, Amie Parnes, and Alex Gangitano, “White House to announce widespread relief for former Corinthian Colleges students,” *The Hill*, June 1, 2022.
Michael Stratford, Eugene Daniels, “White House close to plan providing $10k of student debt relief,” *Politico*, May 27, 2022.
Author: JCM

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