



Inspector General's Semiannual Report to Congress, No. 60

October 1, 2009–March 31, 2010



Office of Inspector General

Kathleen S. Tighe
Inspector General

May 2010

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MISSION OF THE OFFICE OF INSPECTOR GENERAL

To promote the efficiency, effectiveness, and integrity of the Department's programs and operations, we conduct independent and objective audits, investigations, inspections, and other activities.

VISION STATEMENT

- We are a continual learning and improving organization;
- We appreciate, challenge, respect, and honor our employees;
- We serve as a change agent to encourage fiscal integrity and continuous improvement in program delivery and program effectiveness; and
- We seek to achieve the highest level of customer satisfaction possible within our independent and objective role.

PLEASE NOTE

The *Inspector General's Semiannual Report to Congress, No. 60* and reports discussed herein are available on the ED/OIG Web site at <http://www.ed.gov/about/offices/list/oig/index.html>.

MESSAGE FROM THE INSPECTOR GENERAL

On behalf of the U.S. Department of Education (Department) Office of Inspector General (OIG), I am pleased to provide this Semiannual Report on the activities and accomplishments of this office from October 1, 2009, through March 31, 2010. The audits, inspections, investigations, and related work highlighted in the report are products of our continuing commitment to promoting accountability, efficiency, and effectiveness in Federal education operations and programs.

Over the last 6 months, OIG issued 22 audits, 3 inspections, and 13 other reports. We identified more than \$167 million in financial recommendations. We also closed 58 investigations involving theft or other fraudulent use of Federal education funds, securing more than \$10.2 million in settlements, fines, restitutions, recoveries, forfeitures/seizures, and savings.

Through our work, OIG helps the Department improve the management of its programs and operations and ensure the protection of Department funds. Our commitment to providing timely and effective oversight is particularly evidenced by the initial results of our work related to the *American Recovery and Reinvestment Act of 2009* (Recovery Act). We have completed 10 reports under the first phase of our work that assessed States' and related agencies' internal controls over Recovery Act funds to ensure they provided reasonable assurance of compliance with applicable laws, regulations, and guidance. The response to our efforts has been very positive, with a number of State and local agencies taking immediate action to address our findings and implement our recommendations. We have now initiated the second phase of our Recovery Act efforts, which is examining use of funds by States and subrecipients and the quality of the data reported. We expect to release the findings of this work starting this summer. In addition, our criminal investigations relating to Recovery Act fraud resulted in the referral of 18 cases for prosecution during the reporting period.

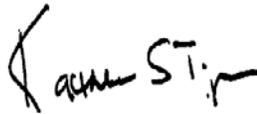
We are continuing our focus on other key Federal education programs and operations, including the student financial aid programs. In anticipation of legislative changes to the Federal Family Education Loan Program, we concluded an audit of Federal Student Aid's (FSA) capacity for increasing the volume of loans made and serviced under the William D. Ford Federal Direct Loan Program. We found that FSA had estimated the impact of significant changes to the program, expanded its processing systems, and awarded additional contracts to assist in servicing potential increases. We did caution, however, that reliance on contractor support in key areas will require effective monitoring practices and that FSA should test affected systems to ensure they will perform adequately under increased processing requirements.

We made a number of recommendations related to education funds awarded to a State educational agency (SEA), a local educational agency (LEA), and a grantee, and brought to the Department's attention our concerns regarding accrediting agency requirements for evaluating credit hours and program length. We also had significant

investigative results involving fraud in the student financial assistance program and fraudulent activity within SEAs, LEAs, and their contractors.

In closing, I am honored to have been nominated and confirmed as the Inspector General of this Department. I will draw on my experience in the Federal government and the Inspector General community in leading this organization with its proven record of accomplishment and exemplary work.

We greatly appreciate the interest and support of the Congress, Secretary Duncan, and Deputy Secretary Miller. We look forward to working with you in meeting the challenges and opportunities that lie ahead.

A handwritten signature in black ink, appearing to read "Kathleen S. Tighe". The signature is stylized and written in a cursive-like font.

Kathleen S. Tighe
Inspector General

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EXECUTIVE SUMMARY

We present the work OIG concluded during this reporting period in five sections: (1) efforts associated with the *American Recovery and Reinvestment Act of 2009* (Recovery Act); (2) elementary, secondary, and Indian education programs and operations; (3) Federal student financial assistance programs and operations; (4) other internal operations, including financial management and information technology (IT) security and management; and (5) a compilation of tables of the audits, other reports, and investigations we completed during this reporting period, as required by the *Inspector General Act of 1978*, as amended (*IG Act*).

RECOVERY ACT EFFORTS

The Recovery Act's increase in education funding requires 55 State and territorial educational agencies (SEAs), more than 16,000 local educational agencies (LEAs), and other entities to provide adequate oversight for those funds. During this reporting period, we examined agencies' internal controls¹ over Recovery Act funds in 7 States and 1 territory. In almost all of our reviews, we found that the entities reviewed had been proactive in their efforts to ensure the proper administration of Recovery Act funds; however, we identified areas that could be improved. You will find more on these reviews in the Recovery Act section of this report, along with summaries of four additional reviews of other issues impacting the Department's administration of the Recovery Act.

ELEMENTARY, SECONDARY, AND INDIAN EDUCATION PROGRAMS AND OPERATIONS

We concluded several reviews involving an SEA, LEA, and another grantee's use of Federal funds. This includes our audit of the Philadelphia School District, which identified expenditures of more than \$138 million in unallowable or inadequately supported Federal education funds. We also examined the Department's management of the Indian Education Professional Development grant program, which identified significant weaknesses, fostering an environment susceptible to fraud, waste, and abuse. You will find more details on these reports, as well as summaries of investigations involving theft or misuse of Federal education funds involving school officials and contractors in this section of our report.

FEDERAL STUDENT FINANCIAL ASSISTANCE PROGRAMS AND OPERATIONS

The Federal student financial assistance programs have long been a major focus of our audit, inspection, and investigative work. With more than 6,000 postsecondary institutions, more than 2,900 lenders, and 35 guaranty agencies participating in the program; \$129.3 billion in student loans and other awards; and an outstanding loan portfolio of more than \$600 billion, accountability in these programs is critical.

During this reporting period, we concluded an audit of the Federal Student Aid (FSA) office's capacity for increasing the volume of loans made and serviced under the William D. Ford Federal Direct Loan (Direct Loan) Program, which found that FSA had taken actions to prepare for the anticipated increase. We also examined several issues that were recently discussed at the negotiated rulemaking session: (1) reviewing whether accrediting agencies had appropriate standards for program length and credit hours, standards we believe are critical to the proper awarding of Federal student financial assistance; (2) improving certain provisions related to Ability-To-Benefit test (ATB) processes to eliminate compromised or invalid ATB examinations; and (3) the need for a clear definition of high school diploma as a condition for awarding Federal student aid. You will find more on these efforts, as well as summaries of our more significant investigative cases of fraud involving student financial assistance program funds, in this section of this report.

FINANCIAL MANAGEMENT, IT SECURITY, AND OTHER INTERNAL OPERATIONS

We have highlighted the audits and reviews we completed on the Department's financial management, IT security and management, and other internal operations. For Fiscal Year (FY) 2009, the Department and FSA received an unqualified opinion on their financial statements for the eighth year in a row. Although this accomplishment is noteworthy, our work revealed a need for improvements in areas related to financial reporting and IT security. We also provide summaries of the results of our efforts to evaluate the Department's implementation of its financial disclosure procedures involving its contractors and subcontractors, an issue involving the Department's \$500 million IT contract, and the results of our quality control reviews of single audits of Department grantees.

REQUIRED TABLES

The final section of our report provides a compilation of tables of the audits, inspections, other reports, and investigations we concluded over the last 6 months, as required by the *IG Act*.

Copies of the reports discussed in this Semiannual Report to Congress are available on the OIG Web site. For more information on our work and activities, please contact the OIG Congressional Liaison at (202) 245-7023, or visit our Web site at www.ed.gov/oig.

RECOVERY ACT EFFORTS

The Recovery Act was signed into law on February 17, 2009, and provides approximately \$98.2 billion in new funding for Federal education programs and operations, including programs authorized by the *Elementary and Secondary Education Act of 1965*, as amended (ESEA), the *Higher Education Act of 1965*, as amended (HEA), the *Individuals with Disabilities Education Act of 2004*, as amended (IDEA), and the *Rehabilitation Act of 1973*.

As discussed in our last Semiannual Report to Congress, OIG staffs have been working with Department leaders and our counterparts in the Government Accountability Office (GAO) and other Federal agencies since the enactment of the law to ensure that Recovery Act dollars reach the intended recipients and achieve the intended results. During this reporting period, we continued to participate in an advisory capacity on a number of Department and Office of Management and Budget (OMB) Recovery Act work groups, maintained our seat on the Recovery Accountability and Transparency Board (Recovery Board), participated in Recovery Act work groups and projects organized by the Recovery Board, and continued to provide the Department and its grantees with the training and tools to help identify and fight waste, fraud, and abuse of Recovery Act funds. This included over 75 meetings with individual SEAs and LEAs, where we discussed issues such as fraud awareness and prevention. We also provided our audit guide to State and local audit organizations for their use and reference when performing similar Recovery Act work.

During the last 6 months, OIG issued several reports from the first phase of our Recovery Act oversight work: audits of Governors' offices, SEAs, LEAs, and other agencies in seven States and one territory—California, Illinois, Indiana, New York, Pennsylvania, Puerto Rico, Tennessee, and Texas—to determine whether entities responsible for overseeing Recovery Act funds had designed systems of internal controls that were sufficient to provide reasonable assurance of compliance with applicable laws, regulations, and guidance. Summaries of these reports are below, and full reports and related information are posted on our Web site at www.ed.gov/oig, as well as on the Federal government's Recovery Act Web site, www.recovery.gov.

RECOVERY ACT REPORTS

INTERNAL REPORTS

ACTIONS THE DEPARTMENT CAN TAKE TO HELP ENSURE SEA IMPLEMENTATION OF FEDERAL CASH MANAGEMENT REQUIREMENTS

As one of the key principles of the Recovery Act is to distribute the funding quickly to save and create jobs and promote economic activity, the issue of cash management—minimizing the time elapsing between an SEA's or LEA's receipt of and its disbursement of Federal funds—is a key component of our Recovery Act work.

Previous OIG work had revealed that an SEA provided funding to an LEA long before the LEA was prepared to use those funds. As a result, the LEA earned upwards of \$25 million in interest on those funds over 12 years and retained the interest earnings instead of remitting them—funds that should have been used or returned to the Federal government in a timely manner, as required by Federal law and regulations. Our recently concluded Recovery Act audits found that this was not an isolated incident. We brought these concerns to the Department’s attention and suggested that it examine the most effective methods to address cash management issues and provide technical assistance and guidance to the States and LEAs to ensure that Recovery Act funds are expended effectively. The Department concurred with our recommendation. Below is a chart summarizing our findings in five of the seven States and one territory reviewed.

SEA IMPLEMENTATION OF FEDERAL CASH MANAGEMENT REQUIREMENTS	CA	IL	IN	NY	PA
SEA was or would be advancing Recovery Act funds to LEAs without adequate information on whether LEA was ready to spend the funds.	X	X	X	X	X
SEA did not have a process in place for LEAs to remit interest earned from Federal cash advances, had not instructed LEAs to remit interest promptly and at least quarterly, and did not sufficiently monitor LEAs’ compliance with this requirement.	X	X	X	X	X

CORRECTIONS NEEDED TO A NUMBER OF PROGRAMS LISTED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE PROGRAMS

We notified the Department that it needed to correct information on a number of its programs listed in the Catalog of Federal Domestic Assistance (CFDA). With the dramatic increase in funding that the States, SEAs, and LEAs will receive through the Recovery Act and its emphasis on accountability, it is important for the CFDA to contain accurate, up-to-date information. State, local, and independent auditors engaged to perform single audits required by the *Single Audit Act Amendments of 1996*ⁱⁱ use the CFDA to obtain information about Department programs that is often not available from other sources. For example, we found incorrect descriptions of the applicable audit requirements for a number of programs, including the Federal Family Education Loan Program (FFELP), Federal Perkins Loan program, Direct Loan program, and the Academic Competitiveness Grant program. We made several recommendations, including that knowledgeable Department officials review each CFDA section to identify errors and any needed corrections. The Department concurred with our recommendations.

DEPARTMENT’S PROCESS TO ENSURE DATA QUALITY UNDER RECOVERY ACT REPORTING REQUIREMENTS

In this audit, we determined that the Department had established a process to perform data quality reviews of recipient reporting under the Recovery Act and notified the

recipients of the need to make appropriate and timely corrections. Specifically, we found that the Department: (1) developed draft policy and procedures for reviewing quarterly Recovery Act data which emphasized the avoidance of material omissions and significant reporting errors; (2) developed plans to ensure that all prime recipients file the required quarterly reports; (3) planned a process to remediate systemic or chronic reporting problems; and (4) planned to use the reported information as a management tool.

CHARTER SCHOOL VULNERABILITIES TO WASTE, FRAUD, AND ABUSE

With the increase in funding that schools are receiving through the Recovery Act, we issued a report that highlighted past OIG investigations involving fraud at charter schools. The report brought to the Department's attention our concern about vulnerabilities in the oversight of charter schools. Since 2005, OIG has opened more than 40 criminal investigations at charter schools, which have thus far resulted in 18 indictments and 15 convictions of charter school officials. Charter schools generally operate as independent entities that are subject to oversight by an LEA or authorized chartering agency. Our investigations have found, however, that LEAs or chartering agencies often fail to provide adequate oversight needed to ensure that Federal funds are properly used and accounted for. The type of fraud we identified generally involves embezzlement. The schemes that are used to accomplish this are varied. For example, we have found cases where charter school executives falsely increased their schools' child count, thus increasing the funding levels from which to embezzle. We also identified an alleged grade changing scheme that allowed failing students to pass in order to ensure that the school met Adequate Yearly Progress, which allowed the school to continue operating, thus continuing a funding scheme from which to embezzle. We have also unraveled schemes where owners or employees of the charter schools created companies to which they diverted school funds and misused school credit cards for personal expenditures. Our report provided examples of investigative cases involving charter schools. The Department generally agreed with our observations and expressed interest in working with OIG in determining how to enhance, when appropriate, its policies and monitoring processes involving charter schools.

EXTERNAL REPORTS

INTERNAL CONTROLS REVIEWS AT SELECTED SEAS

We concluded audits of seven States and one territory to determine whether agencies charged with responsibility for overseeing Recovery Act funds had designed systems of internal controls that could reasonably assure compliance with applicable laws, regulations, and guidance. We assessed the design of internal controls over cash management, subrecipient monitoring, use of funds, and data quality for ESEA Title I programs, IDEA Part B, Vocational Rehabilitation Act funds, and the State Fiscal Stabilization Fund (SFSF) programs.

In almost all of the States reviewed, we found that the SEAs had been proactive in their efforts to ensure the proper administration of Recovery Act funds; however, we identified areas that could be improved, as summarized in the following chart and described in more detail by State.

Summary of Recovery Act Audit Findings				
Entity Reviewed	Cash Management	Data Quality	Sub-Recipient Monitoring	Use/Accounting of Funds
California				
State of California*	X		X	X
San Diego Unified School District	X			X
Chico Unified School District				
Tulelake Basin Joint Unified School District	X			X
Illinois				
State of Illinois*	X	X	X	
Chicago Public Schools	X			X
Hinsdale Community Consolidated School District	X	X		X
East St. Louis Public Schools	X			
Indiana				
State of Indiana*	X	X	X	
Indianapolis Public Schools	X			
Muncie Community Schools	X			
Wawasee Community Schools	X			
New York				
State of New York*	X	X	X	
New York City Department of Education	X	X		
Kiryas Joel Union Free School District		X		X
Harborfields Central School District	X	X		X
Pennsylvania				
Commonwealth of Pennsylvania*	X	X	X	
Puerto Rico				
Commonwealth of Puerto Rico* (Voc. Rehab only)	X	X	X	X
Tennessee				
State of Tennessee*		X		
Davidson County Public Schools				
Jackson-Madison County Public Schools				
Giles County Public Schools				
Texas				
State of Texas*		X	X	
Dallas Independent School District			X	X
Fort Bend Independent School District				X
Cleburne Independent School District				

*Includes SEA, Governor's Office, and any other State entity administering ARRA funds. Details of which State entity a finding pertains to are included in attached summaries.

CALIFORNIA

We assessed internal controls at the Governor's Office, the California Department of Education (CDE), the California Department of Rehabilitation, the California Department of Corrections and Rehabilitation, and three LEAs: San Diego Unified School District (SD-USD), Tulelake Basin Joint Unified School District (TBJ-USD), and the Chico Unified School District. Our audit found that the State and local agencies reviewed had systems of internal controls in place or were designing control systems to provide for the proper administration and use of education-related Recovery Act funds. However, we found that (1) CDE needed to ensure that LEAs receive Title I and SFSF funds when needed to pay program costs and timely remit interest earned on cash advances; (2) CDE and the Governor's Office of Planning and Research (OPR) needed to ensure that timely and adequate subrecipient monitoring procedures were implemented for Recovery Act subgrants to LEAs, as well as ensure that subrecipients (and its employees) are informed of Recovery Act whistleblower protection and OMB requirements for referrals to Inspectors General; (3) CDE delayed implementing its data collection system which created challenges for ensuring the quality of the data reported. CDE cited a lack of specific guidance on reporting requirements and the ongoing State budget crisis as reasons for the delay in developing its data collection system; and (4) CDE needed to ensure that LEAs implement adequate controls regarding the appropriate use of Recovery Act funds based on issues we identified at SD-USD involving use of Recovery Act funds for retirement plans without prior approval, and at SD-USD and TBJ-USD, related to undocumented personnel costs for multi-funded employees.

Our recommendations included that the CDE implement planned enhancements to existing ESEA Title I and IDEA program monitoring practices to provide timely oversight of LEA compliance with fiscal requirements related to cash management and the appropriate use of and accounting for Recovery Act funds. CDE and OPR concurred with our findings and recommendations.

ILLINOIS

We assessed internal controls at the Governor's Office, Illinois State Board of Education (ISBE), Illinois Department of Human Services, and three LEAs: Chicago Public Schools (CPS), Community Consolidated School District 181 (Hinsdale), and East Saint Louis School District 189. Our audit found that the agencies reviewed had systems of internal controls in place or were designing control systems to provide for the proper administration and use of education-related Recovery Act funds;ⁱⁱⁱ however, we identified that (1) ISBE's system of internal controls was not adequate to ensure that LEAs were complying with Federal cash management requirements; it did not ensure that excess cash balances within a quarter were detected; and that it did not ensure that

excess cash balances were calculated correctly or that interest on excess cash balances was identified and remitted in a timely manner; and (2) ISBE could improve its subrecipient monitoring to ensure compliance with Recovery Act requirements, as our work at the CPS and Hinsdale showed that these LEAs were not tracking their SFSF expenditures. Hinsdale also had not established procedures to ensure that Recovery Act IDEA data would be complete, accurate, reliable, and in compliance with Recovery Act reporting requirements. We made a number of recommendations, including that the ISBE strengthen procedures for monitoring excess cash balances at LEAs before approving cash disbursements and that ISBE instruct LEAs to track SFSF expenditures so that all necessary information could be accurately reported, as required by the Recovery Act. ISBE did not agree or disagree with our findings and recommendations but did describe corrective actions it was taking to resolve the findings.

INDIANA

We assessed internal controls at the Indiana Department of Education (IDOE), the Indiana Family and Social Services Administration, Bureau of Rehabilitation Services (BRS), and the Indiana Office of Management and Budget (Indiana OMB). We also assessed the design of controls at three LEAs: Indianapolis Public Schools; Muncie Community Schools; and Wawasee Community School Corporation. We found that the State has been proactive in its efforts to ensure the proper administration of Recovery Act funds; however, we also found that (1) IDOE could improve its procedures to ensure compliance with Federal cash management requirements. It did not have adequate procedures in place to minimize the time elapsing between the transfer of SFSF and the disbursement by the LEAs or ensure that LEAs calculated and remitted interest earned on excess cash resulting from unspent Recovery Act funds; (2) IDOE had not finalized the revisions to its IDEA monitoring guide to cover Recovery Act IDEA funds, did not plan to monitor SFSF distributed to LEAs as extensively as it planned to monitor other funds, and did not adequately monitor LEAs' support for personnel expenditures; and (3) BRS did not revise its current system or develop new systems for reporting data for funds received under the Recovery Act Vocational Rehabilitation program.

We recommended that the Department require the IDOE to develop and implement monitoring procedures to ensure that LEAs are properly reporting complete and accurate SFSF information; LEAs are spending SFSF in accordance with Recovery Act requirements; and follow up with LEAs if they fail to spend SFSF in accordance with Recovery Act requirements. IDOE and Indiana OMB did not indicate disagreement with the findings and recommendations and stated their commitment to complying with all Federal recommendations and guidelines for the disbursement and reporting of Recovery Act funds.

NEW YORK

We assessed internal controls at the Governor's Office and the New York State Education Department (NYSED). Although we found that the NYSED and the Governor's Office were making a proactive effort to ensure the proper administration of Recovery Act funds, we also found (1) NYSED needed to strengthen its controls over cash management at LEAs to ensure adequate oversight of Recovery Act and other Federal funds; (2) NYSED had not yet revised its existing monitoring programs or developed new monitoring programs to reflect Recovery Act requirements; (3) NYSED had not yet made sufficient progress in establishing controls to ensure compliance with Recovery Act reporting requirements; and (4) the Governor's office had not yet defined the roles of State agencies administering SFSF. Our recommendations included that the Department require the NYSED to develop and implement procedures to determine whether expenditures charged to the Recovery Act are allowable and properly supported prior to payment, and develop and implement monitoring procedures that address Recovery Act requirements, including those requirements specific to the SFSF program. The NYSED did not fully agree or disagree with our findings or recommendations.

In addition to our work at the NYSED, we also conducted similar work at three LEAs: the New York City Department of Education (NYCDOE); the Kiryas Joel Union Free School District (Kiryas Joel); and the Harborfields Central School District (Harborfields). Although we concluded that NYCDOE and Harborfields had designed systems of internal controls that were generally sufficient, we found the controls over data quality, cash management, and use of funds need to be strengthened. We recommended that both LEAs establish additional data quality processes and controls to ensure their readiness in collecting and reporting data in order to comply with all Recovery Act reporting requirements. We also noted that the two LEAs needed to incorporate in their written policies and procedures for internal controls guidance related to cash management and use of funds.

At Kiryas Joel, however, we found that the LEA had insufficient controls in many areas related to data quality, cash management, and use of funds; it lacked adequate internal controls to ensure compliance with Recovery Act reporting requirements, lacked adequate controls to safeguard payroll checks and did not have sufficient controls to minimize the risk of funds being improperly disbursed. We also found that Kiryas Joel's accounting software did not have adequate controls to prevent the use of duplicate check numbers for payroll and non-payroll expenses, which could result in discrepancies in books and bank records and in reconciling bank statements. Based on our findings, we made a number of recommendations for each specific LEA, which the NYSED did not specifically concur or disagree with. However, NYSED did state that it was prepared to implement all of our recommendations.

PENNSYLVANIA

We assessed internal controls at the Pennsylvania Department of Education (PDE), the Governor's Office, Comptroller's Office, the Bureau of Labor and Industry's Office of Vocational Rehabilitation, and the Commonwealth's Department of Corrections. Although we found that PDE and the Governor's Office were making a proactive effort to ensure the proper administration of Recovery Act funds, we determined that (1) the Comptroller's Office could strengthen its controls over cash management at LEAs to ensure adequate oversight of Recovery Act and other Federal funds: it did not verify LEA expenditures prior to payment; and its procedures were not adequate to minimize excess cash balances at LEAs or to ensure that LEAs properly remitted interest earned on Federal cash advances; (2) PDE's monitoring instruments needed to be strengthened in order to address Recovery Act requirements, and it needed to develop a plan to monitor SFSF funds; (3) although PDE had provided information and guidance to LEAs on Recovery Act reporting requirements, it did not have a policy to ensure that data deficiencies were disclosed to the Department; and (4) the Governor's Office should define the roles and responsibilities of Commonwealth agencies administering SFSF. We did not identify any reportable issues with respect to education-related Recovery Act programs administered by the Office of Vocational Rehabilitation. Based on our findings, we recommended that the Department require PDE to develop and implement procedures to monitor subrecipients' fiscal internal controls and use of funds for Recovery Act as well as non-Recovery Act grant programs. We also recommended that PDE develop and implement procedures to review LEA expenditures charged to Recovery Act as well as non-Recovery Act funds to determine whether the funds advanced were actually expended and whether the expenditures are reasonable, allowable, and properly supported prior to reimbursement. PDE did not agree with our findings and recommendations.

PUERTO RICO

We found that Puerto Rico's Vocational Rehabilitation Administration's (VRA) internal controls needed improvement to provide reasonable assurance of compliance with Recovery Act requirements, although VRA officials were working diligently and proactively to do so. Specifically, VRA did not withhold appropriate income taxes from payments; ensure that financial data were reliable for reporting purposes; develop and communicate reporting and job creation or retention guidance; update information system policies and procedures; ensure that time between receipt and payout of Federal funds was minimized; and develop a monitoring plan to ensure compliance with Recovery Act requirements. We recommended that each of these weaknesses be addressed, many of which the VRA concurred with or had taken action to address.

TENNESSEE

Although we found that the internal controls at the State and local agencies reviewed, including the Tennessee Department of Education's (TDOE), appeared adequate, TDOE needed to improve its communication with LEAs to ensure awareness of reporting requirements for suspected fraud and the reporting procedures for estimating the number of jobs created or retained, programmatic performance, and financial data. We recommended that the Department require the TDOE to formally communicate to the LEAs that they must report suspected fraud of Recovery Act funds to the OIG and ensure that the LEAs understand the Recovery Act reporting requirements. TDOE concurred with our finding and recommendations.

We also assessed internal controls at three LEAs: Giles County Board of Education; Metropolitan Nashville Public Schools; and Jackson-Madison County School System (Jackson-Madison). Our review found nothing that would indicate that the LEAs did not have sufficient controls in place. However, we found that Jackson-Madison and the Madison County Finance Department (MCFD) had not resolved findings from its FY 2008 single audit and did not have formal procedures for granting access to its computer system. In response to these and related findings, the Tennessee Comptroller Office made several recommendations which, if implemented, should correct this weakness. We also found that MCFD did not have formal procedures for granting access to its accounting system and suggested that it implement formal policies and procedures. TDOE and the LEAs did not have any comments on our findings or suggestions.

TEXAS

We assessed internal controls at the Texas Education Agency (TEA), the Texas Department of Assistive and Rehabilitative Services, the Texas Higher Education Coordinating Board (THECB), and the Governor's Office. We also reviewed the design of control at three LEAs: the Dallas Independent School District (DISD); the Fort Bend Independent School District (Fort Bend); and the Cleburne Independent School District. Although we found that the State had been proactive in its efforts to ensure the proper administration of Recovery Act funds, we found that (1) TEA could improve its oversight of LEAs to ensure compliance with Recovery Act requirements, as we identified issues at two of the three LEAs we visited; Fort Bend's accounting system was vulnerable to unauthorized users; and DISD did not have adequate written procedures for monitoring its schools that receive Recovery Act funds, or for implementing supplement not supplant procedures; DISD took corrective action on these issues prior to conclusion of our work; (2) THECB could improve its monitoring of subrecipients and its collection and reporting systems to ensure compliance with Recovery Act reporting requirements; and (3) THECB needed to modify its policies and procedures to ensure adequate oversight of recipients of SFSF government services funds to ensure those

funds were safeguarded. Based on these findings, we made a number of recommendations, with which the Governor's office did not fully agree.

During our audit, we noted that the Texas State Legislature passed, and the Governor signed into law, legislation which included a pay raise for teachers contingent on receipt of SFSF funds. Departmental guidance on the SFSF program, issued in April 2009, states that neither the Governor nor the SEA can mandate how an LEA will or will not use the SFSF funds. The State was aware of this guidance and included a statement in its July 2009 SFSF application that LEAs had discretion as to which funds (State, local, or SFSF) to use to cover the pay raises. The LEAs, however, did not receive any additional State funds for the pay raises under the State law, and TEA estimated that \$481 million in SFSF funds would be used to cover the raises for school year 2009-2010.

It is unclear whether Texas's mandatory pay raises were consistent with Recovery Act and Departmental requirements. The Department has communicated that the overall goals of the Recovery Act have been to save jobs and drive reforms. In Texas, the law provided for mandatory raises that were contingent on Recovery Act funding and were not designed to save jobs or retain particular teachers in particular schools.

OTHER EXTERNAL REPORTS

VIRGIN ISLANDS

We presented the Department with a special report highlighting issues that could affect Recovery Act funds provided to the Virgin Islands Department of Education (VIDE). We identified these issues through six audits of the VIDE issued between 2003 and 2008 and our 2009 audit of the VIDE's actions to address the recommendations made in those reports. Our 2009 report found that while VIDE had implemented some controls to address prior audit findings, it had not sufficiently addressed or taken the necessary actions to resolve prior recommendations in the areas of financial management, human capital, and property management and procurement. As a result, VIDE lacked sufficient internal controls to manage Departmental funds, programs, and activities, which could adversely impact its management of Recovery Act funds.

With its history of unsatisfactory performance in the administration of the Department's programs and its status as high-risk grantee, VIDE requires closer monitoring and oversight. To that end, we made a number of suggestions to all of which the Department agreed.

OTHER ACTIVITY

OIG TRAINED OVER 1500 DEPARTMENT PERSONNEL AND GRANTEES

In 6 sessions held January through March 2010, the OIG provided fraud awareness training to more than 500 Department employees who award and oversee grants, to help ensure that Federal education dollars, particularly in view of the infusion of Recovery Act funds, are protected from fraud and misuse. In March, OIG provided a similar training to more than 1000 grantees who were attending the 2010 Institutional Development and Undergraduate Education Service Project Directors' Meeting. OIG staff also presented a session entitled, "A-133 Audits and Other Audits," where attendees were provided with information on the history and functions of an A-133 audit and other audits grantees might undergo.

INVESTIGATION

SPECIAL REPORT ON RECOVERY ACT EFFORTS

In response to a request from Senator Mark Pryor (D-Arkansas), OIG provided information on its investigative efforts involving Recovery Act funds. The report noted the number of allegations of waste, fraud, and abuse involving Recovery Act funds it had received by respective funded program from passage of the Act through February 4, 2010. As noted in the report, during this timeframe, OIG received 11 referrals from the Recovery Board and had received 180 allegations directly. We also referred 18 cases to the appropriate prosecuting authority for further action. The report also provided general information on OIG audit efforts, which included a summary of work completed, and the objectives of ongoing assignments.

ELEMENTARY AND SECONDARY EDUCATION PROGRAMS AND OPERATIONS

With the significant increase in education funding that the States, SEAs, and LEAs are receiving through the Recovery Act in addition to their annual allotments, effective accountability and transparency is vital in how these entities expend all Federal education funds they receive. Work conducted over the last 6 months proved that accountability is still an issue for the Departmental office, SEA, LEA, and another grantee we reviewed. Summaries of our findings are provided below, along with information on our most significant investigations involving elementary and secondary education program funds.

INTERNAL OPERATIONS

OFFICE OF INDIAN EDUCATION

In this audit, we determined that the Department's Office of Indian Education needed to undertake significant efforts to improve its management of the Indian Education Professional Development (IEPD) grant program. Authorized under the ESEA, program awards are made primarily to institutions of higher education to prepare and train Indians to serve as teachers and school administrators. If individuals do not obtain employment in a field that benefits Indian people, they have to repay all or a prorated part of the assistance they received under the program, which is referred to as "cash payback." Between FY 1999 and FY 2009, approximately \$104 million was obligated under 139 IEPD grant awards. We found that the Office of Indian Education:

- Failed to maintain adequate records on students receiving assistance under the program and subsequently ensure these students fulfill their payback obligation;
- Developed a database to track IEPD program participants without having published the requisite *Federal Register* notice to ensure *Privacy Act of 1974* (Privacy Act) protections for the records of hundreds of individuals who received funds through the program; and
- Awarded a number of grants to schools that proposed spending less than half of their budgets on student training costs.

The weaknesses noted have ultimately fostered an environment susceptible to fraud, waste, and abuse. We made a number of recommendations, including that the Department review the management and staff structure of the IEPD grant program office and make changes, as appropriate, to ensure that the program is managed and implemented consistent with statutory requirements, and that IEPD work with OMB and Department officials to have approved its current system of records and/or any future system(s) developed for the purpose of tracking recipients of funds under the grant program. The Department concurred with our findings and recommendations.

GRANTEES AND SUBRECIPIENTS

STATE EDUCATIONAL AGENCY

COLORADO DEPARTMENT OF EDUCATION

We determined that the Colorado Department of Education (CoDE) did not properly expend selected Federal education funds in accordance with applicable laws, regulations, and Department guidance. Our review covered the CoDE's policies and procedures over personnel costs for the period July 1, 2007, through June 30, 2009. We found that the CoDE inappropriately charged employee personnel costs to Federal education programs based on predetermined time and effort allocations instead of charging the programs based on the actual activity of each employee. Because CoDE could not provide documentation for employees' actual activities on Federal programs, we were unable to determine the allowability of more than \$23 million in personnel costs charged to Department grants for the time period reviewed.

We made a number of recommendations to address these weaknesses, including that the CoDE provide documentation, based on actual work performed, supporting the personnel costs for CoDE employees that should have been charged to Federal education grants for the time period reviewed or return the more than \$23 million to the Department. The CoDE generally concurred with our finding and our recommendations.

LOCAL EDUCATIONAL AGENCY

PHILADELPHIA SCHOOL DISTRICT

We found that the Philadelphia School District during the period July 1, 2005, through June 30, 2006, did not have adequate fiscal controls in place, and expenditures from selected Federal education grant funds—totaling more than \$138 million—were either unallowable or inadequately supported. Among our findings, we determined that the District:

- Did not have written policies and procedures for certifying personnel costs charged to Federal grants, resulting in unsupported salary and fringe benefit costs of more than \$123 million;
- Supplanted State and local funds with Federal funds, as we identified more than \$6.9 million in unallowable costs, and more than \$1.2 million in inadequately supported costs;

- Did not adequately enforce its policies and procedures for a number of its internal operations, such as travel reimbursement and contract management, as we identified more than \$6.5 million in unallowable costs, and nearly \$12 million in inadequately supported costs; and
- Did not have written policies and procedures for various fiscal processes, such as monitoring of budgets and charging of transportation costs, as we identified more than \$622,000 in unallowable costs, and more than \$52,700 in inadequately supported costs.

We recommended that the District return more than \$17 million in unallowable costs to the Department, and that it provide adequate documentation to support more than \$121 million in inadequately supported expenditures or return that amount to the Department. The District did not concur with all of our findings.

OTHER GRANTEE

CENTER FOR CIVIC EDUCATION

Our audit found that the Center for Civic Education (CCE), a non-profit organization that specializes in civic and citizenship education programs, did not administer its Federal grant awards for its *We the People Program* and the *Cooperative Civic Education and Economic Exchange Program* (Cooperative Program) in compliance with applicable laws, regulations, and grant award provisions. For the time period reviewed, CCE charged about \$23 million to the *We the People* and Cooperative Program grants. We determined that CCE:

- Did not have a financial management system that met required standards for administering the Federal education grants;
- Held cash beyond its immediate needs, charged unallowable costs to the grants, and did not have adequate support for other charges;
- Of the \$7.4 million in charges to the grants that we reviewed, 80 percent of the charges were unallowable (\$1.2 million) or unsupported (\$4.7 million); and
- CCE did not have adequate support for personnel costs that were charged to grants using predetermined percentages or for the allocation of other costs that benefited more than one CCE program or activity.

We concluded that there was no assurance that costs charged to the *We the People* and Cooperative Program grants, and costs not reviewed as part of our audit, were allowable and documented in accordance with Federal requirements. We made 30 recommendations to address the weaknesses identified, including that the Department consider designating CCE as a high-risk grantee because CCE had not implemented a financial management system that meets the required standards. This designation would help provide reasonable assurance that the *We the People* and Cooperative Program grant funds are used during the grants' authorized period of availability and expended prior to the end of the liquidation period, are used for the immediate needs of the grants, and used for costs that are reasonable, allocable, and allowable to the grants. CCE did not agree with all of our findings or recommendations.

INVESTIGATIONS

Our investigations into suspected fraudulent activity by or within SEAs, LEAs, and their contractors have led to the arrest and conviction of individuals for theft or misuse of Federal education funds. Below are some examples of our more significant investigations in this area over the last 6 months.

SCHOOL OFFICIALS

ILLINOIS – JURY FINDS FORMER CHARTER SCHOOL PRINCIPAL GUILTY OF THEFT: A jury found the former principal of the Triumphant Charter School in Chicago guilty of theft involving Federal funds. Our investigation found that the former principal used her school's American Express card for personal use, including almost \$30,000 in charges at major department stores such as Louis Vuitton and Coach, jewelry, diet pills, and hair care and cosmetics. She then paid the credit card bill with money received from the Department, the State, and Chicago Public Schools.

LOUISIANA - FORMER CHARTER SCHOOL BUSINESS MANAGER PLED GUILTY: The former business manager of the Langston Hughes Academy Charter School in New Orleans pled guilty to charges of theft. Our investigation determined that over the course of a 14-month period, the former business manager embezzled approximately \$660,000 from the school by making unauthorized cash withdrawals from the school's bank account. In an effort to conceal the theft, the former business manager manipulated the school's records by making the withdrawals appear to be payments to vendors for items such as textbooks.

MISSOURI - FORMER TECHNICAL SCHOOL DIRECTOR SENTENCED: The former director of the Doniphan R-I School District Vocational Technical School was sentenced to serve 7 months in prison, 3 years of supervised release, and was ordered to pay more than \$90,500 in restitution for fraud and

theft. Our investigation found that between 2001 and 2004, the former director prepared fraudulent purchase orders for computer equipment purportedly for use by the school, which he converted to his own use or sold through his personal business. He also purchased items with his personal credit card purportedly for use at the school, was reimbursed for the items by the school district, and then returned the items for in-store credit.

PENNSYLVANIA - FORMER CHARTER SCHOOL BOARD PRESIDENT AND THE CEO SENTENCED: The former board president and the former chief executive officer (CEO) of the Philadelphia Academy Charter School, both former Philadelphia police officers, were sentenced to prison for their roles in a nearly \$1 million fraud scheme. Our investigation uncovered extensive fraud perpetrated by the two school leaders and another conspirator who died prior to being charged. The conspirators misappropriated upwards of \$1 million in school funds by soliciting bribes and kickbacks from school vendors and submitting false invoices for reimbursement for personal items such as meals, entertainment, home improvement, and personal bills. The investigation also found that the former CEO received undisclosed loans and other payments from the co-conspirators and failed to disclose these payments on official forms. The former CEO was sentenced to serve more than 3 years in prison, 3 years of supervised release, and was ordered to pay more than \$900,000 in restitution. The former board president was sentenced to more than 1 year in prison and 2 years of supervised release.

PENNSYLVANIA - PUBLIC CORRUPTION INVESTIGATIVE EFFORT YIELDING RESULTS: OIG, the Federal Bureau of Investigation, the Internal Revenue Service, and a team of Federal prosecutors are working together to fight public corruption in northeastern Pennsylvania. During this reporting period, actions were taken against the following individuals for their roles in separate corruption schemes involving Federal education funds:

- **FORMER PITTSTON AREA SCHOOL DISTRICT BOARD MEMBER SENTENCED:** The investigation found that the former board member accepted a \$1,500 kickback for helping a contractor win a lucrative award for the school district. The former board member was sentenced to serve 1 year and 1 day in prison, 2 years of supervised release, and was order to pay a \$3,000 fine.
- **BOARD MEMBER OF THE HANOVER AREA SCHOOL DISTRICT PLED GUILTY:** The investigation found that the board member accepted a cash gratuity of approximately \$5,000 from a contractor as a reward for his support in the vendor receiving a lucrative contract. As a part of the plea agreement, the board member agreed to resign from his position.

- ***WILKES-BARRE AREA SCHOOL DISTRICT BOARD MEMBER PLED GUILTY:*** In February, a member of the Wilkes-Barre Area School District Board pled guilty as a result of the investigation which found that he accepted a \$5,000 payment from an individual seeking to be hired as a teacher in the district.
- ***WILKES-BARRE AREA SCHOOL DISTRICT CONTRACTOR PLED GUILTY:*** The president of King Paint and Glass Company pled guilty to providing and installing free carpet in the home of a district board member as a reward for the board member's support in awarding the company a district contract.
- ***FORMER TECHNOLOGY COORDINATOR OF THE WILKES-BARRE AREA CAREER AND TECHNICAL SCHOOL SENTENCED:*** The former technology coordinator led district purchasing officials to believe that the price of the technology-related equipment provided by the vendor was fair and reasonable when, in fact, the price of the equipment had been artificially and materially inflated so the vendor could pay more than \$16,000 in kickbacks to the former employee. The former employee was sentenced to serve six months in prison.
- ***FORMER DIRECTOR OF TECHNOLOGY OF VALLEY FORGE CHRISTIAN COLLEGE CHARGED:*** In March, the former director was charged with mail fraud for allegedly leading school purchasing officials to believe that the price of the technology-related equipment provided by the vendor was fair and reasonable when, in fact, the price of the equipment had been inflated so the vendor could pay kickbacks to the director.

UTAH – TWO FORMER SCHOOL EMPLOYEES SENTENCED IN SEPARATE EMBEZZLEMENT SCHEMES: Two former Davis County School District employees were sentenced for their roles in two separate yet similar embezzlement schemes involving school funds.

- ***FORMER TITLE I DIRECTOR:*** The former director, along with her husband, embezzled more than \$4.2 million in Title I funds by granting contracts to companies they controlled, billing the District for books and materials at inflated prices. She was sentenced to serve 36 months of probation, 3,000 hours of community service, and was ordered to pay more than \$350,000 in restitution.

- **SCHOOL DISTRICT SECRETARY:** The former secretary to the Title I Director, who claimed to have been unaware of her boss' scheme, was sentenced to prison for embezzling school funds in her own fraud scheme. The former secretary created a fictitious company and submitted fraudulent purchase orders and invoices to the district for books and services never rendered. From 1999-2005, the secretary submitted requests and received payments of more than \$333,000. She was sentenced to serve 12 months and 1 day in prison, 60 months of supervised released, and was ordered to pay more than \$324,000 in restitution.

CONTRACTOR

LOUISIANA - FORMER CONGRESSMAN'S BROTHER AND FORMER SCHOOL BOARD MEMBER SENTENCED TO PRISON: A contractor with the educational curricula provider JRL Enterprises Inc., and a former member of the Orleans Parish School Board (OSPB) were sentenced to prison for their roles in a bribery, kickback, and money laundering scheme involving nearly \$14 million in Federal education funds. Our investigation found that the contractor, whose brother is former U.S. Congressman William Jefferson, paid bribes to the former OSPB board member to promote and approve \$14 million in contracts for JRL, who paid him more than \$900,000 in sales commissions. The contractor paid the former board member \$100,000 for her role in the contract approval process. The contractor was sentenced to serve 10 years in prison, 3 years of supervised release, and was ordered to pay \$913,000 in restitution. The former OPSD board member was sentenced to 18 months in prison and 3 years of probation. Her daughter, who abetted the fraud by opening a bank account, which her mother used as a clearinghouse for bribe payments, was sentenced to serve 2 years of probation and 40 hours of community service.

FEDERAL STUDENT FINANCIAL ASSISTANCE PROGRAMS AND OPERATIONS

The Federal student financial assistance programs have long been a major focus of our audit, inspection, and investigative work; the programs are large, complex, and inherently risky due to their design, reliance on numerous entities, and the nature of the borrower population. With more than 6,000 postsecondary institutions, more than 2,900 lenders, 35 guaranty agencies, \$129.3 billion in awards, and an outstanding loan portfolio of more than \$600 billion in FY 2009, accountability in these programs is critical. During this reporting period, we concluded an audit of FSA's capacity for increasing the volume of loans made and serviced under the Direct Loan Program, and we reviewed accrediting agencies, examining those agencies' definitions of program length and credit hours. Below you will find summaries of the findings of these efforts, as well as summaries of our higher-profile investigative cases involving student financial assistance fraud by school officials, contractors, and individuals. In addition, we also concluded the first of our *Ensuring Continued Access to Student Loans Act of 2008* audits, reviewing the Great Lakes Educational Loan Services' compliance with program requirements for servicers under the Act. The audit did not disclose any material instances of noncompliance.

INTERNAL OPERATIONS

CAPACITY FOR INCREASING DIRECT LOAN VOLUME

We evaluated the FSA's capacity for increasing the volume of loans made and serviced under the Direct Loan program to include plans and related actions and its ability to monitor the resulting increased participation of postsecondary institutions to ensure compliance with Direct Loan program requirements. The audit was limited to the examination of student loan market conditions and FSA's related actions between June 2008 and September 2009. We found that FSA had monitored student loan market conditions and estimated the impact of significant changes on Direct Loan origination and servicing demands. In response to the potential volume increases, FSA expanded existing Direct Loan processing systems and awarded four additional contracts that could assist in servicing potential volume increases. We also noted FSA appears to have access to sufficient resources to assist schools with the transition to the Direct Loan Program and that the transition will not impact FSA's ability to sustain its current level of compliance monitoring activities.

We did note, however, that FSA will rely heavily on contractor support in key areas to ensure the effective operation of the Direct Loan program if the demand increases, which will be the case with all new Federal lending soon shifting to the Direct Loan program. Reliance on contractor support will require effective contract monitoring practices to reduce related performance risk and ensure that affected systems will perform adequately under increased processing requirements.

PROGRAM PARTICIPANTS

ACCREDITING AGENCIES

As a follow-up to work we conducted in 2002-2003, and in anticipation of the 2010 higher education negotiated rulemaking sessions,^{iv} during this reporting period, OIG examined an issue that would be discussed at the sessions—the definitions of program length and credit hours. This is an important issue because the amount of Federal student aid a student can receive is based on the number of credit hours that a student takes, and because alternative methods of educational delivery, including online education, have exploded in recent years. Credit hours are traditionally assigned according to the classroom hours offered during a semester. Alternative educational methods do not use classroom delivery, making credit hour assignment and comparison a challenge. The Department does not determine the quality of education funded by Federal education dollars. Instead, the Secretary of Education recognizes accrediting agencies^v as reliable authorities for the quality of education funded by Federal dollars. As required by the HEA and regulations, an accrediting agency must demonstrate its accreditation standards are “sufficiently rigorous to ensure that the agency is a reliable authority regarding the quality of the education or training provided by the institutions or programs it accredits.” The agency meets this requirement if its accreditation standards effectively address the quality of the institution or program in 10 areas, including measures of program length.

We examined three of the seven regional accrediting agencies to determine what guidance regarding program length and credit hours they provided to institutions and peer reviewers, and the documentation they maintained to demonstrate how they evaluated institutions’ program length and credit hours. As of March 31, we had issued final reports on two of the accrediting agencies, which identified serious issues. Neither agency established minimum requirements for credit hours, which could result in inflated credit hours, the improper designation of full-time student status, the over-awarding of Federal student aid funds, and excessive borrowing by students, especially with distance, accelerated, and other programs not delivered through the traditional classroom format.

MIDDLE STATES COMMISSION ON HIGHER EDUCATION

The Middle States Commission on Higher Education (Middle States) is the accrediting agency for institutions of higher education in Delaware, the District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, and the U.S. Virgin Islands. Institutions accredited by Middle States received \$14 billion in Federal student aid funding in 2008. Although we found that Middle States provided some guidance to institutions and peer reviewers on program length and credit hours, it had not established minimum requirements for either, nor did it maintain documentation to demonstrate how it evaluated institutions’ program length and credit hours.

SOUTHERN ASSOCIATION OF COLLEGES AND SCHOOLS

The Southern Association of Colleges and Schools (SACS) is the accrediting agency for institutions of higher education in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, and Virginia. Institutions accredited by SACS received more than \$19 billion in Federal student aid funding in 2008. We found that SACS provided guidance to institutions and peer reviewers regarding program length and credit hours, but did not provide guidance regarding the minimum requirements for the assignment of credit hours. In addition, while SACS maintained documentation to demonstrate that it evaluated institutions' program length and credit hours and had a clearly defined minimum standard for program length, it did not define or have a minimum standard for credit hours.

HIGHER LEARNING COMMISSION

While conducting our inspection at North Central Association of Colleges and Schools (NCACS), we identified a serious issue that we brought to the Department's attention: the Higher Learning Commission (HLC) of the NCACS had evaluated American InterContinental University (AIU)—a for-profit institution owned by Career Education Corporation (CEC)—for initial accreditation and had identified issues related to the school's assignment of credit hours to certain undergraduate and graduate programs. HLC found the school to have an "egregious" credit policy. Despite these issues, HLC granted AIU full initial accreditation with no limitations—an action we found to be not in the best interest of students.

Our report was heavily redacted at the request of HLC and AIU under the provisions of the *Freedom of Information Act* that protect confidential, commercial information, which prevented public review of the specific findings of our report. HLC's rules permit, but do not require, member institutions to withhold findings from faculty, students, and other interested parties.

HLC's accreditation of AIU calls into question whether it is a reliable authority regarding the quality of education or training provided by the institution. Since HLC determined that the practices at AIU meet its standards for quality, without limitation, the Department should be concerned about the quality of education or training at other entities accredited by HLC. Based on this finding, we recommended that the Department determine whether HLC is in compliance with requirements for accrediting agencies, and if not, to take appropriate action to limit, suspend, or terminate HLC's recognition as an accrediting agency by the Secretary of Education.

OIG TESTIFIES BEFORE CONGRESSIONAL SUBCOMMITTEE

On October 25, Deputy Inspector General Mary Mitchelson, who was Acting Inspector General at the time, testified before the U.S. House of Representatives Subcommittee on Higher Education, Lifelong Learning, and Competitiveness regarding student eligibility requirements for Federal student aid programs.

Deputy Inspector General Mitchelson discussed OIG's work in the area of student eligibility for Federal student aid, focusing on two issues—ATB examinations^{vi} and online high school diploma mills. She provided the Subcommittee with information on the OIG's long history of work involving ATB and on improvements made as a result of those efforts, and touched on our ongoing efforts.

Deputy Inspector General Mitchelson also testified that online high school diploma mills have become a problem for consumers, employers, and educators, and that there was a need for guidance to address the problem of students qualifying for Federal student aid on the basis of diplomas from online high school diploma mills. Deputy Inspector General Mitchelson also discussed a growing problem of student eligibility in the distance education context, providing examples of our work in this area. The challenge in this area is determining whether students in distance education are actually in attendance for Federal student aid purposes, and determining what constitutes a class and class attendance in the online environment.

SPECIAL REPORTS ON ATB AND HIGH SCHOOL DIPLOMA MILLS

Shortly after our October testimony, OIG concluded two efforts on issues discussed in our testimony. The first related to Ability-to-Benefit and the need for improved regulations to strengthen certain ATB processes and the second involved an analysis of online high school diplomas and the need for a clear definition of a high school diploma as a condition to receive Federal student aid. At the time we released these reports, the two issues were under consideration in the negotiated rulemaking sessions. As no final agreement was reached during the session, we look for the Department to propose regulatory changes later this year.

VULNERABILITIES IN REGULATIONS OVER ATB ANALYSES

An OIG data analytics project identified potential vulnerabilities in the Department's regulations concerning the test score analyses submitted by ATB publishers every 3 years. As a result of these vulnerabilities, Federal student aid may have been awarded to students that passed compromised or invalid ATB examinations.

We examined Independent Test Administrators (ITAs) who were decertified by one publisher. Of the 106 ITAs decertified by the publisher,^{vii} OIG identified 83 ITAs who provided tests for approximately 5,619 students after the ITAs had been decertified. These students received an estimated \$51.4 million in Federal student aid funds at 133 post-secondary institutions. Our work identified several areas of vulnerability:

- **Untimely Triennial Test Score Analyses** - Although publishers are required to submit triennial test score analyses to FSA, current regulations do not specify when they must submit the analyses, and we learned that several publishers are not timely in their submissions. We found that only one approved publisher used its test score analysis to decertify ITAs;
- **Lack of Review** - Current regulations do not provide a process for FSA's review or evaluation of the triennial test analyses, and in practice there has been little review or evaluation; and
- **No Notice of Decertified ITAs** - ATB publishers are not required to notify an institution when an ITA is decertified, nor do they provide FSA or the institutions with a list of decertified ITAs or share information on their decertified ITAs with other publishers.

We suggested that the Department revise the current regulations to specify the requirements publishers must follow in completing and submitting a triennial test score analysis and require publishers to immediately report to FSA and the institution when an ITA is decertified, and have FSA disseminate this information as necessary.

NEED FOR A DEFINITION OF HIGH SCHOOL DIPLOMA

An OIG data analytics project identified post-secondary institutions that may be using online high school diploma mills to qualify students for Title IV aid. The effort identified at least 8,062 students who purchased a diploma from an online high school and 13 postsecondary institutions that appeared to accept a significant number of students from that school. Between January 2005 and September 2008, these institutions disbursed an estimated \$42.8 million in Federal student aid. We identified deficiencies in current regulations that if corrected, can help reduce or eliminate this vulnerability.

Although the HEA and current regulations provide a definition of diploma mill for post-secondary institutions, neither require that a student's high school diploma be issued from a State-recognized or accredited high school or meet the State requirements for graduation in order to receive Federal student aid. If the HEA's definition of a diploma mill were extended to include secondary schools, the majority of the 13 online high schools we examined would constitute diploma mills:

- 12 of the schools sold high school diplomas for fees that ranged from \$85 to \$400, and 1 school sold diplomas for \$1,200; and

- All of the schools allowed students to earn their diploma on the basis of a single test or series of tests, most of which were open-book and were administered online or could be taken at home. In some instances, students also earned high school credit for previous life experiences. None of the schools were accredited by a recognized accrediting agency.

Another vulnerability we found is that schools are not required to verify a student's answer to question 26 on the Free Application for Federal Student Aid, unless required by the post-secondary institution's accrediting or State licensing agency. The question asks, "When you begin college in the 2009-2010 school year, what will be your high school completion status?" Students are directed to fill in one of the following: (1) high school diploma; (2) GED certificate; (3) home schooled; or (4) none of the above. Based on our findings, we made a number of suggestions, including that the Department establish the definition of a high school diploma as a condition for receiving Federal student aid and that FSA develop and publish guidance, similar to the guidance for post-secondary diploma mills to aid Financial Aid Administrators, students, and families in identifying and avoiding high school diploma mills.

INVESTIGATIONS

Identifying and investigating fraud and abuse in the student financial assistance programs have always been top OIG priorities. The following are summaries of some of our more significant investigations of student financial assistance fraud conducted over the last 6 months involving school officials, contractors, and other individuals.

SCHOOL OFFICIALS

NEW YORK – CONVICTIONS OF OWNER AND THREE EMPLOYEES IN MILLION DOLLAR FRAUD SCHEME AT CENTURION PROFESSIONAL TRAINING: The former owner and three employees of Centurion Professional Training, a proprietary school in Brooklyn, pled guilty to defrauding the Department of more than \$1 million in Federal student aid. Our investigation revealed that the owner and the employees fraudulently created documentation in order to obtain Federal and State grants for students that did not attend the school or that were enrolled in ineligible programs. The owner also directed his staff to falsify records in connection with an FSA program review. In March, one of the employees was sentenced to serve 4 years of probation, 400 hours of community service, and was ordered to pay more than \$952,000 in restitution.

NEW YORK - OWNER OF WILLSEY INSTITUTE PLED GUILTY IN MULTI-MILLION DOLLAR FRAUD SCHEME: The owner, director, and president of the Willsey Institute, a proprietary school located in Staten Island, pled guilty to theft involving more than \$5 million in Federal funds. Our investigation

found that for over 7 years, the owner submitted and caused to be submitted fraudulently altered student aid documentation in order to obtain Pell Grants, which she used to make payments on personal debt, credit cards, and the mortgage on her home. She directed her staff to submit financial aid documents for individuals who did not attend the school, and created fictitious student files, attendance records and grades in order to receive the aid and grants to which the school was not entitled. In her plea agreement, the owner agreed to the forfeiture of her home, as well as the payment of restitution of more than \$5.2 million.

PENNSYLVANIA - FORMER FINANCIAL AID DIRECTOR AT WIDENER UNIVERSITY PLED GUILTY: The former financial aid director of Widener University pled guilty to charges related to filing false tax returns, specifically for failing to claim income he earned as an independent financial aid consultant. Our investigation found that for tax years 2004-2006, the former director provided materially false tax returns, resulting in his failure to pay more than \$109,000 in Federal income taxes. His unreported income originated from his private business, hosting and providing loan seminars to lenders, while employed at Widener University.

FRAUD RING

ARIZONA - 48 INDIVIDUALS SENTENCED FOR ROLES IN FRAUD SCHEME AT RIO SALADO COMMUNITY COLLEGE: In our last Semiannual Report to Congress, we reported that 65 individuals were indicted for their roles in a \$538,000 student aid fraud scheme at Rio Salado Community College. During this reporting period, 48 of those individuals were sentenced, and 46 individuals pled guilty for their roles in the scheme, including the ringleader. Our investigation found that the ringleader recruited individuals to act as “straw students” at the school in order to apply for and receive Federal financial aid. The ringleader completed and submitted admission forms, financial aid applications, and supporting documentation of those straw students containing forged documents and false statements. She then assumed the identity of those individuals to access Rio Salado’s online classes in order to generate records of the individuals’ participation in online classes, which caused Rio Salado school officials to authorize financial aid payments to those individuals. When the straw students received the financial aid checks, they kicked back a significant portion of the proceeds to the ringleader.

CONTRACTORS

FALSE CLAIMS SETTLEMENTS TOTALED APPROXIMATELY \$1 MILLION: Civil settlements were reached as a result of illegal actions taken by employees of a collection agency involved in the Federal student aid programs:

- ***NCO FINANCIAL SYSTEMS, INC.***, a debt collection agency, agreed to pay the Department \$500,000 to settle claims that it had violated provisions of the *False Claims Act*. Our investigation found that NCO employees fraudulently consolidated \$3.8 million of Federal student loans in order to receive bonuses from NCO.
- ***NEW YORK STATE HIGHER EDUCATION SERVICES CORPORATION***, a guaranty agency, agreed to pay the Department \$451,000 for monies it received from the Department as a result of NCO's unlawful consolidations.

COLORADO - FORMER NCO DEBT COLLECTOR PLED GUILTY: One month after the settlement was reached with NCO, another individual pled guilty to fraudulently consolidating student loans while employed by NCO. Our investigation found that the former debt collector forged a number of student borrowers' signatures on Direct Loan consolidation promissory notes without the borrowers' knowledge or permission. The company received a collection fee from the Department for the consolidations, and the former debt collector earned a bonus from NCO for working the accounts.

UNAUTHORIZED ACCESS TO NSLDS

FLORIDA - SENTENCES IN THREE SEPARATE CASES INVOLVING UNAUTHORIZED ACCESS TO FSA'S NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS): Three individuals at three separate and now-defunct loan consolidation companies were sentenced for unlawfully accessing NSLDS. All three were sentenced for fraud in connection with computers and violating provisions of the Privacy Act.

- ***MANAGER OF EDU DEBT SOLUTIONS:*** We found that the manager caused the unauthorized access to NSLDS by instructing his employees to share NSLDS account access information and to fraudulently obtain NSLDS accounts. He was sentenced to 2 years of probation and was ordered to pay approximately \$730 in restitution.
- ***FORMER MARKETING DIRECTOR OF UNIVERSITY FINANCIAL LENDING SERVICES:*** We found that from 2006 to 2007, the former director caused the unauthorized access to NSLDS by assigning the user accounts of former employees to company managers whose accounts were previously revoked because of abuse of the NSLDS system. He was sentenced to one year of probation and was ordered to pay approximately \$980 in restitution.

- **SENIOR FINANCIAL SPECIALIST OF STUDENT FUNDING SERVICES:** We found that the former employee, who was allowed access to NSLDS only with the permission of and on behalf of a borrower to assist in determining the eligibility of an applicant for Federal student aid, abused this authority in order to conduct data mining for marketing purposes. He also admitted to improperly using other employees' passwords to gain access to the system. The former employee was sentenced to one year of probation and was ordered to pay \$385 in restitution.

OTHER INDIVIDUALS

DISTRICT OF COLUMBIA - COLLEGE PROFESSOR PLED GUILTY TO MULTIPLE FRAUD CHARGES: An assistant professor at Williams College, who was also a visiting researcher at Yale Law School and senior policy fellow for a member of the U.S. House of Representatives, pled guilty to student aid fraud, bank fraud, and social security fraud involving more than \$800,000. Our investigation found that the professor used multiple false names and social security numbers to obtain both Federal and private student loans totaling more than \$294,000, and obtained more than 90 credit cards using the same fraudulent identities to make purchases of more than \$500,000.

NEW YORK - LONGTIME FUGITIVE PLED GUILTY FOR ROLE IN MULTI-MILLION DOLLAR FRAUD SCHEME: A former town official, who had been a fugitive for 11 years, pled guilty to charges of fraud involving more than \$11 million in Federal education funds. The former official was arrested in London, then extradited, arraigned, and ordered to prison last year after being a fugitive from justice since 1997, when he and six others were charged with participating in a massive conspiracy to defraud the Department and other government agencies. The conspirators created entities to fraudulently receive Federal and State funds. One of their schemes involved the creation of a fictitious postsecondary institution called the Toldos Yakof Yosef for the purpose of collecting Pell Grants. Five of the conspirators were sentenced to prison and one last conspirator remains a fugitive.

TEXAS - ID THIEF SENTENCED FOR FRAUD AT TEXAS COMMUNITY COLLEGES: A man was sentenced to serve 46 months in prison, followed by 3 years of supervised release, and was ordered to pay more than \$182,000 in restitution for stealing the identities of others to apply for and receive Federal student aid. Our investigation revealed that he obtained personal identifiers of 31 individuals, used the stolen information to enroll in online programs at various campuses of the Dallas County Community College and the Houston Community College District, and attempted to register more than 200 additional students under the guise of a large church group.

OTHER INTERNAL OPERATIONS

OIG conducts annual reviews of the Department's financial management and IT security and management. These efforts are designed to help improve the overall operation of this agency. During the last 6 months, the Department and FSA both received unqualified opinions on their financial statements. While this accomplishment is noteworthy, our work revealed a need for improvements in areas related to financial reporting and IT security. We also evaluated the Department's implementation of its financial disclosure procedures involving its contractors and subcontractors, and we examined an issue involving the Department's \$500 million IT contract. Below you will find more information on these findings, as well as the results of our quality control reviews of single audits of Department grantees. With regard to Section 845 of the *National Defense Authorization Act for Fiscal Year 2008*, which requires each OIG to include information in its Semiannual Reports to Congress on final contract-related audit reports that contain significant findings, OIG did not issue any such reports over the last 6 months.

FINANCIAL MANAGEMENT

FINANCIAL STATEMENT AUDITS

In November 2009, OIG transmitted the final audit reports covering the Department's and FSA's FY 2009 financial statements. Both the Department and FSA earned unqualified (clean) opinions on their financial statements; however, both reports noted modified repeat significant deficiencies relating to credit reform estimation and financial reporting processes and controls surrounding information systems. The Department's internal controls report also noted a new significant deficiency with controls and financial reporting processes related to the Recovery Act. Although neither report disclosed instances of noncompliance with laws and regulations, both reports noted that the Department's financial management systems did not substantially comply with certain systems requirements of the *Federal Financial Management Improvement Act* because of the control weaknesses surrounding information systems. FSA relies on the Department's systems to provide support for its financial reporting needs, including using the Department's general ledger to process transactions. The Department and FSA concurred with the findings and recommendations in the reports.

SPECIAL-PURPOSE FINANCIAL STATEMENTS

OIG also transmitted the final audit report covering the Department's FY 2009 and FY 2008 special-purpose financial statements. The Department earned a clean opinion on the statements. The audited statements provide the Department of the Treasury with required fiscal year end data that will be used to prepare the financial statements of the U.S. government.

DRUG CONTROL FUNDS

As required by Section 1704(d) of Title 21, U.S. Code, and in accordance with the Office of National Drug Control Policy Circular, *Drug Control Accounting*, we authenticated the Department's accounting of FY 2009 drug control funds and related performance data by expressing a conclusion on the reliability of each assertion made in the Department's accounting and performance reports. Based upon our review, nothing came to our attention that caused us to believe that management's assertions contained in the Department's detailed accounting and performance reports were not fairly stated in all material respects.

IT SECURITY AND MANAGEMENT

SECURITY OVER C&A FOR INFORMATION SYSTEMS

During this reporting period, we released the findings of our examination of the Department's security over certification and accreditation (C&A)^{viii} for its information systems. We evaluated five systems managed by FSA and determined that FSA must improve security controls over the C&A process for information systems to adequately protect the confidentiality, integrity, and availability of those systems and the data residing in them. Specifically, FSA did not properly assess and review system security plans prior to system C&A; needed to improve controls over privacy impact assessments; and did not have controls in place to adequately manage authorizations to operate nor to continuously monitor system documentation between C&A. Based on our findings, we presented the Department with a series of recommendations. The Department concurred with most of our recommendations.

OTHER REPORTS

DEPARTMENT'S DISCLOSURE PROCEDURES

During this reporting period, we concluded an inspection to evaluate the implementation and effectiveness of the Department's financial disclosure procedures regarding contractors, subcontractors, and individuals hired by the contracted entity to uncover and disclose the existence of potential financial interests or impaired objectivity. We determined that the Department's procedures had not been implemented properly, but if they had, we believe they would have been effective. No information came to our attention during the course of our inspection that would indicate the Department failed to identify an actual conflict of interest.

This was the second of two reviews OIG conducted on these procedures, as required by Section 306 of the FY 2008 Appropriations law (Section 306). The first review was conducted in 2008 and evaluated the adequacy of the Department's financial disclosure procedures and found that the procedures, if fully implemented, were adequate to comply with requirements of Section 306. During that review, it appeared that the Department's procedures applied to all contracts of every type.

In our follow-up inspection, we determined that the Department has not adequately addressed the application of Section 306 to either product or service contracts.

The Department also did not apply the Section 306 to any product contracts, nor did it apply the procedures to service contracts valued at \$100,000 or below, saying that they were exempt because they were simplified acquisitions. Although the Department applied Section 306 procedures to service contracts valued over \$100,000, contracting officials did not consistently include the required conflict of interest clause, certification, and plan instructions in the contract solicitations, and the contract files did not consistently contain conflict of interest plans or evidence to show that the plans had been evaluated. The Department's policy of applying the conflict of interest procedures only to service contracts valued over \$100,000, does not meet the requirements of Section 306. The Department agreed with our finding that the requirements of Section 306 should apply to all service contracts, including those below the \$100,000 simplified acquisition threshold. The Department did not, however, agree with our recommendation that it request a formal legal opinion from the Office of the General Counsel on whether its position that the requirements of Section 306 do not apply to product contracts is supportable.

DEPARTMENT'S UNTIMELY RESOLUTION OF ISSUES IMPACTING IT CONTRACT

We issued an alert memorandum to the Department after determining it may have paid the Education Department Utility for Communications, Applications, and Technology Environment (EDUCATE)^{ix} contractor money it was not entitled to receive under the terms of the contract. The EDUCATE contractor submitted an invoice to the Department of more than \$3.5 million. The Department withheld more than \$135,000 from payment, asserting that performance was not reported in accordance with a previous contract modification. The EDUCATE contractor then submitted an invoice to recoup more than \$129,000. Another review was conducted, and it was recommended that more than \$71,000 be withheld from the payment; however, that amount was later changed by another Department official and just over \$2,100 was withheld from the invoice payment. We determined that the administrators of the EDUCATE contract had not effectively fulfilled their roles in the oversight and monitoring of the contract. We recommended that the Department instruct its contract administrators to review the payments and request appropriate reimbursement, and ensure they understand their responsibilities in order to better protect the Department's interests. The Department concurred with our finding and recommendation.

NON-FEDERAL AUDITS

QUALITY CONTROL REVIEWS

Participants in Department programs are required to submit audits performed by independent public accountants (IPA). *The Single Audit Act of 1984*, as amended, requires entities, such as State and local governments, universities, and non-profit organizations that expend \$500,000 or more in Federal funds in one year to obtain an audit, referred to as a "single audit." Additionally, for-profit institutions and their

servicers that participate in the Federal student financial assistance programs, and for-profit lenders and their servicers that participate in the FFELP, are required to undergo annual audits performed by IPAs in accordance with audit guides issued by the OIG. These audits provide the Federal government with assurance that recipients of Federal funds comply with laws and regulations, as well as with compliance requirements that are material to Federal awards. To help assess the quality of the thousands of single audits that the Department receives each year, OIG conducts quality control reviews (QCRs) of a sampling of audits each year. During this reporting period, we completed 25 QCRs of audits conducted by 23 different IPAs, or offices of firms with multiple offices. We concluded that 13 (52%) were acceptable or acceptable with minor issues, 7 (28%) were technically deficient, and 5 (20%) were substandard. We made a referral of 3 IPAs to the American Institute of Certified Public Accountants and to their respective State Boards of Accountancy for possible disciplinary action. These referrals were made for substandard work and were based on QCRs reported in prior semiannual reports.

INVESTIGATION

FORMER SENIOR DEPARTMENT EMPLOYEE SENTENCED: The former general manager of FSA Financial Partner Services was sentenced to 18 months of probation and was fined \$100,000 for violating Federal financial disclosure requirements. Our investigation disclosed that between 2003 and 2006, the former general manager submitted false information on his financial disclosure reports regarding the purchase and ownership of stocks from Education Lending Group, Inc., a private student loan company in the business of issuing federally guaranteed student loans. He also helped to advance the company's business interests by approving a request by Student Loan Xpress, a wholly owned subsidiary of Education Lending Group, which resulted in Student Loan Xpress originating hundreds of millions of dollars in new student loans.

End Notes

ⁱ Internal controls are the plans, methods, and procedures an entity employs to provide reasonable assurance that it meets its goals and achieves its objectives while minimizing operational problems and risks.

ⁱⁱ *The Single Audit Act Amendments of 1996*, as amended, require entities such as State and local governments, universities, and non-profit organizations that receive and expend \$500,000 or more in Federal funds in one year to obtain an annual audit, referred to as a "single audit."

ⁱⁱⁱ We had intended to review controls over SFSF programs; however, at the time of our audit, the Governor's Office and the ISBE were still working on an agreement for monitoring expenditures, so we were unable to do so.

^{iv} Negotiated rulemaking sessions are meetings between Department officials and members of the higher education community where participants work to reach consensus on proposed regulations impacting Federal student financial aid programs. On September 9, 2009, the Department published a notice in the Federal Register announcing its intent to establish two negotiated rulemaking sessions to prepare proposed regulations under Title IV of the HEA. The sessions for both groups were concluded on February 26, 2010.

^v Accrediting agencies are private educational associations that develop evaluation criteria and conduct peer evaluations of institutions of higher education to ensure that the education provided by those institutions meets acceptable levels of quality. When a school is accredited, it is eligible to participate in Federal student aid programs.

^{vi} A student who has not earned a high school diploma or its recognized equivalent may qualify for Federal student aid if they pass an approved publisher's independently administered ATB test.

^{vii} Decertification was a result of publishers' internal examination of their data and not OIG efforts.

^{viii} C&A is a process that ensures that systems and major applications adhere to formal and established security requirements that are well documented and authorized.

^{ix} Awarded in 2007, EDUCATE is a 10-year, \$500 million contract that was awarded to a single vendor to acquire IT network services.

Reporting Requirements of the Inspector General Act, as amended		
Section	Requirement (Table Title)	Table Number
5(a)(1) and 5(a)(2)	Significant Problems, Abuses, and Deficiencies	N/A
5(a)(3)	Uncompleted Corrective Actions <i>Recommendations Described in Previous Semiannual Reports to Congress on which Corrective Action Has Not Been Completed</i>	1
5(a)(4)	Matters Referred to Prosecutive Authorities <i>Statistical Profile (October 1, 2009, through March 31, 2010)</i>	6
5(a)(5) and 6(b)(2)	Summary of Instances where Information was Refused or Not Provided	N/A
5(a)(6)	Listing of Reports <i>Audit, Inspection, Evaluation, and Other Reports on Department Programs and Activities (October 1, 2009, through March 31, 2010)</i>	2
5(a)(7)	Summary of Significant Audits	N/A
5(a)(8)	Questioned Costs <i>Audit, Inspection, and Evaluation Reports with Questioned or Unsupported Costs</i>	3
5(a)(9)	Better Use of Funds <i>Audit, Inspection, and Evaluation Reports with Recommendations for Better Use of Funds</i>	4
5(a)(10)	Unresolved Reports <i>Unresolved Reports Issued Prior to October 1, 2009</i>	5
5(a)(11)	Significant Revised Management Decisions	N/A
5(a)(12)	Significant Management Decisions with which OIG Disagreed	N/A
5(a)(13)	Unmet Intermediate Target Dates Established by the Department Under the <i>Federal Financial Management Improvement Act of 1996</i>	N/A

Table 1: Recommendations Described in Previous Semiannual Reports to Congress on which Corrective Action Has Not Been Completed

Section 5(a)(3) of the IG Act, as amended, requires identification of recommendations described in previous Semiannual Reports on which management has not completed corrective action.

Report Number	Report Title (Prior Semiannual Report (SAR) Number and Page)	Date Issued	Date of Management Decision	Number of Recommendations		Projected Action Date
				Open	Completed	
AUDIT REPORTS						
<u>Federal Student Aid (FSA)</u>						
A11I0002	IT Security Controls Over the Debt Management Collection Process, Phase I, FY 2008 <i>(Office of the Chief Information Officer (OCIO) also designated as an action official)</i> (SAR 57, page 25)	9/30/2008	11/18/2008	6	36	9/30/2010
A11I0003	IT Security Controls Over the Debt Management Collection Process, Phase II, FY 2008 <i>(OCIO also designated as an action official)</i> (SAR 57, page 25)	9/30/2008	11/26/2008	10	32	12/31/2010
A11I0009	IT Security Controls Over the Debt Management Collection Process, Phase III, FY 2008 <i>(OCIO also designated as an action official)</i> (SAR 57, page 25)	9/30/2008	11/26/2008	5	9	10/1/2010
A17I0002	Financial Statement Audits FY 2008 and FY 2007 – FSA <i>(Office of the Chief Financial Officer (OCFO) also designated as an action official)</i> (SAR 58, page 31)	11/17/2008	1/6/2009	1	5	6/30/2010
A19H0011	Audit of the Department's Process for Disbursing ACG and SMART Grants (SAR 57, page 25)	8/1/2008	8/12/2008	1	1	6/30/2010

Report Number	Report Title (Prior Semiannual Report (SAR) Number and Page)	Date Issued	Date of Management Decision	Number of Recommendations		Projected Action Date
				Open	Completed	
<u>Office of the Chief Financial Officer (OCFO)</u>						
A17H0003	Financial Statement Audits FY 2007 and FY 2006 of the Department and FSA (<i>FSA also designated as an action official</i>) (SAR 56, page 25)	11/15/2007	9/26/2008	2	3	10/4/2010
<u>OCIO</u>						
A11F0005	Effectiveness of the Department's Financial Management Support System Oracle 11i Re-Implementation (<i>Report recommends Office of the Secretary (OS) direct the Investment Review Board Chair, CFO, and CIO to take recommended actions</i>) (SAR 55, page 28)	6/26/2007	5/12/2008	1	8	4/30/2010
A19F0025	Controls Over Excessive Cash Drawdowns by Grantees (SAR 54, page 30)	12/18/2006	9/28/2007	2	7	12/31/2010
<u>INSPECTION REPORTS</u>						
<u>FSA</u>						
I13H0006	Review of the Department's Process for Granting Access to the NSLDS (SAR 57, page 27)	7/24/2008	9/17/2008	4	7	9/30/2010
<u>Office of Postsecondary Education (OPE)</u>						
I13I0001	Review of OPE's Awarding of Prior Experience Points in the 2006 Educational Opportunity Centers and Talent Search Grant Competitions (SAR 57, page 27)	9/8/2008	3/3/2009	5	1	12/31/2011

OIG Product Web site Availability Policy

OIG final issued products are generally considered to be public documents, accessible on OIG's Web site unless sensitive in nature or otherwise subject to Freedom of Information Act (FOIA) exemption. Consistent with the FOIA, and to the extent practical, OIG redacts exempt information from the product so that non-exempt information contained in the product may be made available on the OIG websites.

Table 2: Audit, Inspection, Evaluation, and Other Reports and Products on Department Programs and Activities (October 1, 2009, through March 31, 2010)

Section 5(a)(6) of the IG Act, as amended, requires a listing of each report completed by OIG during the reporting period.

Report Number	Report Title	Date Issued	Questioned Costs ¹	Unsupported Costs	Number of Recommendations
AUDIT REPORTS					
<u>FSA</u>					
A05I0026	Carnegie Student Loans' Compliance with Lender Inducement Provisions	2/24/10			0
A05J0013	Great Lakes Educational Loan Services, Inc.'s Compliance with Selected Requirements of the <i>Ensuring Continued Access to Student Loans Act of 2008</i>	12/15/09			0
A11J0001	Security over Certification and Accreditation for Information Systems <i>(Report is also addressed to the Office of the Deputy Secretary (ODS), and some recommendations are made jointly to FSA and the Office of the Chief Information Officer (OCIO))</i>	10/13/09			22
A17J0002	FSA - Financial Statement Audits for FY 2009 and FY 2008	11/16/09			6
<u>OCFO</u>					
A09I0010	Center for Civic Education's Administration of the We the People Program and Cooperative Civic Education and Economic Education Exchange Program <i>(Office of Safe and Drug Free Schools (OSDFS) also designated as an action official)</i>	11/20/09	\$1,130,872	\$4,807,665	30
A17J0001	U.S. Department of Education – Financial Statement Audits for FY 2009 and FY 2008	11/16/09			8

Report Number	Report Title	Date Issued	Questioned Costs ¹	Unsupported Costs	Number of Recommendations
A17J0003	U.S. Department of Education Special Purpose Financial Statements Audits for FY 2009 and FY 2008	11/16/09			0
<u>ODS</u>					
A04K0002	<i>American Recovery and Reinvestment Act of 2009 (Recovery Act) - Internal Control Reviews at Three Local Education Agencies (LEA) in Tennessee</i>	12/18/09			0
<u>OESE</u>					
A02J0006	New York State System of Internal Control Over Recovery Act Funds	11/10/09			7
A02J0009	New York State LEAs Systems of Internal Control Over Recovery Act Funds	2/17/10			16
A03H0010	Philadelphia School District's Controls Over Federal Expenditures (<i>Office of Special Education and Rehabilitative Service (OSERS), OSDFS, and Office of Postsecondary Education (OPE) also designated as action officials</i>)	1/15/10	\$17,678,079	\$121,091,819	27
A03J0010	Commonwealth of Pennsylvania Recovery Act Audit of Internal Controls over Selected Funds (<i>OSERS, Office of the Secretary (OS)/Risk Management Services (RMS), and OCFO also designated as action officials</i>)	3/15/10			8
A04J0004	Virgin Islands Department of Education's Current Efforts to Address Prior Audit Findings	11/13/09			3
A04J0010	Tennessee Recovery Act Audit Internal Controls over Selected Funds (<i>Recommendations were made to OESE in conjunction with OSERS</i>)	12/15/09			2

Report Number	Report Title	Date Issued	Questioned Costs ¹	Unsupported Costs	Number of Recommendations
A05J0011	Systems of Internal Control Over Selected Recovery Act Funds in the State of Indiana <i>(OSERS also designated as an action official)</i>	1/14/10			7
A05J0012	Systems of Internal Control Over Selected Recovery Act Funds in the State of Illinois <i>(OSERS also designated as an action official)</i>	2/23/10			4
A06J0013	Systems of Internal Control Over Selected Recovery Act Funds in the State of Texas	1/27/10			5
A09J0004	Colorado Department of Education's Use of Federal Funds for State Employee Personnel Costs <i>(OSERS, Office of Vocational and Adult Education, Office of English Language Acquisition, Office of Innovation and Improvement (OII), OSDFS, and National Center for Educational Statistics also designated as action offices)</i>	2/26/10		\$23,961,710	5
A09J0006	State and Local Controls over Recovery Act Funds in California <i>(OCFO and OSERS also designated as action officials)</i>	1/15/10			7
A19I0002	Office of Indian Education's Management of the Professional Development Grant Program	2/2/10			14
<u>OS</u>					
A19J0004	The Department's Process to Ensure Data Quality Under the Reporting Requirements of the Recovery Act <i>(Report is also addressed to ODS)</i>	10/29/09			0
<u>OSERS</u>					
A04J0009	Puerto Rico Recovery Act Audit, Vocational Rehabilitation Administration	12/14/09			11

Report Number	Report Title	Date Issued	Questioned Costs ¹	Unsupported Costs	Number of Recommendations
INSPECTION REPORTS					
<u>OCFO</u>					
I13J0001	Inspection to Evaluate the Implementation and Effectiveness of the Department's Procedures in Response to Section 306 of the FY 2008 Appropriations Act – Maintenance of Integrity and Ethical Values within the Department	10/8/09			6
OTHER REPORTS AND PRODUCTS					
<u>FSA</u>					
X11J0002	Weaknesses in the Regulations and Guidelines for Department's Approved Publishers of the Ability-to-Benefit Test <i>(Management Information Report. Report is also addressed to OPE)</i>	1/25/10			0
X19I0006	Audit of the Department's Oversight of the Direct Loan Program <i>(Management Information Report)</i>	11/24/09			0
<u>OII</u>					
X42K0002	Charter School Vulnerabilities <i>(Management Information Report)</i>	3/9/10			0
<u>OPE</u>					
I13J0004	Review of the Southern Association of Colleges and Schools – Commission on Colleges' Standards for Program Length <i>(Management Information Report)</i>	11/24/09			0
I13J0005	Review of the Middle States Commission on Higher Education's Standards for Program Length <i>(Management Information Report)</i>	12/14/09			0
X11K0001	Definition of a High School Diploma as a Condition for Receiving Federal Student Aid <i>(Management Information Report. Report is also addressed to FSA)</i>	1/25/10			0

Report Number	Report Title	Date Issued	Questioned Costs ¹	Unsupported Costs	Number of Recommendations
L13J0006	The Higher Learning Commission of the North Central Association of Colleges and Schools' Decision to Accredite American InterContinental University (<i>Alert Memorandum</i>)	12/27/09			1
<u>Office of Planning, Evaluation, and Policy Development (OPEPD)</u>					
B19K0003	OIG's Independent Report on the Department's Detailed Accounting of FY 2009 Drug Control Funds (<i>Attestation Report</i>)	1/29/10			0
<u>OSDFS</u>					
B19K0003A	OIG's Independent Report on the Department's Performance Summary Report for FY 2009 (<i>Attestation Report</i>)	2/25/10			0
<u>OCFO</u>					
L09J0007	SEAs' Implementation of Federal Cash Management Requirements under the Recovery Act (<i>Alert Memorandum – OS/RMS also designated as an action official</i>)	10/21/09			1
<u>OCIO</u>					
L19K0001	Untimely Resolution of Issues Impacting Performance Validation and Payment Calculations Under the EDUCATE Contract (<i>Alert Memorandum – OCFO also designated as an action official</i>)	3/9/10			5
S11J0008	2009 Annual <i>Federal Information Security Management Act</i> Report (<i>Special Project Report</i>)	11/7/09			0
<u>OESE</u>					
L04J0015	Virgin Islands Department of Education's Current Efforts to Address Prior Audit Findings (<i>Alert Memorandum – OS/RMS also designated as an action official</i>)	1/13/10			0
<u>Office of Management (OM)</u>					
L42J0001	Department's Transit Benefits Program and Parking Program (<i>Investigative Program Advisory Report</i>)	12/16/09			4

Report Number	Report Title	Date Issued	Questioned Costs ¹	Unsupported Costs	Number of Recommendations
OS					
L16J0075	Corrections Needed to Information About Department Programs Included in the Catalog of Federal Domestic Assistance (Alert Memorandum)	10/13/09			4
TOTALS:			\$18,808,951	\$149,861,194	203

Description of Products

Attestation reports convey the results of attestation engagements performed within the context of their stated scope and objective(s). Attestation engagements can cover a broad range of financial and non-financial subjects and can be part of a financial audit or a performance audit. Attestation engagements shall be conducted in accordance with American Institute of Certified Public Accountants (AICPA) attestation standards, as well as the related AICPA Statements on Standards for Attestation Engagements.

Inspections are analyses, evaluations, reviews, or studies of the Department's programs. The purpose of an inspection is to provide Department decisionmakers with factual and analytical information, which may include an assessment of the efficiency and effectiveness of their operations, and vulnerabilities created by their existing policies or procedures. Inspections may be conducted on any Department program, policy, activity or operation. Typically, an inspection results in a written report containing findings and related recommendations. Inspections are performed in accordance with quality standards for inspections approved by Council of Inspectors General for Integrity and Efficiency (CIGIE).

Alert Memoranda are used to communicate to the Department significant matters identified during an ongoing assignment that require the attention of the Department when the identified matters are not related to the assignment objectives or are otherwise outside the scope of the ongoing assignment. The ongoing assignment may be an audit, attestation, inspection, data analysis, or other activity.

Special Projects are work performed by OIG staff that is not classified as an audit, inspection, or any other type of OIG product. Depending on the nature and work involved in the special project, the special project may result in a report issued outside OIG. Information presented in the special project report varies based on the reason for the special project (e.g., response to congressional inquiry, other evaluation and analysis, etc.) and the report may contain suggestions.

Management Information Reports are used to provide the Department with information and suggestions on issues that require immediate attention. The work is conducted in accordance with CIGIE standards for inspections and OIG quality standards.

Investigative Program Advisory Reports are used to report to the Department any systemic program or regulatory weaknesses, abuses or deficiencies in the administration of Department programs or operations that are identified during an investigation.

¹ For purposes of this table, questioned costs may include other recommended recoveries. Please see footnotes 2 and 3 under Table 3 for additional information regarding questioned and unsupported costs. During this reporting period, no OIG report was issued identifying a better use of funds.

Table 3: Audit, Inspection, and Evaluation Reports with Questioned or Unsupported Costs¹

Section 5(a)(8) of the IG Act, as amended, requires for each reporting period a statistical table showing the total number of audit and inspection reports, the total dollar value of questioned and unsupported costs, and responding management decision.

		Number	Questioned ² Costs	Unsupported ³ Costs
A.	For which no management decision has been made before the commencement of the reporting period	53	\$886,030,775	\$297,477,541
B.	Which were issued during the reporting period	3	\$168,670,145	\$149,861,194
	Subtotals (A + B)	56	\$1,054,700,920	\$447,338,735
C.	For which a management decision was made during the reporting period	3	\$1,813,679	\$1,188,806
	(i) Dollar value of disallowed costs		\$1,813,679	\$1,188,806
	(ii) Dollar value of costs not disallowed		\$0	\$0
D.	For which no management decision was made by the end of the reporting period	53	\$1,052,887,241	\$446,149,929

¹None of the products reported in this table were performed by the Defense Contract Audit Agency.

²Questioned costs are identified during an audit, inspection, or evaluation because of: (1) an alleged violation of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) such cost not being supported by adequate documentation; or (3) the expenditure of funds for the intended purpose being unnecessary or unreasonable. OIG considers that category (3) of this definition would include other recommended recoveries of funds, i.e., recovery of outstanding funds and/or revenue earned on Federal funds, or interest due the Department.

³Unsupported costs are costs that, at the time of the audit, inspection, or evaluation were not supported by adequate documentation.

Table 4: Audit, Inspection, and Evaluation Reports with Recommendations for Better Use of Funds¹

Section 5(a)(9) of the IG Act, as amended, requires for each reporting period a statistical table showing the total number of audit, inspection, and evaluation reports and the total dollar value of recommendations that funds be put to better use by management.

		Number	Dollar Value
A.	For which no management decision was made before the commencement of the reporting period	2	\$13,327,577
B.	Which were issued during the reporting period	0	\$0
	Subtotals (A + B)	2	\$13,327,577
C.	For which a management decision was made during the reporting period:		
	(i) Dollar value of recommendations that were agreed to by management;	0	\$0
	(ii) Dollar value of recommendations that were not agreed to by management	0	\$0
D.	For which no management decision has been made by the end of the reporting period	2	\$13,327,577

¹*None of the products reported in this table were performed by the Defense Contract Audit Agency and no inspection or evaluation reports identifying better use of funds were issued during this reporting period.*

Table 5: Unresolved Reports Issued Prior to October 1, 2009

Section 5(a)(10) of the IG Act, as amended, requires a listing of each report issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period.

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	Number of Recommendations
NEW SINCE LAST REPORTING PERIOD				
AUDIT REPORTS				
<u>FSA</u>				
A03I0006	Special Allowance Payments to Sallie Mae's Subsidiary, Nellie Mae, for Loans Funded by Tax-Exempt Obligations (SAR 59, page 41)	08/03/09	\$22,378,905	3
	<i>Current Status: FSA informed us that it and OGC reviewed the response submitted by the auditee and determined that additional information was needed. That information was received on 3/29/2010, and is under review.</i>			
A05I0011	Special Allowance Payments to the Kentucky Higher Education Student Loan Corporation for Loans Made or Acquired with the Proceeds of Tax-Exempt Obligations (SAR 59, page 41)	05/28/09	\$9,018,400	4
	<i>Current Status: FSA informed us that it and OGC reviewed the response submitted by the auditee and determined that additional information was necessary. That information was received on 3/4/2010, and is under review.</i>			
A06H0016	Community Care College's Administration of the HEA Title IV Programs (SAR 59, page 41)	08/26/09	\$47,084	14
	<i>Current Status: FSA informed us that it is currently working on this audit.</i>			
A09I0009	TUI University's Administration of the HEA, Title IV Programs (SAR 59, page 41)	08/05/09	\$923,379	14
	<i>Current Status: FSA informed us that it is currently working on this audit.</i>			
<u>OCFO</u>				
A02I0024	Audit of NAEP Contract, ETS Incurred Costs under Contract No. ED-02-CO-0023 (IES also designated as an action official) (SAR 59, page 41)	05/28/09	\$104,519	10
	<i>Current Status: We did not receive a response from OCFO on this audit during this reporting period. OCFO informed us that it received the funds identified in the finding and the audit is closed; however, this audit is not considered closed until it is certified through AARTS.</i>			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	Number of Recommendations
A05I0013	Southern Illinois University-Edwardsville's Compliance with Selected Provisions of the Law and Regulations for the Upward Bound, Upward Bound Math-Science, and Talent Search Programs (OCFO and OPE also designated as action officials) (SAR 59, page 41)	04/30/09	\$931,744	15
	<i>Current Status: OCFO informed us that resolution activities are in process.</i>			
A19H0010	Audit of the Department's Process to Resolve Lapsed Funds (SAR 59, page 42)	08/24/09		3
	<i>Current Status: OCFO informed us that resolution activities are in process.</i>			
<u>OESE</u>				
A02I0034	Tennessee Department of Education Controls Over State Assessment Scoring (OPEPD also designated as an action official) (SAR 59, page 42)	05/28/09		9
	<i>Current Status: OESE informed us that the Program Determination Letter (PDL) is clearing the internal review process.</i>			
A04I0041	Puerto Rico Department of Education's Compliance with Title I - Supplemental Educational Services (SAR 59, page 42)	04/21/09	\$16,092	8
	<i>Current Status: OESE informed us that it is in the process of preparing the PDL.</i>			
A04I0042	Virgin Islands Department of Education's Administration of Property Purchased with Federal Funds (SAR 59, page 42)	08/17/09	\$4,304	10
	<i>Current Status: OESE informed us that the PDL is clearing the internal review process.</i>			
A04I0043	Florida Department of Education Controls Over State Assessment Scoring (SAR 59, page 42)	09/30/09		8
	<i>Current Status: OESE informed us that the PDL is clearing the internal review process.</i>			
A05I0016	Illinois State Board of Education's Oversight of Subrecipients (OSERS also designated as an action official) (SAR 59, page 42)	09/23/09	\$667,876	9
	<i>Current Status: OESE informed us that the PDL is clearing the internal review process.</i>			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	Number of Recommendations
A06H0011	Adequacy of Fiscal Controls Over the Use of Title I, Part A Funds at Dallas Independent School District(SAR 59, page 42)	04/14/09	\$3,524,636	6
	<i>Current Status: OESE informed us that the PDL is currently with OGC for review.</i>			
A06H0017	Adequacy of Houston Independent School District's Fiscal Controls over Accounting for and Using Federal Funds (Office of Vocational and Adult Education, Office of English Language Acquisition, Office of Special Education Programs, and Office of Safe and Drug Free Schools also designated as action officials) (SAR 59, page 42)	06/30/09	\$152,280	9
	<i>Current Status: OESE informed us that the PDL is clearing the internal review process.</i>			
A09I0012	Wyoming Department of Education Controls Over State Assessment Scoring (SAR 59, page 42)	07/10/09		2
	<i>Current Status: OESE informed us that the PDL is clearing the internal review process.</i>			
REPORTED IN PREVIOUS SARs				
AUDIT REPORTS				
FSA				
A02H0005	EDUTECH's Administration of the Federal Pell Grant Program (SAR 55, page 27)	9/27/07	\$83,000	5
	<i>Current Status: FSA informed us that it is currently working on this audit. AARTS shows that FSA's administrative stay extension was approved by OCFO on 3/31/2010.</i>			
A02H0007	Technical Career Institutes, Inc.'s Administration of the Federal Pell Grant and FFEL Programs (SAR 57, page 25)	5/19/08	\$6,458	13
	<i>Current Status: FSA informed us that it is currently working on this audit. AARTS shows that FSA's administrative stay extension was approved by OCFO 3/30/2010.</i>			
A02H0008	Touro College's Title IV HEA Programs, Institutional and Program Eligibility (SAR 58, page 31)	10/30/08	\$36,026,364	5
	<i>Current Status: FSA informed us that it is currently working on this audit. AARTS shows that FSA's administrative stay extension was approved by OCFO on 3/30/2010.</i>			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	Number of Recommendations
A04B0019	Advanced Career Training Institute's Administration of the Title IV HEA Programs (SAR 47, page 13)	9/25/03	\$7,472,583	14
	<i>Current Status:</i> FSA informed us that the audit was closed in the Department's previous tracking system. FSA will work on getting this audit closed in AARTS by 9/30/2010. The required documents for resolution are needed in AARTS before this audit can be officially resolved.			
A04E0001	Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown (SAR 49, page 14)	9/23/04	\$2,458,347	7
	<i>Current Status:</i> FSA informed us that it is still waiting on a policy decision to address and resolve this audit.			
A05E0013	Audit of the Administration of the Student Financial Assistance Programs at the Ivy Tech State College Campus in Gary, Indiana, during the Period July 1, 2002, through June 30, 2003 (SAR 50, page 21)	2/25/05	\$1,645,160	3
	<i>Current Status:</i> FSA informed us that it uploaded closure documents into AARTS on 9/23/2009, and still needs to locate additional document(s) to upload into AARTS in order for audit to be closed.			
A05G0017	Capella University's Compliance with Selected Provisions of the HEA and Corresponding Regulations (SAR 56, page 25)	3/7/08	\$589,892	9
	<i>Current Status:</i> FSA informed us that it is currently working on this audit.			
A05G0029	Wilberforce University's Administration of HEA, Title IV Programs (SAR 56, page 25)	3/21/08	\$2,472,781	25
	<i>Current Status:</i> FSA informed us that it is currently working on this audit. AARTS shows that FSA's administrative stay extension was approved by OCFO on 3/21/2010.			
A05H0018	Walden University's Compliance with Selected Regulations and Dep't Guidance (SAR 58, page 31)	1/21/09	\$1,185,473 ¹	10
	<i>Current Status:</i> FSA informed us that it is currently working on this audit. AARTS shows that FSA's administrative stay extension was approved by OCFO on 3/30/2010.			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	Number of Recommendations
A0670005	Professional Judgment at Yale University (SAR 36, page 18)	3/13/98	\$5,469	3
	<i>Current Status: FSA informed us that it is waiting on a decision regarding a Professional Judgment finding for Saint Louis University before it can resolve this audit.</i>			
A0670009	Professional Judgment at University of Colorado (SAR 37, page 17)	7/17/98	\$15,082	4
	<i>Current Status: FSA informed us that it is waiting for a decision regarding a Professional Judgment finding for Saint Louis University before it can resolve this audit.</i>			
A06D0018	Audit of Saint Louis University's Use of Professional Judgment from July 2000 through June 2002 (SAR 50, page 21)	2/10/05	\$1,458,584	6
	<i>Current Status: FSA informed us that it is waiting on the Secretary's decision on the school's appeal of this audit.</i>			
A0723545	State of Missouri, Single Audit Two Years Ended June 30, 1991	4/1/93	\$1,048,768	18
	<i>Current Status: FSA informed us that it continues to work on this audit.</i>			
A0733123	State of Missouri, Single Audit Year Ended June 30, 1992	3/7/94	\$187,530	18
	<i>Current Status: FSA informed us that it continues to work on this audit.</i>			
A09D0024	American River College's Compliance with Student Eligibility Requirements for Title IV HEA Programs (SAR 50, page 21)	12/1/04	\$3,024,665	3
	<i>Current Status: FSA informed us that it is working to get this audit resolved in AARTS and expects to have it closed by 9/30/2010.</i>			
A09H0017	Fifth Third Bank's Eligible Lender Trustee Agreements' Compliance with Lender Provisions of the HEA and Monitoring of Entities with Which It Has Agreements (SAR 58, page 31)	1/5/09	\$5,000,000 ²	5
	<i>Current Status: FSA informed us it certified and closed this audit in AARTS. PDL was issued on 11/9/2009; however, the required documents needed for resolution were not in AARTS by 3/31/2010.</i>			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	Number of Recommendations
N0690010	Inspection of Parks College's Compliance with Student Financial Assistance Requirements (SAR 40, page 18)	2/9/00	\$169,390	1
	<i>Current Status: FSA informed us that it is working to get this resolved in AARTS and expects to have it closed by 9/30/2010.</i>			
OCFO				
A05H0016	Saint Paul Public School's Teacher Quality Enhancement Grant (OPE also designated as an action official) (SAR 57, page 25)	5/23/08	\$124,646 ³	7
	<i>Current Status: OCFO informed us that resolution activities are in process.</i>			
A06H0002	Review of Project GRAD USA's Administration of Fund for the Improvement of Education Grants (OII also designated action office) (SAR 57, page 26)	7/21/08	\$31,384,603	11
	<i>Current Status: OCFO informed us that resolution activities are in process.</i>			
A09H0019	Los Angeles Unified School District's Procedures for Calculating and Remitting Interest Earned on Federal Cash Advances (SAR 58, page 31)	12/2/08	\$6,302,406 ⁴	15
	<i>Current Status: OCFO informed us that resolution activities are in process.</i>			
A09H0020	California Department of Education Advances of Federal Funding to Local Educational Agencies (SAR 58, page 31)	3/9/09	\$728,651 ⁵	10
	<i>Current Status: OCFO informed us that resolution activities are in process.</i>			
OESE				
A02G0002	Audit of New York State Education Department's Reading First Program (SAR 54, page 31)	11/3/06	\$215,832,254	8
	<i>Current Status: OESE informed us that it is working with OGC to resolve this audit.</i>			
A02G0020	Elizabeth Public School District Allowability of ESEA Title I, Part A Expenditures (SAR 56, page 25)	10/9/07	\$1,946,925	14
	<i>Current Status: The PDL was issued on 3/24/2010, however the required documents needed for resolution were not in AARTS by 3/31/2010.</i>			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	Number of Recommendations
A03G0006	The Department's Administration of Selected Aspects of the Reading First Program (OCFO also designated as an action official) (SAR 54, page 31)	2/22/07		3
	<i>Current Status: OESE informed us that it is working with OGC on this audit.</i>			
A04G0012	Audit of Mississippi Department of Education's Emergency Impact Aid Program Controls and Compliance (SAR 55, page 28)	8/8/07	\$3,192,395	4
	<i>Current Status: OESE informed us that it is working with the States to reconcile the pupil data submitted for reimbursement for displaced children due to Hurricanes Katrina and Rita.</i>			
A04H0017	Puerto Rico Department of Education's Administration of Title I Services Provided to Private School Students (SAR 58, page 31)	10/9/08	\$821,714	15
	<i>Current Status: OESE informed us that the PDL is clearing the internal review process.</i>			
A04G0015	Audit of Georgia Department of Education's Emergency Impact Aid Program Controls and Compliance (SAR 56, page 26)	10/30/07	\$9,977,242	9
	<i>Current Status: OESE informed us that is working with the States to reconcile the pupil data submitted for reimbursement for displaced children due to Hurricanes Katrina and Rita.</i>			
A04H0011	Puerto Rico Department of Education's Administration of Contracts Awarded to Excellence in Education, Inc. and the University of Puerto Rico's Cayey Campus (SAR 57, page 26)	5/20/08	\$189,011	10
	<i>Current Status: OESE informed us that the PDL is currently with OGC for review.</i>			
A05G0020	Audit of the Alabama State Department of Education's and Two Selected LEAs' Compliance with Temporary Emergency Impact Aid Program Requirements (SAR 55, page 28)	9/27/07	\$4,579,375	5
	<i>Current Status: OESE informed us that it is working with the States to reconcile pupil data submitted for reimbursement for displaced children due to Hurricanes Katrina and Rita.</i>			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	Number of Recommendations
A05G0033	Illinois State Board of Education's Compliance with the Title I, Part A, Comparability of Services Requirements (SAR 55, page 29)	6/7/07	\$16,809,020	8
	<i>Current Status: OESE informed us that the PDL is clearing the internal review process.</i>			
A05H0010	The School District of the City of Detroit's Use of Title I, Part A Funds Under the ESEA (SAR 57, page 26)	7/18/08	\$53,618,859	21
	<i>Current Status: OESE informed us that the PDL is clearing the internal review process.</i>			
A05H0025	Harvey Public Schools District's Use of Selected Department Grant Funds (OSERS and OCFO also designated as action officials) (SAR 58, page 31)	11/25/08	\$317,093 ⁶	9
	<i>Current Status: OESE informed us that the PDL is clearing the internal review process.</i>			
A06E0008	Audit of the Title I Funds Administered by the Orleans Parish School Board (SAR 50, page 23)	2/16/05	\$73,936,273	7
	<i>Current Status: OESE informed us that it is currently developing determinations.</i>			
A06F0016	Arkansas Department of Education's Migrant Education Program (SAR 53, page 25)	8/22/06	\$877,000	2
	<i>Current Status: OESE informed us that it is working to resolve this audit.</i>			
A06G0009	Audit of the Temporary Emergency Impact Aid for Displaced Students Requirements at the Texas Education Agency and Applicable LEAs (SAR 55, page 29)	9/18/07	\$10,270,000	4
	<i>Current Status: OESE informed us that it is working with the States to reconcile the pupil data submitted for reimbursement for displaced children due to Hurricanes Katrina and Rita.</i>			
A06G0010	Louisiana Department of Education's Compliance with Temporary Emergency Impact Aid for Displaced Students Requirements (SAR 55, page 29)	9/21/07	\$6,303,000	4
	<i>Current Status: OESE informed us that it is working with the States to reconcile the pupil data submitted for reimbursement for displaced children due to Hurricanes Katrina and Rita.</i>			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	Number of Recommendations
A07H0017	St. Louis Public School District's Use of Selected Department Grant Funds (<i>OSERS also designated as an action official</i>) (SAR 57, page 26)	9/29/08	\$765,001	7
	<i>Current Status: OESE informed us that it is finalizing the PDL based on OGC comments.</i>			
<u>OPE</u>				
A07B0011	Audit of Valencia Community College's Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement (SAR 47, page 15)	5/8/03	\$1,822,864	5
	<i>Current Status: OPE informed us that it is working with OGC to revise the PDL based on additional documentation received.</i>			
<u>OSERS</u>				
A02B0014	Audit of the Puerto Rico Vocational Rehabilitation Administration (SAR 45, page 18)	6/26/02	\$15,800,000	5
	<i>Current Status: OSERS informed us that more research is being conducted to resolve this audit.</i>			
A02E0020	The Virgin Islands Department of Health's Administration of the Infants and Toddlers Program (SAR 51, page 28)	9/28/05	* ⁷	17
	<i>Current Status: OSERS informed us that it is drafting the PDL.</i>			
A06F0019	Results of five audits of the IDEA, Part B requirements at schools under the supervision of the Department of Interior's Bureau of Indian Affairs (Report was addressed to the Department of the Interior) (SAR 54, page 32)	3/28/07	\$328,000,000	6
	<i>Current Status: OSERS informed us that it is working to clear the PDL and upload the data into AARTS.</i>			
INSPECTION REPORTS				
NEW SINCE LAST REPORTING PERIOD				
<u>OPE</u>				
I13I0007	Review of OPE's Actions to Address Talent Search and Educational Opportunity Centers Grantees That Did Not Serve the Number of Participants They Were Funded to Serve in FY 2003-2007 (SAR 59, page 43)	9/30/09		9
	<i>Current Status: OPE informed us that it is working to resolve one last recommendation on the corrective action plan.</i>			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	Number of Recommendations
REPORTED IN PREVIOUS SARs				
OGC				
II 3I0004	Inspection to Evaluate the Adequacy of the Department's Procedures in Response to Section 306 of the FY 2008 Appropriations Act – Maintenance of Integrity and Ethical Values Within the Department (<i>OGC was designated as the action official by OS</i>) (SAR 57, page 27)	4/21/08	\$0	2
	<i>Current Status: We did not receive a response from OGC on this inspection during this reporting period. OGC previously informed us that it has resolved this inspection; however, it is not considered resolved or closed until it is certified through AARTS.</i>			
Total			\$884,217,097	490
<p>¹Audit Report A05H0018 identified a total of \$1,185,473 (\$1,129,970 in questioned costs and \$55,503 in unsupported costs). As \$912,430 of the \$1,185,473 was recovered from the auditee during the audit, \$273,043 remains to be recovered.</p> <p>²Audit Report A09H0017 identified \$5,000,000 in other recommended recoveries and no questioned costs.</p> <p>³ For Audit Report A05H0016, the \$124,646 includes \$100,675 in questioned costs and \$23,971 in monetary recoveries made during audit.</p> <p>⁴Audit Report A09H0019 identified \$6,302,406 in other recommended recoveries and no questioned costs.</p> <p>⁵Audit Report A09H0020 identified \$728,651 in other recommended recoveries, \$13,000,000 in annual better use of funds, and no questioned costs.</p> <p>⁶Audit Report A05H0025 identified \$33,726 in other recommended recoveries and no questioned costs.</p> <p>⁷Audit report A02E0020 identified \$327,577 in one-time better use of funds.</p>				

Table 6: Statistical Profile: October 1, 2009, through March 31, 2010

AUDITS, INSPECTIONS, OTHER PRODUCTS	
Audit Reports Issued	22
Inspection Reports Issued	1
Questioned Costs	\$18,808,951
Unsupported Costs	\$149,861,194
Recommendations for Better Use of Funds	0
Other Products Issued <i>6 alert memoranda, 2 attestation reports, 6 management information reports, and 1 special project report</i>	15
Audit Reports Resolved By Program Managers	6
Questioned Costs Sustained	\$624,873
Unsupported Costs Sustained	\$1,188,806
Additional Disallowances Identified by Program Managers	0
Management Commitment to the Better Use of Funds	0
INVESTIGATIVE ACTIVITY	
Cases Opened	64
Cases Closed	58
Cases Active at the End of the Reporting Period	445
Prosecutorial Decisions	103
Accepted	35
Declined	68
Investigative Results	
Indictments/Informations	36
Convictions/Pleas	108
Fines Ordered	\$315,250
Restitution Payments Ordered	\$6,262,401
Civil Settlements/Judgments (number)	2
Civil Settlements/Judgments (amount)	\$951,000
Recoveries	\$291,445
Forfeitures/Seizures	\$2,345,000
Estimated Savings	\$37,000
Suspensions Referred to Department	2
Debarments Referred to Department	21

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