U.S. Department of Education
Office of Inspector General

Semiannual Report to Congress, No. 70

October 1, 2014–March 31, 2015

Office of Inspector General
Kathleen S. Tighe
Inspector General

May 2015

This report is in the public domain. Authorization to reproduce it in whole or in part is granted. While permission to reprint this publication is not necessary, the citation should be: U.S. Department of Education, Office of Inspector General, Semiannual Report to Congress, No. 70.

Please Note:

The Inspector General's Semiannual Report to Congress, No. 70 is available on the ED OIG Web site at http://www2.ed.gov/about/offices/list/oig/sarpages.html.

Message to Congress

On behalf of the U.S. Department of Education (Department) Office of Inspector General (OIG), I present this Semiannual Report on the activities and accomplishments of this office from October 1, 2014, through March 31, 2015. The audits, investigations, and related work highlighted in the report are products of our continuing commitment to promoting accountability, efficiency, and effectiveness through our oversight of the Department's programs and operations.

Over the last 6 months, we completed 35 investigations involving fraud or corruption related to the Department's programs and operations, securing more than $54 million in settlements, fines, restitutions, recoveries, forfeitures, and savings. In addition, as a result of our investigative work, criminal actions were taken against a number of people, including school officials and service providers who cheated the students they were in positions to serve. We also issued 11 audit-related reports that contained recommendations to improve program operations, plus one report that highlighted good controls relating to the Pell grant eligibility limit. The following are some examples of the results of our audits and investigations.

- Our audit of actions the Department has taken to prevent borrowers from defaulting on their student loans found that the Department did not have a comprehensive plan or strategy to prevent student loan defaults and, as a result, may not be in a position to make strategic, informed decisions about the effectiveness of default prevention initiatives and activities now or in the future.

- Our audit of the office of Federal Student Aid's (FSA) oversight of schools' compliance with the incentive compensation ban (which prohibits schools participating in the Federal student aid programs from providing any bonus or incentive payment to any person or entity for their success in securing school enrollments or awarding of Federal student aid) found that FSA's policies and guidance were outdated and that FSA inconsistently adhered to those policies and guidelines, did not properly resolve incentive compensation ban findings, and singularly relied on imposing fines on schools found to have violated the incentive compensation ban.

- Criminal and civil actions, including prison sentences for three of its former employees, were taken against the now-defunct FastTrain College, a chain of for-profit schools in Florida, as well as the owner of the school and other officials for participating in a $6.5 million student aid fraud scam.

- The president of American Commercial College, Inc., was sentenced to 2 years in prison and was ordered to pay more than $977,000 in restitution and fines for knowingly violating the 90/10 rule (which provides that no more than 90 percent of a for-profit school's revenue may come from Title IV Federal student aid). The school itself was also sentenced to 5 years of probation and was ordered to pay more than $2 million in restitution and fines.

- The cofounders of the now-defunct Carnegie Career College, a nonprofit school that operated in Ohio, are heading to prison for running a $2.3 million student aid fraud scam. The married couple recruited ineligible students to the school and

created fake high school diplomas for those students that they used to apply for and receive Federal student aid.

- Our audit of the Department's implementation and oversight of approved Elementary and Secondary Education Act flexibility requests found that the Department established and implemented an extensive and effective process for assessing State educational agencies' (SEA) compliance with approved flexibility requests based on the information the SEAs submitted during monitoring. However, we noted that the Department could improve its oversight of SEAs by taking steps to ensure the accuracy of the data that SEAs submit.

- The owners of a tutoring company in Texas pled guilty to bilking the Dallas Independent School District and Fort Worth Independent School District out of more than $3 million for tutoring services that the company never provided. One of the owners was a former Dallas teacher who used her access to a school district's database to obtain student names and identifying information that were used in the scam.

- The former director of the Mary L. Dinkins Higher Learning Academy charter school in South Carolina was found guilty of embezzling more than $1 million in Federal funds, which she converted to her personal use.

- A former vice president and partial owner of Harris Transportation Corporation was sentenced to prison and ordered to forfeit more than $1.4 million for routinely overbilling and submitting inflated claims for services provided to two school districts in Pennsylvania.

- Our FY 2014 Federal Information Security Management Act review found that the Department had made progress in strengthening its information security program; however, many longstanding weaknesses remain and the Department's information systems continue to be vulnerable to serious security threats.

- For FY 2014, although the Department and FSA received a clean opinion on their financial statements, auditors identified a significant deficiency involving information technology security, which can increase the risk of unauthorized access to the Department's systems, and an instance of noncompliance involving debts that were over 120 days past due.

In this report, you will find more information on these efforts, as well as summaries of other reports issued and investigative actions taken over the last 6 months. I am very proud of the results of this work, that criminals are behind bars, and that the Department has before it recommendations for improvements from our reports. Our recommendations, if implemented, will help put in place protections to prevent fraud and abuse, protect student interests, improve oversight and monitoring, and recoup taxpayer dollars.

I greatly appreciate the interest and support of this Congress and Secretary Duncan in our efforts. I look forward to working with you in meeting the challenges and opportunities that lie ahead.

Kathleen S. Tighe
Inspector General

Table of Contents

1

Goal 1: Improve the Department's ability to effectively and efficiently implement its programs to promote educational excellence and opportunity for all.

5

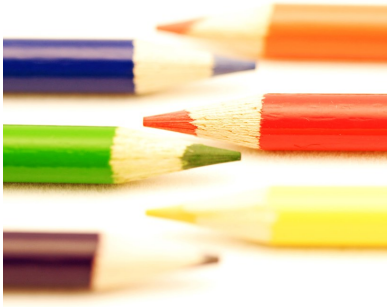
Goal 2: Strengthen the Department's efforts to improve the delivery of student financial assistance.

17

Goal 3: Protect the integrity of the Department's programs and operations.

27

Goal 4: Contribute to improvements in Department business operations.



35

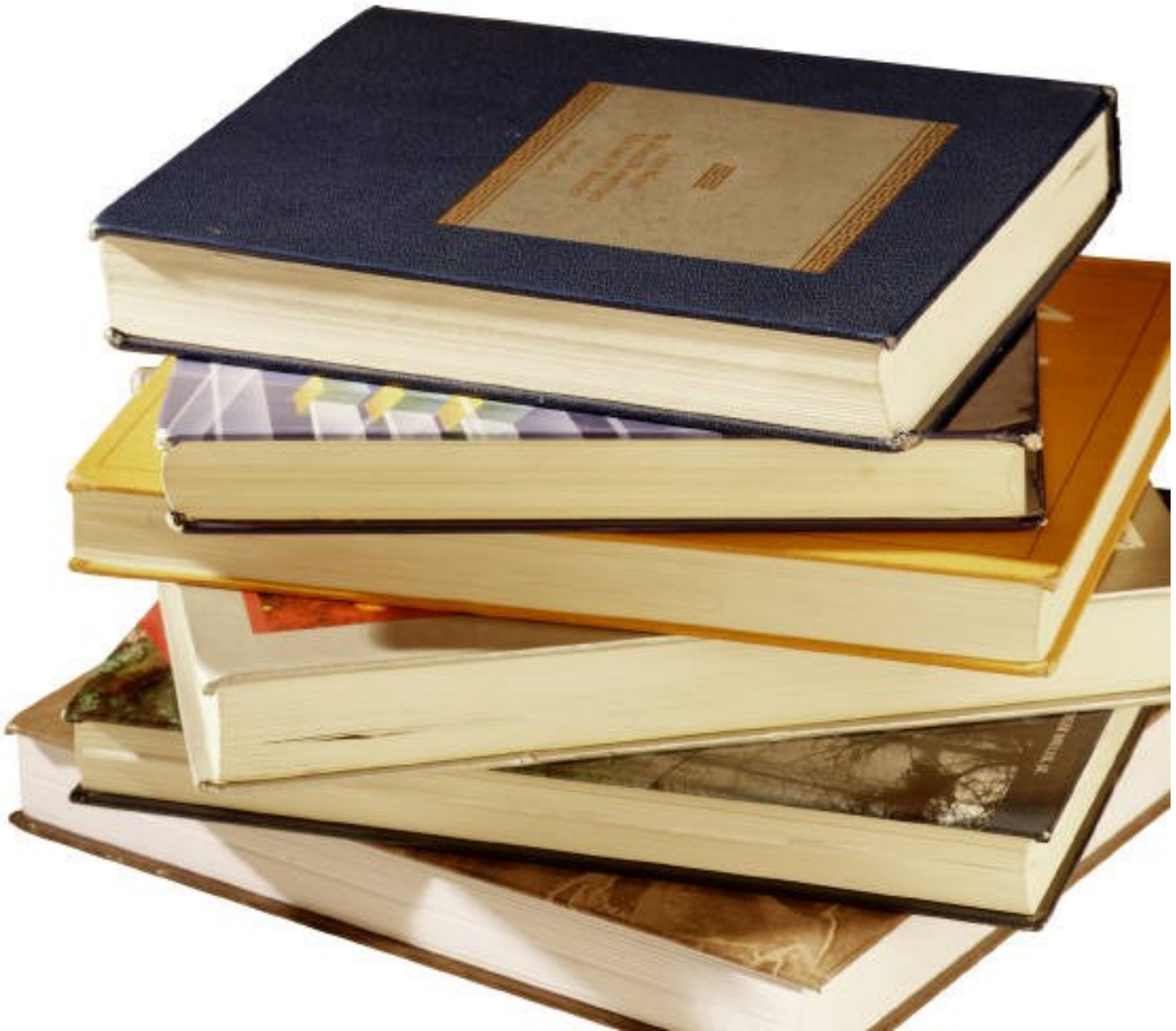
Annexes and Required Tables

49

Acronyms and Abbreviations

Goal 1:

Improve the Department's ability to effectively and efficiently implement its programs to promote educational excellence and opportunity for all.



Our first strategic goal reflects our mission to promote the efficiency and effectiveness of the U.S. Department of Education's (Department) programs and operations. To achieve this goal, we conduct audits, investigations, and other activities. In our audit work, the Office of Inspector General (OIG) evaluates program results compared to program objectives, assesses internal controls, identifies systemic weaknesses, identifies financial recoveries, and makes recommendations to improve the Department's programs and operations. In our investigative work, we focus on serious allegations of fraud and corruption and work with prosecutors to hold accountable those who steal, abuse, or misuse education funds.

Audits

During this reporting period, work related to this goal included our audit of the Department's implementation and oversight of approved Elementary and Secondary Education Act (ESEA) flexibility requests. In 2011, the Department established a formal process under which States could apply for flexibility from certain provisions of the ESEA on behalf of their State, local educational agency (LEA), or school. States submitted to the Department these flexibility requests, which peer reviewers evaluated and the Secretary ultimately approved or disapproved. Our audit assessed the Department's monitoring of States' compliance with ESEA flexibility requests and how it assessed the sufficiency and accuracy of information received from the States to validate the implementation of approved requests. A summary of the audit follows.

Department's Implementation and Oversight of Approved Elementary and Secondary Education Act Flexibility Requests

We found that the Department established and implemented an extensive and effective process for assessing State educational agencies' (SEA) compliance with approved ESEA flexibility requests based on the information the SEAs submitted during monitoring. However, we noted that the Department could improve its oversight of SEAs by taking steps to ensure the accuracy of the data that SEAs submit. Specifically, the Department relied on SEAs to ensure the accuracy of the information but did not verify that the SEAs had policies and procedures to ensure accuracy. In addition, the Department did not require SEAs to provide assurance statements regarding data accuracy and did not have procedures requiring SEAs to disclose any limitations of the data or their data validation processes. Although the Department lacked procedures for verifying data accuracy, all nine SEAs we reviewed followed their respective State policies and procedures for ensuring the accuracy of the data submitted to the Department. However, because we did not review all SEAs, there is a risk that the remaining SEAs may not be taking steps to ensure data accuracy. Based on this finding, we made several recommendations, including that the Department include in its monitoring reviews a step to determine how SEAs with approved flexibility requests ensure the accuracy of the information they submit so the Department can determine the adequacy of their policies and procedures and whether the SEAs are following them. We also

recommended that the Department require all SEAs to provide certifications that the information they submit is accurate, reliable, and complete and to disclose any limitations of the information, data, or validation process. In response to our audit, the Department proposed corrective actions that sufficiently addressed our findings and recommendations.

Recovery Act Investigations

Over the last 6 months, OIG special agents continued to investigate allegations of fraud and corruption involving funds awarded under the Over the last 6 months, OIG special agents continued to investigate allegations of fraud and corruption involving funds awarded under the American Recovery and Reinvestment Act of 2009 (Recovery Act). Since the enactment of the Recovery Act, OIG has initiated 226 criminal investigations of various schemes involving improper uses of Recovery Act funds. To date, our Recovery Act-related investigations have resulted in more than 354 criminal convictions and more than $1.3 million in recoveries.

Former Alabama Department of Education Director and Husband Sentenced (Alabama)

In a previous Semiannual Report, we noted that a 2012 OIG audit of Alabama's use of Recovery Act funds identified a possible conflict of interest involving the Alabama Department of Education's director of Federal programs. We conducted a follow-up investigation that determined that the now-former director participated in a process that awarded more than $24 million in School Improvement Grants funds to three LEAs that listed her husband's employer, Information Transport Solutions, Inc., as a contractor. The former director and her husband were then indicted on ethics charges; charges of misusing a State computer and e-mail account, documents, and other materials; and charges of soliciting things of value from another vendor for the purposes of influencing official action. During this reporting period, they were each sentenced in Montgomery County Circuit Court for their roles in this scheme. Both were sentenced to serve 2 years in prison and were ordered to pay more than $10,000 in fines and assessments. The sentences were later reduced to 6 months in prison follow by 4 years of supervised probation.

Other Activities

Participation on Committees, Work Groups, and Task Forces

Inspector General Community

- *Recovery Accountability and Transparency Board (Recovery Board).* Inspector General Tighe is the Chair of the Recovery Board. The Recovery Board was created in 2009 to provide transparency of funds spent under the Recovery Act and to detect and prevent waste, fraud, and mismanagement of those funds.

- *Data Act Interagency Advisory Committee.* Inspector General Tighe is a member of this committee that provides strategic direction in support of the implementation of the Digital Accountability and Transparency Act of 2014.

Federal and State Law Enforcement-Related Groups

- *U.S. Department of Justice's Financial Fraud Enforcement Task Force.* The Department and the OIG are charter members of this task force, established by Executive Order in November 2009. The OIG also participated in the following working group.

Goal 2:

Strengthen the Department's efforts to improve the delivery of student financial assistance.

This goal addresses an area that has long been a major focus of our audit and investigative work—the Federal student financial aid programs. These programs are inherently risky because of their complexity, the amount of funds involved, the number of program participants, and the characteristics of student populations. Our efforts in this area seek not only to protect Federal student aid funds from waste, fraud, and abuse, but also to protect the interests of the next generation of our nation's leaders—America's students.

Audits

The Department disburses about $140 billion in student aid annually and manages an outstanding loan portfolio of $1 trillion. This makes it one of the largest financial institutions in the country. As such, effective oversight and monitoring of its programs, operations, and program participants are critical. Within the Department, the Office of Postsecondary Education (OPE) and the Federal Student Aid (FSA) office are responsible for administering and overseeing the student aid programs. OPE develops Federal postsecondary education policies, oversees the accrediting agency recognition process, and provides guidance to schools. FSA disburses student aid, authorizes schools to participate in the student aid programs, works with other participants to deliver services that help students and families finance education beyond high school, and enforces compliance with program requirements. During this reporting period, OIG work identified actions FSA and OPE should take to better protect the interest of students. Summaries of these reports follow.

Department's Administration of Student Loan Debt and Repayment

With borrower defaults at the time of our audit at their highest rate since 1995, we sought to determine what actions the Department had taken to prevent borrowers from defaulting on their student loans. We found that the Department did not have a comprehensive plan or strategy to prevent student loan default, and thus could not ensure various Department offices' efforts were coordinated and consistent. We also found that the roles and responsibilities of the offices and personnel tasked with preventing defaults or managing key default-related activities and performance measures to assess the effectiveness of the various default prevention activities were not well-defined. Further, we found that FSA's Portfolio Performance Management Services group—the group responsible for analyzing the Federal student loan portfolio—had access to extensive loan and borrower information but had not used the information to identify trends or make recommendations for improvements or enhancements to the Department's current default prevention activities. As a result of the lack of a comprehensive plan or strategy and well-defined roles, Department management may not be in a position to make strategic, informed decisions about the effectiveness of default prevention initiatives and activities now or in the future. The Department may also have missed opportunities to identify and rank risks, streamline activities between the Department offices engaged in default prevention activities, use

data to manage and innovate, respond to changes, and provide greater transparency. We also found that the servicing contracts that FSA executed with the Title IV Additional Servicers (TIVAS) in June 2009 did not explicitly establish minimum required default prevention activities that TIVAS must perform for borrowers with delinquent Department-held loans. As a result, one of the two TIVAS included in our review did not perform the same amount of telephone outreach for all delinquent borrowers. In addition, FSA did not monitor calls between borrowers and a subcontractor used by one of the TIVAS, even though the subcontractor placed the majority of telephone calls to delinquent Department-held loan borrowers. As a result, FSA could not ensure the technical accuracy of the information provided to a large portion of the servicer's delinquent borrowers or ensure that the customer service provided by the subcontractor was appropriate or adequate.

Based on our findings, we made a number of recommendations, including that FSA and OPE develop a comprehensive default prevention plan that describes the Department's default prevention strategy, defines the roles and responsibilities of pertinent Department offices and personnel, and establishes performance measures that can be used to assess the effectiveness of the default prevention initiatives and activities identified in the plan. We also recommended that FSA direct the Portfolio Performance Management Services group to immediately use existing student loan information to identify trends and issues in the Federal student loan portfolio and share its observations with Department executives, confirm that all TIVAS are conducting required minimum telephone outreach activities with delinquent borrowers in accordance with contract requirements, develop and implement a process to monitor the default prevention activities of TIVAS subcontractors, and determine whether borrowers were harmed during the period when FSA did not require TIVAS to perform minimum default prevention activities on delinquent borrower-held loans. The Department concurred with all of our recommendations.

Oversight of School's Compliance With the Incentive Compensation Ban

We found that FSA did not revise its enforcement procedures and guidance to ensure that they facilitated and did not hinder enforcement actions after the Department eliminated the incentive compensation safe harbors in 2010 and did not develop procedures and guidance instructing employees on how they should determine the appropriate enforcement action for incentive compensation violations. We also found that an internal memo from the then Deputy Secretary of Education issued to FSA in 2002 and the guidance and procedures FSA developed and implemented in response discouraged FSA employees from using all allowable enforcement actions at FSA's disposal. As a result, except for one action based in part on incentive compensation, fines were the only enforcement action that FSA used to punish violators of the incentive compensation ban. Without strong procedures and guidance, FSA cannot ensure appropriate and consistent enforcement actions against schools that violate the incentive compensation ban, and fines will likely continue to be the predominant enforcement action that FSA uses to punish violators of the incentive compensation ban.

We also concluded that FSA followed its established methods for tracking activities related to incentive compensation and adapted its methods for detecting incentive compensation ban violations; however, our review of 26 FSA program review files found that 23 contained insufficient evidence to show that institutional review specialists completed all the incentive compensation testing procedures that FSA's program review manual required. When we discussed incentive compensation testing procedures with the institutional review specialists who conducted 23 of the 26 program reviews, the institutional review specialists responsible for 13 of them confirmed that they did not always complete all of the incentive compensation testing procedures included in FSA's program review manual. When institutional review specialists do not complete all the required incentive compensation testing procedures, FSA cannot make an informed decision about a school's compliance with the incentive compensation regulations and is less likely to detect incentive compensation violations.

Finally, we found that FSA did not properly resolve incentive compensation ban findings. Institutional review specialists and audit resolution specialists did not consult with FSA's Administrative Actions and Appeals Service Group regarding final actions to resolve the one program review and four independent public accountant audits that identified violations of the incentive compensation ban from July 1, 2011, through September 17, 2013. Additionally, audit resolution specialists did not determine the merits of each violation by using a preliminary audit determination letter for findings in the four independent public accountant audit reports. When institutional review specialists and audit resolution specialists do not follow procedures, FSA cannot appropriately (1) determine the extent of each incentive compensation violation, (2) ensure that adequate corrective actions were taken, or (3) ensure that it took enforcement action sufficient to mitigate the risk of future incentive compensation violations. Although FSA did not explicitly agree or disagree with our findings, it proposed corrective actions that, if implemented, should be responsive to all nine of our recommendations.

Controls Over the Pell Grant Lifetime Eligibility Limit

Our audit to determine whether FSA had controls in place to ensure that students who had met or exceeded the Pell grant lifetime eligibility limit did not receive additional Pell grants found that FSA had those controls in place. We found no errors when testing the accuracy of the Lifetime Eligibility Used calculation[1] for a random sample of Pell grant awards. Further, we tested controls for a judgmental sample containing different scenarios for awards having Lifetime Eligibility Used calculated at or above 600 percent maximum allowed and found no significant issues. As such, the audit report did not include any recommendations for corrective actions.

[1] Under the Pell grant lifetime eligibility limit, a full-time student in a semester program could maintain Pell grant eligibility for 6 award years, which is the equivalent of 12 semesters. A full-time student could receive 100 percent of the scheduled award in each of the 6 award years, resulting in a Pell Grant Lifetime Eligibility Used of 600 percent before becoming ineligible for additional Pell grant disbursements.

Investigations of Schools and School Officials

Identifying and investigating fraud in the Federal student financial assistance programs has always been a top OIG priority. The results of our efforts have led to prison sentences for unscrupulous school officials and others who stole or criminally misused Title IV funds, significant civil fraud actions against entities participating in the Title IV programs, and hundreds of millions of dollars returned to the Federal Government in fines, restitutions, and civil settlements.

More Actions Taken in American Commercial College, Inc., Fraud Scam (Texas)

Previously, we reported that American Commercial Colleges, Inc., agreed to pay $2.5 million to settle claims that it violated the False Claims Act by falsely reporting that it complied with the 90/10 rule–a statutory requirement that for-profit schools obtain no more than 90 percent of their annual revenue from the Federal student aid programs. We also reported that the school, its president, and five senior executives had pled guilty and that four of those five executives had been sentenced to charges related to the scheme. During this reporting period, American Commercial College was sentenced to 5 years of probation and was ordered to pay nearly $2 million in restitution and fines, while the school president was sentenced to serve 24 months in prison and 1 year of supervised release and to pay more than $977,000 in restitution and fines.

In addition, the former director of American Commercial Colleges' Lubbock Campus pled guilty to making false statements and aiding and abetting related to misleading an investigation. During the course of the criminal investigation of American Commercial Colleges, the former director created and provided an electronic mail message containing false statements to OIG criminal investigators in an attempt to mislead the investigation.

Criminal and Civil Actions Taken Against FastTrain (Florida)

The owner and three admissions representatives of FastTrain College, a now-defunct for-profit school that operated seven campuses in Florida, were arrested, and three other employees were sentenced for their roles in a student aid fraud scam. From 2008 through May 2012, at the direction of the owner, school employees recruited students who had not earned a valid high school diploma or certificate of high school equivalency (GED), obtained fake high school diplomas for them, and falsified their student aid applications and related information to make it appear that the students were eligible to attend the school and receive Federal student aid when in fact they were not. Further, the school used exotic dancers as admissions officers in an effort to lure young male students to the school. As a result of their fraudulent recruiting practices, more than 1,300 Free Applications for Federal Student Aid (FAFSA) containing falsified information were submitted to the Department, which yielded some $6.5 million in Federal student aid that the owner allegedly used to fund a lavish lifestyle. In December, the U.S. Department of Justice and the Florida Attorney General's Office filed a

multimillion dollar civil complaint against FastTrain on grounds that it violated the False Claims Act. The three employees received sentences ranging from 6 months to 18 months in prison and 2 years of supervised release, and they were ordered to pay restitution ranging from $142,107 to $252,000.

Owners of Carnegie Career College Sentenced (Ohio)

We previously reported that the two cofounders and an employee of Carnegie Career College, a purportedly not-for-profit school, were indicted on charges related to a multimillion dollar Federal student aid scam. During this reporting period, the cofounders, a husband and wife, were sentenced to 69 months and 55 months in prison respectively, and they were ordered to pay more than $2.3 million in restitution. The cofounders and the employee, who pled guilty and awaits sentencing, recruited students who had not earned valid high school diplomas or GEDs, obtained fake high school diplomas for them, and fraudulently applied for and received financial aid on their behalf. As a result of these actions, the school fraudulently received more than $2.3 million in Federal student aid that the three used as their own personal slush fund for purchasing jewelry, lingerie, cruises, and a vacation to Las Vegas.

The two cofounders of Carnegie Career College were sentenced to 69 months and 55 months in prison, respectively, and they were ordered to pay more than $2.3 million in restitution.

Former Merrimack College Financial Aid Director Sentenced (Massachusetts)

The former financial aid director for Merrimack College was sentenced to prison for fraud involving $4 million in student aid and Perkins loans—low-interest loans to help needy students finance the cost of postsecondary education. From 1998 through 2007, the former director asked students to whom the school had offered grants to take out Perkins loans instead. The director promised the students that they would receive grants the next academic year that would enable them to pay off their Perkins loans. The director also disbursed Perkins loan funds to other students without the students' knowledge or approval, and took actions to conceal the fraud from the students, their parents, and the school. The director was sentenced to 12 months and 1 day in prison and 3 years of supervised release. A restitution hearing is scheduled for later this year.

Former Galiano Career Academy Information Technology Director Sentenced (Florida)

In a previous Semiannual Report, we noted that the former president of Galiano Career Academy was sentenced to serve 4 years in prison and was ordered to pay more than $2.1 million in restitution for theft and fraud. He admitted that he knowingly used a diploma mill—owned and operated by his wife—to fraudulently qualify students for Federal student aid. He also admitted that he secretly made audio and video recordings of Department staff as they conducted an on-site review at his school and that he also tampered with student records during the

review. During this reporting period, the school's former information technology director was sentenced to 2 years of probation for aiding the former owner in this criminal activity.

Former Galen College Contract Bookkeeper Pled Guilty to Theft (California)

A former contract bookkeeper at the now-defunct Galen College pled guilty to stealing more than $85,000 from the school. The former bookkeeper created a sham business, then created and submitted phony invoices to the school for supplies that the school never purchased or received. As a result of the fraud, the school paid more than $85,000 to the woman's sham company.

Actions Taken in $100,000 Fraud Scheme at Lone Star College (Texas)

A former Lone Star College employee and 3 of her conspirators were sentenced, while another 10 people await further criminal actions, for their roles in a student aid fraud scam at the school. The former employee accessed the school's computer system, obtained student personal identifying information and student loan data, and used that information to divert the student financial aid refund checks to bank accounts under her and her conspirators' control. As a result of these criminal actions, more than $100,000 in Federal student aid was stolen from unwitting Lone Star College students. The former school employee was sentenced to serve 5 years in prison and was ordered to pay $9,500 in restitution; one of the conspirators was sentenced to serve 2 years in prison; a second was sentenced to 10 years of community supervision (probation) and was ordered to pay more than $7,000 in restitution; and a third conspirator was sentenced to 6 years of community supervision and was ordered to pay $18,000 in restitution.

Investigations of Fraud Rings

Below are summaries of actions taken over the last 6 months against people who participated in Federal student aid fraud rings. Fraud rings are large, loosely affiliated groups of criminals who seek to exploit distance education programs in order to fraudulently obtain Federal student aid. The cases below are just a sample of the large number of actions taken against fraud ring participants during this reporting period. As of March 31, 2015, OIG has opened 146 fraud ring investigations, secured more than 556 indictments of fraud ring participants, and recovered more than $23.3 million.

In addition, we continued with a proactive investigative project to identify student aid fraud rings. The project uses an E-Fraud Query System risk model that we developed, as well as other investigative and analytical tools and data sources, to identify the scope of each fraud ring, estimate the total potential fraud, and establish grounds for initiating criminal investigations.

Actions Taken Against Three Members of a $2.7 Million Fraud Ring (Illinois)

In our last Semiannual Report, we noted that six people were charged with participating in a fraud ring that sought to obtain more than $2.7 million in student aid, mortgages, bank, and small business loans. During this reporting period, three ring members were sentenced for their roles in the fraud. Between 2010 and 2012, the ring submitted at least 40 fraudulent applications for admissions to and Federal student aid from Harper College, Elgin Community College, and Joliet Junior College. For some of the applications, the ring used stolen identities that it obtained through credit card and mortgage fraud schemes. The ring caused the financial aid checks to be sent to addresses they controlled, and then cashed the checks and used the proceeds for themselves and others. The ring members received prison sentences ranging from 1 year and 1 day in prison to 57 months in prison, and 3 years of supervised release. Ring members were ordered to pay restitution ranging from $24,243 and $109,200.

Action Taken Against Ringleader, Two Members of $1.8 Million Fraud Ring (California)

We previously reported that members of a fraud ring were indicted on charges related to a $1.8 million Federal student aid fraud scheme. The ring recruited more people to act as "straw students" and helped the straw students prepare, sign, and transmit fraudulent FAFSAs, knowing that many of the straw students were not eligible to receive Federal student aid because they had not obtained high school diplomas or GEDs, and had no intention of attending school or using the funds for educational purposes. After receiving the student aid funds, the four shared the proceeds among themselves and sometimes the straw students. During this report period actions were taken against three of the four ring members. One ring member was sentenced to serve 37 months in prison and 36 months of supervised release and was ordered to pay more than $520,900 in restitution and fines. A second ring member was sentenced to serve 36 months of probation and was ordered to pay more than $9,300 in restitution. A third participant agreed to a pretrial diversion.

Four Sentenced in $254,000 Fraud Ring That Used Identities of Prison Inmates to Scam Student Aid (Arizona)

Four members of a fraud ring that used the identities of prison inmates to fraudulently apply for and receive Federal student aid have all been sentenced for their roles in the scheme. From 2010 through 2012, the ring submitted fraudulent admissions and student aid forms to Mesa Community College and Rio Salado College on behalf of 37 straw students, most of whom were inmates in Arizona prisons. Two of the three ring members also fraudulently obtained the personal identifying information of several inmates and used that information to apply for admission to the schools and for student aid. None of the straw students participated in or intended to participate in the college courses, and most were unaware that they were enrolled in school or obtaining Federal student aid.

Further, two of the ring members were serving sentences in prison at the time, and obtained the personal identifying information of other prison inmates whose identities were used in the fraud. As a result of their fraudulent actions, the ring obtained more than $254,800 in Federal student aid to which they were not entitled. Fraud ring members received sentences ranging from 5 years of probation to 54 months in prison, followed by supervised release.

Actions Taken Against Members of a $200,000 Fraud Ring (Puerto Rico)

We previously reported that nine people were indicted for participating in a fraud ring that targeted online courses and Federal student aid at InterAmerican University. The ring leader recruited people to act as straw students and submitted false admissions and financial aid applications to the school on their behalf; the straw students had no intention of attending classes. The ring leader paid a portion of the student aid refund award to the straw student for the use of his or her identity and kept the rest. As a result of these actions, the ring fraudulently obtained more than $200,000 in Federal student aid. During this reporting period, the ring leader pled guilty to his role in the scheme, another ring member was sentenced to 6 months of probation and was ordered to pay $25,000 in restitution, and four others entered into pretrial diversions, agreeing to 5 to 6 months of probation and 100 hours of community service.

Two Sentenced in $147,000 Fraud Ring (Arizona)

Two people who targeted online courses at Maricopa Community Colleges were sentenced for stealing more than $147,000 in Federal student aid. The two recruited people to act as straw students, many of whom were ineligible to receive Federal student aid as they did not possess a high school diploma or GED. None of the students intended to attend classes or use the funds for educational purposes. They submitted fraudulent admissions and student aid forms to the school on behalf of the straw students and kept a portion of the student aid refund checks. One ring member was sentenced to 5 years of probation and was ordered to pay more than $147,000 in restitution; his partner was sentenced to serve 5 years in prison.

Alleged Leader of $130,000 Fraud Ring Indicted (Michigan)

The alleged leader of a fraud ring that targeted online classes and Federal student aid at the University of Phoenix, Ashford University, and Capella University was arrested and indicted on charges of student aid fraud, wire fraud, and aggravated identity theft. The ringleader allegedly recruited people to act as straw students, completed admissions and student aid forms on their behalf, and received a portion of the student aid refund once received.

Investigations of Other Student Aid Fraud Cases

The following are summaries of the results of additional OIG investigations into abuse or misuse of Federal student aid.

Financial Advisor Sentenced in $1.4 Million Fraud Scheme (New Hampshire)

A financial advisor was sentenced to 42 months in prison and 3 years of supervised release and was ordered to pay $1.4 million for bilking clients whom he duped in a fraud scheme. From 2008 through 2011, the advisor fraudulently solicited more than $1 million in purported investments from the clients, all of whom were elderly widows. He failed to report the fraudulently obtained funds on his Federal income tax returns and failed to report his income accurately on student aid applications for his children's attendance at Salve Regina University and Endicott College. As a result, his two children received Federal student aid to which they were not entitled.

Great Falls Family Sentenced in $700,000 Fraud Scam (Montana)

We previously reported that a student seeking a criminal justice degree from the University of Great Falls and his parents pled guilty to student aid fraud, as they intentionally failed to disclose more than $700,000 in household income on FAFSAs submitted from 2009 through 2012. This allowed them to receive Stafford and PLUS loans and Pell grants that they otherwise would have been ineligible to receive. Much of the $700,000 was Recovery Act funds that the parents and other family members stole from the Chippewa Cree Tribe. The tribe received a $300,000 Recovery Act award to fund the construction of a freshwater pipeline for the Rocky Boy's Indian Reservation. The family members and others diverted the funds to a shell company they had created and then used the funds for personal enrichment. During this reporting period, the three family members were sentenced for their criminal actions. Both the husband and wife were sentenced to serve 24 months in prison; the husband was also ordered to pay more than $281,300 in restitution, while his wife was ordered to pay more than $375,000 in restitution. Their son was sentenced to 6 months in Federal custody and 5 years of probation and was ordered to pay more than $82,000 in restitution.

Department of Transportation Employee and Daughter Sentenced (North Carolina)

A Department of Transportation employee was sentenced to 8 months of home confinement and 5 years of supervised release and was ordered to pay more than $151,200 in restitution for her role in a student aid fraud scheme. From 2008 through 2013, the woman submitted fraudulent FAFSAs and other student aid forms for her two daughters, claiming that she was unemployed when in fact she was receiving more than $100,000 per year in salary. As a result of the fraud, her daughters received more than $113,000 in student aid to which they were not

entitled. One of her daughters was sentenced to 8 months of home confinement and 5 years of supervised release and was ordered to pay more than $76,600 in restitution for her role in the scam.

Woman Sentenced in $90,000 Fraud Scheme (Ohio)

A woman who used her own identity and those of five other people to fraudulently obtain more than $90,000 in Federal student aid was sentenced to 27 months in prison and 3 years of supervised release and was ordered to pay more than $90,000 in restitution. The woman applied for and received Federal student aid from multiple institutions, including Lakeland Community College, Columbus State Community College, Owens State Community College, and Franklin University, in her own name and in the names of other people who had no intention of attending the schools.

Woman Sentenced in $52,900 Fraud Scheme (Florida)

A woman was sentenced to serve 21 months in prison and 2 years of supervised release and was ordered to pay more than $52,900 in restitution for fraud. From 2009 through 2014, the woman applied for admission and student aid for online courses at the University of Phoenix, Grand Canyon University, and Ohio Christian University without any intention of attending classes.

Husband Sentenced for Student Aid Fraud, Wife a Fugitive (Massachusetts)

In our last Semiannual Report, we noted that a couple were indicted in Massachusetts and New York for providing false information on their student aid applications for their children—one attending Harvard College and the other attending the University of Rochester—to receive Federal student aid to which they were not entitled. The parents underreported their wages and income, sources of income, and adjusted gross income on FAFSAs submitted from 2010 through 2013 to obtain more than $160,000 in student aid for their Harvard student and about $46,600 for their Rochester student. During this reporting period, the husband was sentenced to serve 4 months in prison and 36 months of supervised release and was ordered to pay more than $34,700 in restitution for his role in the scheme. His wife is currently a fugitive.

Doctor Pled Guilty to Tax Fraud, Student Aid Fraud, and Social Security Fraud (Pennsylvania)

A former medical director of the Lehigh County Prison pled guilty to a 17-count indictment stemming from his schemes to defraud the Department, the Internal Revenue Service, and the U.S. Department of Health and Human Services out of hundreds of thousands of dollars and get financial aid grants for four of his children. Since 2001, the doctor engaged in a series of illegal schemes designed to help him evade paying back hundreds of thousands of dollars in outstanding medical school loans and more than $200,000 in personal income taxes. He also lied on FAFSAs for his children, which enabled them to receive more than $36,000 in Pell grants.

Other Activities

Participation on Committees, Work Groups, and Task Forces

- *Department of Education Policy Committees.* OIG staff participate in an advisory capacity on these committees, which were established to discuss policy issues related to negotiated rulemaking for student loan regulations and for teacher preparation regulations.

Review of Legislation, Regulations, Directives, and Memoranda

- *America's College Promise Legislation.* The OIG made technical and clarifying suggestions.
- *FSA Compliance with Federal Laws and Regulations Regarding Site Visits, Monitoring*. The OIG made technical and clarifying suggestions.
- *Dear Colleague Letter on Title IV Requirements for Competency-Based Education Programs*. The OIG provided comments to improve the guidance on compliance with Title IV requirements.
- *Dear Colleague Letter on Confirming the Title IV Eligibility of Eligible Noncitizenships in Distance Education*. The OIG provided comments to improve the reliability of procedures to confirm student eligibility.
- *Department's Final Rule on Gainful Employment*. The OIG nonconcurred with the Final Rule because it excluded students' indirect costs, such as room and board, from the debt calculation used to determine whether gainful employment programs resulted in students earning sufficient income to meet their debt obligations. A more detailed discussion of this issue is included in Table 6.

Goal 3:

Protect the integrity of the Department's programs and operations.

Our third strategic goal focuses on our commitment to protect the integrity of the Department's programs and operations. Through our audit work, we identify problems and propose solutions to help ensure that programs and operations are meeting the requirements established by law and that federally funded education services are reaching the intended recipients—America's students. Through our criminal investigations, we help to protect public education funds for eligible students by identifying those who abuse or misuse Department funds and helping hold them accountable for their unlawful actions.

Audits

OIG audits and other reviews assess the effectiveness of internal controls, evaluate the appropriateness of Federal funds usage, and identify weaknesses and deficiencies in Departmental programs and operations that could leave them vulnerable to waste, fraud, and abuse. The results of our work can assist the Department, as well as grantees and program participants, improve operations, strategic planning, and risk management. During this reporting period, we issued one report related to this goal: an audit of the payback provision of the Personnel Development to Improve Services and Results for Children with Disabilities Program (PDP). PDP is an $83.7 million program aimed at increasing the number of qualified personnel trained to work with children with disabilities. Students who receive PDP funding, known as PDP scholars, must work for a period of time through eligible employment providing indirect or direct services to children with disabilities, or they must pay back the assistance they received. This was the second in a series of audits we conducted on the effectiveness of payback programs. The first report in this series focused on the payback provisions of the Rehabilitation Long-Term Training Program, which we summarized in our last Semiannual Report to Congress.

Payback Provisions of the Personnel Development to Improve Services and Results for Children With Disabilities Program

Our audit found the PDP program results reported by the Department's Office of Special Education Programs to be encouraging; however, data limitations and quality issues limited stakeholders' ability to assess PDP effectiveness. Specifically, only slightly more than half of the PDP scholars in our review who had graduated or otherwise exited their respective program had either completed or were working toward completing their service obligation; the rest had not yet begun work or were still within the program's 5-year grace period. As a result, it was too early in the process to adequately assess program effectiveness. In addition, although related Government Performance and Results Act measures provided some insight into program effectiveness, we identified certain limitations and quality issues with information on PDP scholars that the Office of Special Education Programs and its former contractor used in compiling some performance data, including issues related to the total number of scholars served and the reported service obligation data. Reasons for the data quality concerns were directly attributable to the overall design of the program, which required coordination between multiple parties and the use of multiple data collection

systems, and the program's reliance on self-reported data. The Department also had limited involvement in monitoring the program's payback requirement, including not monitoring its contractor's oversight of the payback requirement as diligently and effectively as it could have. We also identified problems with the methodology used to calculate results that limited stakeholders' ability to draw reliable conclusions on program effectiveness. Additionally we noted that the Office of Special Education Programs did not always appropriately identify and refer for financial payment scholars who were not fulfilling their service obligation, which increases the susceptibility of the PDP to fraud, waste, and abuse. To address the weaknesses identified, we made 11 recommendations. The Department concurred with our recommendations and noted significant actions that it had taken or planned to take to address each of them.

Investigations of Public Corruption, Schools, and School Officials

OIG investigations include criminal investigations involving bribery, embezzlement, and other criminal activity, often involving State and local education officials who have abused their positions of trust for personal gain. Examples of some of these investigations follow.

Former El Paso School District Director Sentenced (Texas)

The former director of the Priority Schools Division of the El Paso Independent School District was sentenced for her role in a cheating scandal. The former director conspired with a former district superintendent to manipulate mandated State and Federal annual reporting data to appear that the district complied with requirements of the No Child left Behind Act and met or exceeded its Adequate Yearly Progress standards. The director was sentenced to 5 years of probation and was ordered to pay a $5,000 fine. The former superintendent was sentenced to prison for his role in this scheme in 2012.

Actions Taken Against Two More Beaumont Independent School District Officials (Texas)

In our last Semiannual Report, we noted that the former finance director and the former comptroller of the Beaumont Independent School District were sentenced to prison for stealing more than $4 million from the district's coffers. During this reporting period, actions were taken against two other district officials for activities unrelated to that crime. A former assistant superintendent was charged with theft and conspiracy for allegedly embezzling more than $750,000 from the school district, including stealing money from a high school booster club and steering contracts totaling $480,000 to a family member. The former official is also alleged to have conspired with a former high school principal to increase standardized test scores by providing teachers with test answer keys and by changing answers on student test booklets.

Former Executive of a 21st Community Learning Center Sentenced (Louisiana)

We previously reported that the former executive director and accountant for CDC 58:12, a participant in the 21st Century Community Learning Center program, pled guilty to theft of government funds and wire fraud. From 2011 through 2013, the former executive improperly withdrew about $87,000 from the CDC's bank accounts to cover gambling debts and other personal expenses—funds that should have been used for services for residents of a public housing development, summer programs for children, and educational services. Additionally, while still employed at the center, the official submitted a fraudulent claim for unemployment insurance benefits to the Louisiana Workforce Commission, falsely representing that she was unemployed, resulting in the Louisiana Workforce Commission providing her with nearly $4,200. During this reporting period, the former executive director was sentenced to serve 15 months in prison and 3 years of supervised release and was ordered to pay more than $91,000 in restitution.

Former Executive Director of the Midwestern Intermediate Unit IV Sentenced (Pennsylvania)

We previously reported that the former executive director of the Midwestern Intermediate Unit IV educational service agency pled guilty to program fraud. During her tenure, the former executive director charged more than $71,000 on the agency's credit card on questionable purposes, including restaurant meals, DVD rentals, and department store purchases that she misrepresented as business-related, when in fact they were not. During this reporting period, the former executive director was sentenced to serve 3 years of probation and 150 hours of community service, and she was ordered to pay more than $7,500 in restitution and fines.

Former Westside Community Schools Comptroller Pled Guilty (Nebraska)

The former comptroller and director of finance for Westside Community Schools, a public school district located in Omaha, pled guilty to embezzling some $50,000 from the school district. From 2004 through 2010, the former comptroller had unlimited access to the school district's accounts that he used to write checks to himself for cash, receive duplicate compensation for work, and purchase more than 200 gift cards and other items for personal use. The former comptroller created false account entries in the school's accounting system to cover up his crime.

Former Gila River Indian Reservation Principal Pled Guilty to Theft (Arizona)

The former principal of the Casa Blanca Community School on the Gila River Indian Reservation in Bapchule, Arizona pled guilty to using the school's bank card to make more than $22,300 for personal items to benefit his part-time career as a youth motivational speaker and musician, and more than $4,900 to a debt

collection service to repay his student loan. In his guilty plea, the former principal agreed to a lifetime ban from employment with any institution that receives Department funds and permanent debarment from all procurement and non-procurement activities of the Federal Government.

Former Fairfax County Middle School Principal and an Administrative Assistant Sentenced (Virginia)

A former principal at Poe Middle School and an administrative assistant were sentenced for their roles in an embezzlement scheme involving 21st Century Community Learning Center funds. The two created timesheets in the names of their family and friends, who then received payments from Fairfax County Public School District for work they did not conduct. The former principal was sentenced to serve 12 months in prison and 1 year of probation and was ordered to pay $35,000 in restitution; the administrative assistant was sentenced to serve 30 months in prison and 1 year of probation and was ordered to pay $8,000 in restitution. Both prison sentences were suspended.

Former Executive Director of Oregon Respect, Inspire, Support, Educate Sentenced (Oregon)

We previously reported that the former executive director for the now-defunct Oregon Respect, Inspire, Support, Educate, previously the Oregon Parent Training & Information Center, whose goal was to help people with disabilities and families of children with disabilities, was indicted for theft and aggravated identity theft. During this reporting period, the former official was convicted and sentenced to 90 days in jail and 36 months of probation and was ordered to pay more than $20,000 in restitution. From 2006 through 2012, the former executive director stole money from organization and the National Indian Parent Information Center, which provided similar services under the Oregon Respect, Inspire, Support, Educate umbrella.

Investigations of Charter Schools

OIG has conducted a significant amount of investigative work involving charter schools. From January 2005 through March 31, 2015, the OIG opened 68 charter school investigations. To date, these investigations have resulted in 42 indictments and 34 convictions of charter school officials. The cases that have been fully settled have resulted in nearly $13.3 million in restitution, fines, forfeitures, and civil settlements.

Former Charter School Executive Director Convicted (South Carolina)

The former executive director of the Mary L. Dinkins Higher Learning Academy charter school was found guilty of embezzlement after a 10-day jury trial in Columbia, South Carolina. From 2007 through 2013, the former executive embezzled more than $1 million in Federal funds that were intended to be used for the school and its students. The jury also determined that the former

executive must forfeit more than $750,000 in annuities that she purchased while serving at the charter school as well as her share in a house that she owned.

Former Charter School Principal Sentenced (Massachusetts)

The former principal of the Robert M. Hughes Academy charter school was sentenced to 12 months of probation and was ordered to pay a $500 fine for her role in a cheating scam. The former principal instructed teachers to give clues and other tips to students taking the Massachusetts Comprehensive Assessment System exams, telling teachers that "this is where we earn our money," and warning that the school could close or everyone could lose their jobs if the test scores were not satisfactory. She then falsely certified that the tests had been administered honorably.

Investigations of Supplemental Educational Services Providers

OIG audit work conducted over the last decade noted a lack of oversight and monitoring of Supplemental Educational Services (SES) providers by SEAs, which may leave programs vulnerable to waste, fraud, and abuse. Recent OIG investigative work has proven this point, uncovering cases involving fraud and corruption perpetrated by SES providers and school district officials.

Owners of Tutoring Company That Scammed More Than $3 Million Pled Guilty (Texas)

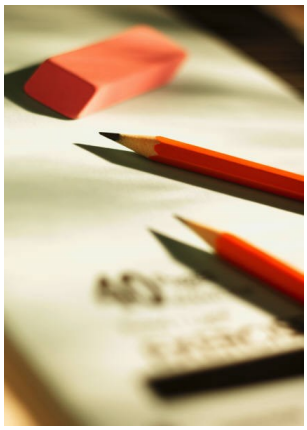
The owners of a tutoring company pled guilty to bilking Texas school districts out of more than $3 million. From 2011 through 2013, the two owners, one of whom was a former Dallas Independent School District teacher, contracted the Dallas Independent School District, the Fort Worth Independent School District, and other school districts in Texas to provide SES services on behalf of four tutoring companies. All of the companies were actually one business set up to mislead the Texas Education Agency in order to obtain more SES business than a single company could obtain from the school districts. The owners schemed to obtain as many student names and identifying information as possible, including by improperly accessing the Dallas Independent School District network. They and their employees would go door to door with gifts and prizes to induce the students to sign up for their tutoring services, regardless of the student's intent to attend. They used the student information to enroll students into their program, induced students to sign attendance logs for tutoring sessions they did not receive, and submitted the fraudulent documentation and bills to the school districts. About $3.1 million, or 75 percent of the total amounts they billed, was for services that they never provided.

More Actions Taken Against TestQuest (New York)

We previously reported that TestQuest, an SES provider, agreed to pay $1.725 million to settle allegations that it engaged in fraud involving SES funds.

We also reported that a former TestQuest manager and New York City school teacher who carried out the fraud pled guilty, agreed to a $2.3 million civil judgment, and was sentenced to prison. Other teachers were sentenced to probation, fined, and/or agreed to civil judgments in amounts ranging from $12,000 to $21,300. During this reporting period, a judgment of more than $37,000 was executed against another New York City teacher for her role in the scheme. Similar to the actions of others who participated in the scheme, the teacher submitted falsified documents to obtain additional funding for TestQuest. The falsified documents claimed that she had provided after-school tutoring services to more students than she had actually served.

Still More Actions Taken Against Academic Advantage (New York)



Seven former employees of Academic Advantage entered into consent judgments for engaging in a scheme where their employer fraudulently obtained SES funds for tutoring services it never provided. The judgments, which ranged from $20,000 to $185,000, are in addition to the more than $2.1 million Academic Advantage and three of its former employees agreed to pay for their roles in the fraud. From 2010 through 2012, Academic Advantage obtained Federal funds by falsely reporting that it had provided SES tutoring to certain students when no SES tutoring was provided. Academic Advantage site managers and program aides routinely forged student signatures on daily student attendance sheets and instructed students to sign attendance sheets for tutoring classes that they never attended or would not attend.

Woman Pled Guilty to Filing False SES Applications (Florida)

A woman pled guilty to fraud, admitting that she created and filed fraudulent documentation on behalf of three sham tutoring companies in an effort to obtain SES funds from Florida schools. To receive SES funding, prospective SES service providers must provide a copy of their tax identification number, bank statements, and other supporting documents along with their applications. The woman created and submitted fraudulent letters and statements from the Internal Revenue Service, banking institutions, certified public accountants, and other documentation to make it appear that the three companies were legitimate entities eligible to participate in after-school tutoring programs funded by Federal SES dollars.

Investigations of School Vendors and Contractors

Our investigations into suspected fraudulent activity by Federal education grantees and others have led to the arrest and conviction of school vendors, contractors, and other people for theft or misuse of Federal funds.

Former Vice President and Partial Owner of Bus Company Sentenced in $1.4 Million Fraud Case (Pennsylvania)

The former vice president and partial owner of Harris Transportation Corporation was sentenced to 24 months in prison and 3 years of supervised release, and he and his company were ordered to pay more than $1.4 million in restitution for fraud. From 2008 through 2011, Harris Transportation Corporation, as a transportation provider for the Halifax Area School District and Upper Dauphin Area School district, routinely submitted false and grossly inflated mileage claims and other bills to the schools for payments totaling more than $3 million. The Pennsylvania Department of Education was also a victim in this scheme as it reimbursed the school districts for a large percentage of their transportation expenses.

Vendor and Former District of Columbia Public School Employee Sentenced in $460,000 Fraud Case (District of Columbia)

The owner of Joyce Thomas Children Services, a private transportation company, who was also a former compliance officer for District of Columbia Public Schools, was sentenced to 1 month in prison, 6 months of home detention, and 3 years of probation. He was also ordered to pay more than $463,600 in restitution for fraud. While still employed at District of Columbia Public Schools, he directed students and parents who were in need of interstate transportation to his company, from which he improperly earned more than $163,000. After being terminated from that position in 2010 as a part of an overall reduction in the workforce, he schemed to obtain nonpublic lists of students needing transportation services from his former colleagues in the district and later used the lists to create false invoices and supporting documentation for payments to his company in the names of the students. He created 60 false invoices and supporting documentation through this scheme, causing the District of Columbia Office of the State Superintendent of Education to pay his company $300,000 for transportation services that his company never provided.

Other Activities

Participation on Committees, Work Groups, and Task Forces

Federal and State Law Enforcement-Related Groups

- *U.S. Department of Justice's Financial Fraud Enforcement Task Force—Consumer Protection Working Group*. The OIG participates in this working group, composed of Federal law enforcement and regulatory agencies, which works to strengthen efforts to address consumer-related fraud.

- *U.S. Department of Justice's Financial Fraud Enforcement Task Force—Grant Fraud Committee*. The OIG participates in this group composed of Federal law enforcement agencies seeking to enforce and prevent grant and procurement fraud.

- *Northern Virginia Cyber Crime Working Group*. The OIG participates in this working group of Federal, State, and local law enforcement agencies conducting cybercrime investigations in northern Virginia. The purpose is to share intelligence and collaborate on matters affecting multiple agencies.

Federal and State Audit-Related Groups

- *Association of Government Accountants Partnership for Management and Accountability*. The OIG participates in this partnership that works to open lines of communication among Federal, State, and local governmental organizations with the goal of improving performance and accountability.

Review of Legislation, Regulations, Directives, and Memoranda

- *Department's Proposed Rulemaking for Workforce and Innovation and Opportunity Act*. The OIG provided comments to ensure the rule includes strong internal controls over program administration and for the reliability of data used to assess program performance.

- *2015 Institute of Education Sciences Statewide Longitudinal Data Systems Notice Inviting Applications*. The OIG provided comments to help ensure that States' responsibilities for protecting student privacy and confidentiality are included in the notice.

- *Department's Letter to Chief State School Officers on Supporting School Reform by Leveraging Federal Funds in a Schoolwide Program: Melding Title I and School Reform*. The OIG suggested that the guidance section of the letter include a list of useful resources

Goal 4:
Contribute to improvements in Department business operations.

Effective and efficient business operations are critical to ensure the Department effectively manages its programs and protects its assets. Our fourth strategic goal speaks to that effort. Our reviews in this area seek to help the Department accomplish its objectives by ensuring its compliance with applicable policies and regulations and the effective, efficient, and fair use of taxpayer dollars with which it has been entrusted.

Audits and Reviews

OIG audits and reviews completed over the last 6 months that contributed to this goal have focused on statutory audits and reviews in the following areas.

- **Information Technology Security.** The E-Government Act of 2002 recognized the importance of information security to the economic and national security interests of the United States. Title III of the E-Government Act, the Federal Information Security Management Act of 2002 (FISMA), as amended by the Federal Information Security Modernization Act of 2014, requires each Federal agency to develop, document, and implement an agency-wide program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source. It also requires inspectors general to perform independent evaluations of the effectiveness of information security control techniques and to provide assessments of agency compliance with FISMA.

- **Financial Management.** One of the purposes of the Chief Financial Officers Act of 1990 is to improve agency systems of accounting, financial management, and internal controls to ensure the reporting of reliable financial information and to deter fraud, waste, and abuse of Government resources. The Act requires an annual audit of agency financial statements, which is intended to help improve an agency's financial management and controls over financial reporting.

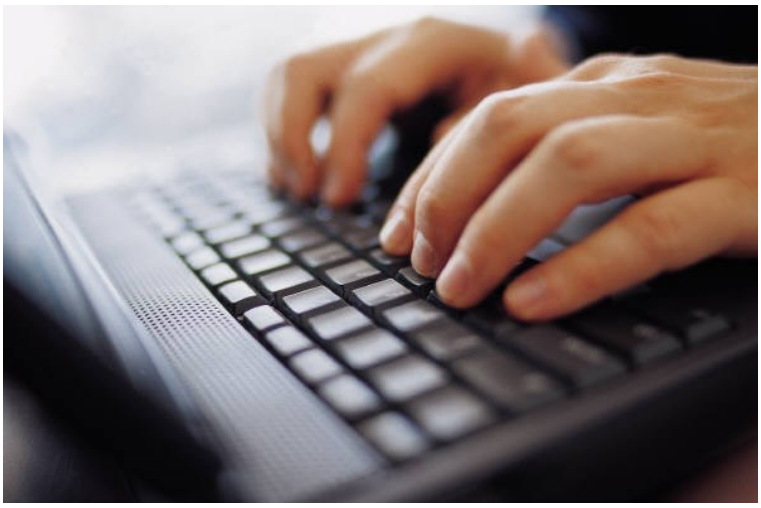
- **Compliance.** The Government Charge Card Abuse Prevention Act of 2012 requires inspectors general to conduct periodic risk assessment of their agency's purchase card program to identify and analyze the risks of illegal, improper, and erroneous purchases and payments. Inspectors general must then use the results of those risk assessments to determine the scope, frequency, and number of periodic audits of purchase card transactions to perform in the future.

Information Technology Security

FISMA Review

Our FY 2014 review found that the Department's information technology security program generally complied with FISMA and related Office of Management and Budget information security standards and that the Department had made progress in strengthening its information security program; however, many longstanding weaknesses remain and the Department's information systems

continue to be vulnerable to serious security threats. We found that the Department did not fully comply with 6 of the 11 FISMA reporting metrics: configuration management, identity and access management, incident response and reporting, risk management, remote access management, and contingency planning. We also found that the Department still had not addressed problems identified in previous OIG audit reports, as our work showed repeat or modified repeat findings for five reporting metrics identified in OIG reports issued from



FY 2011 through FY 2013. Without adequate management, operational, and technical security controls in place, the Department's systems and information are vulnerable to attacks that could lead to loss of confidentiality and integrity resulting from information modification or theft and shut-down or reduced availability of information systems. Our FY 2014 FISMA report offered 13 new recommendations as well as 7 modified repeat recommendations to help the Department establish and sustain an effective information security program that complies with FISMA, Office of Management and Budget, Department of Homeland Security, and National Institute of Science and Technology requirements. The Department concurred with most of our recommendations.

Financial Management

Financial Statements Audits

For FY 2014, both the Department and FSA received an unmodified (clean) opinion on their financial statements; however, the financial statement auditors identified one significant deficiency in internal control over financial reporting and one instance of reportable noncompliance. The significant deficiency involved information technology controls over security management, personnel security, access controls, and configuration management, which can increase the risk of unauthorized access to the Department's systems used to capture, process, and report financial transactions and balances, affecting the reliability and security of the data and information. The instance of noncompliance involved a provision of the Debt Collection Improvement Act of 1996, as amended by the Digital Accountability and Transparency Act of 2014, that requires Federal agencies to notify the Secretary of the Treasury of debts that are over 120 days past due. The auditors found that neither the Department nor FSA had processes in place to comply with the 120-day requirement, and that existing loan servicing procedures and internal processes did not notify the Secretary of the Treasury of past-due debts once they become over 180 days past due. Based on the findings, the auditors recommended that the Department and FSA take action to address the information technology control deficiencies, and to review their loan servicing procedures and internal processes to comply with statutory requirements. The Department and FSA concurred with findings and recommendations in the reports.

Closing Package Financial Statements

The auditors found that the Department's FY 2014 Closing Package Financial Statements were presented in accordance with generally accepted accounting principles. The report noted the issues identified in the Department's and FSA's financial statements and the need for the Department and FSA to mitigate the persistent information technology control deficiencies and their noncompliance with the timing requirements of the Digital Accountability and Transparency Act of 2014.

Department's Detailed Accounting of FY 2014 Drug Control Funds and Related Performance

In accordance with the Office of National Drug Control Policy Circular "Accounting of Drug Control Funding and Performance Summary," we authenticated the Department's accounting of FY 2014 drug control funds and performance measures for key drug control programs by expressing a conclusion about the reliability of each assertion made in the Department's accounting report and performance report. Based on our review, nothing came to our attention that caused us to believe that management's assertions contained in the Department's detailed accounting report and performance summary report are not fairly stated in all material respects.

Compliance

Purchase Card Risk Assessment

Our review determined that the purchase card program does not pose a high risk to the Department and an audit of the program was not necessary. We reviewed the Department's purchase card policies and procedures, Office of Management and Budget guidance, corrective action the Department has taken in response to previous OIG purchase card audit findings, documentation from the Department's purchase card monitoring efforts, and data on disciplinary action the Department has taken in response to purchase card misuse. Additionally, we used OIG data analytic resources to identify and assess high-risk categories of potentially inappropriate purchases. Although we found that the program does not pose a high risk to the Department, we offered two suggestions to help the Department further strength its purchase card program: (1) ensure the Department documents and implements internal controls to fully address applicable requirements and guidance; and (2) improve coordination between Department units when reporting disciplinary actions taken against purchase card abusers to the Office of Management and Budget.

Investigations

The following is a summary of an OIG investigation involving unauthorized access to and abuse of a student financial aid database.

Former University of Connecticut Student Worker Sentenced (Connecticut)

A former University of Connecticut student working in the school's financial aid office was sentenced to 7 years in prison (suspended) and 3 years of probation for unlawfully accessing the school's student database. The former student used an unauthorized password to log into the database and made changes to students' financial aid records, attempting to transfer more than $73,000 in Federal student aid to himself and his friends.

Non-Federal Audit Activities

The Inspector General Act of 1978, as amended, requires that inspectors general take appropriate steps to ensure that any work performed by non-Federal auditors complies with Government Auditing Standards. To fulfill these requirements, we perform a number of activities, including conducting quality control reviews of non-Federal audits, providing technical assistance, and issuing audit guides to help independent public accountants performing audits of participants in the Department's programs.

Quality Control Reviews

Through 2013, Office of Management and Budget Circular A-133 required entities such as State and local governments, universities, and nonprofit organizations that spend $500,000 or more in Federal funds in 1 year to obtain an audit, referred to as a "single audit." The Office of Management and Budget's new "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (known as the "Super Circular") has since increased the single audit threshold to $750,000. Additionally, for-profit institutions and their servicers that participate in the Federal student aid programs and for-profit lenders and their servicers that participate in specific Federal student aid programs are required to undergo annual audits performed by independent public accountants in accordance with audit guides that the OIG issues. These audits assure the Federal Government that recipients of Federal funds comply with laws, regulations, and other requirements that are material to Federal awards. To help assess the quality of the thousands of single audits performed each year, we conduct quality control reviews of a sample of audits. During this reporting period, we completed 25 quality control reviews of audits conducted by 24 different independent public accountants or firms with multiple offices. We concluded that 6 (24 percent) were acceptable or acceptable with minor issues, 9 (36 percent) were technically deficient and 10 (40 percent) were unacceptable.

Other Activities

Participation on Committees, Work Groups, and Task Forces

Department

- *Department of Education Senior Assessment Team.* The OIG participates in an advisory capacity on this team. The team provides oversight of the Department's assessment of internal controls and related reports and provides input to the Department's Senior Management Council concerning the overall assessment of the Department's internal control structure, as required by the Federal Managers' Financial Integrity Act of 1982 and Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control."

- *Department of Education Investment Review Board and Planning and Investment Review Working Group.* The OIG participates in an advisory capacity in these groups that review technology investments and the strategic direction of the information technology portfolio.

- *Department Human Capital Policy Working Group.* The OIG participates in this group that meets monthly to discuss issues, proposals, and plans related to human capital management.

Inspector General Community

- *Council of the Inspectors General on Integrity and Efficiency (CIGIE).* OIG staff play an active role in CIGIE efforts. Inspector General Tighe is Chair of the Information Technology Committee. Inspector General Tighe is also a member of CIGIE's Audit Committee, and the Suspension and Debarment Working Group, which is a subcommittee of the Investigations Committee.

- OIG staff also serve as chair of the Council of Counsels to the Inspectors General and vice chair of the CIGIE Data Analytics Working Group of the Information Technology Committee. OIG staff are also members of CIGIE's Assistant Inspector General for Investigations Subcommittee, the Cyber Security Working Group, the Grant Reform Working Group, the OIG Human Resources Directors' Roundtable, and the New Media Working Group. OIG staff also participate in the following.

    - *Financial Statement Audit Network.* OIG staff have a leading role in this Government-wide working group that identifies and resolves key issues concerning audits of agency financial statements and provides a forum for coordination with the Government Accountability Office and the Treasury on the annual audit of the Government's financial statements.

    - *CIGIE/Government Accountability Office Annual Financial Statement Audit Conference.* OIG staff work on the Planning Committee for the annual conference that covers current issues related to financial statement audits and standards.

Federal and State Audit-Related Groups and Entities

- *Intergovernmental Audit Forums.* OIG staff chair and serve as officers of a number of intergovernmental audit forums, which bring together Federal, State, and local government audit executives who work to improve audit education and training and exchange information and ideas regarding the full range of professional activities undertaken by government audit officials. During this reporting period, OIG staff served as the Federal representative for the National Forum, served as vice chair of the Southwestern Forum, and served as officers of the Southeastern Forum, the Southwestern Forum, and the New York/New Jersey Forum.

Participation on Committees, Work Groups, and Task Forces (continued)

Federal and State Audit-Related Groups and Entities (continued)

- *Interagency Working Group for Certification and Accreditation*. The OIG participates in this group that exchanges information relating to Federal forensic science programs that share intergovernmental responsibilities to support the mission of the National Science and Technology Council's Subcommittee on Forensic Science.

- *Interagency Fraud and Risk Data Mining Group*. The OIG participates in this group that shares best practices in data mining and evaluates data mining and risk modeling tools and techniques that detect patterns indicating possible fraud and emerging risks.

- *AICPA Government Audit Quality Center's Single Audit Roundtable*. OIG staff participate in this group, which meets semiannually and consists of Federal, State, and local government auditors and accountants who perform single audits. The participants discuss recent or anticipated changes in single audit policy, such as the Compliance Supplement to Office of Management and Budget Circular A-133, new auditing standards, and issues of audit quality found in recent quality control reviews.

Review of Legislation, Regulations, Directives, and Memoranda

- *Proposed Presidential Memorandum Regarding Modernizing Federal Leave Policies for Childbirth or Adoption*. The OIG made technical suggestions.

- *Department's Records Schedules for Email Retention and Disposition*. The OIG provided comments relating to the Inspector General's records and added a provision that records must be retained if they relate to an OIG investigation, audit, or other review.

- *Department Handbook, Interagency Agreements*. The OIG made technical suggestions.

- *Department Directive, The Collection, Use, and Protection of Personally Identifiable Information and of Records Maintained in Privacy Act Systems of Records*. The OIG made technical suggestions.

The OIG provided comments to the CIGIE for inclusion in its responses to Congress and the Office of Management and Budget on the following matters:

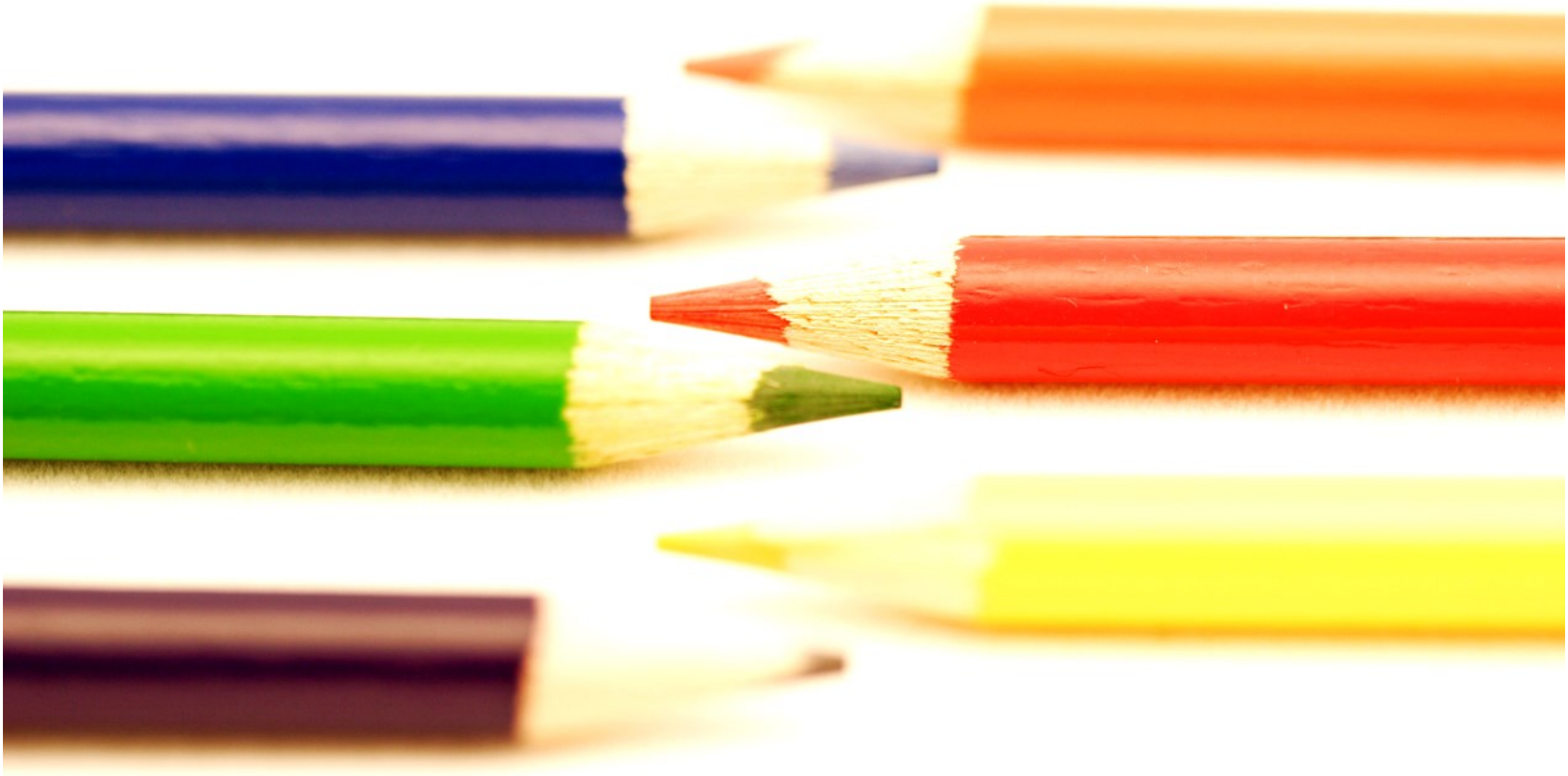
- *Federal Information Technology Acquisition Act of 2014*. The Inspector General, in her capacity as chair of the Information Technology committee of CIGIE, wrote to the Office of Management and Budget regarding the Act's Chief Information Officer authority enhancements' impact on IG independence.

- *Proposal for Oversight of Certain Entities Without An Office of Inspector General*. The OIG made technical and clarifying suggestions.

- *Appendix II, Implementation of the Government Paperwork Elimination Act and Appendix III, Security of Federal Information Resources, to Office of Management and Budget Circular No. A-130, Management of Federal Information Resources*. Coordinating with other OIGs, the OIG provided technical and clarifying suggestions regarding the appendices.

- *S. 579, the Inspector General Empowerment Act of 2015 (114th U.S. Congress)*. The OIG made technical and clarifying suggestions.

- *S. 2927 (113th U.S. Congress), Legislation to Strengthen Inspector General Audits and Investigations by Streamlining Computer Matching Agreements*. The OIG made technical and clarifying suggestions.



Annexes and Required Tables

Annex A. Contract-Related Audit Products With Significant Findings

We are providing the following in accordance with Section 845 of the National Defense Authorization Act for Fiscal Year (Public Law No. 110-181), which requires Inspectors General to include information on final contract-related audit reports that contain significant findings in its Semiannual Reports to Congress.

The OIG did not issue any contract-related audit products with significant findings during this reporting period.

Annex B. Peer Review Results

We are providing the following in accordance with Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203), which requires Inspectors General to disclose the results of its peer reviews in its Semiannual Reports to Congress.

The OIG did not complete any peer reviews during this reporting period.

Required Tables

The following provides acronyms, definitions, and other information relevant to Tables 1–6.

Acronyms and Abbreviations Used in the Required Tables

FSA	Federal Student Aid
IES	Institute of Education Sciences
IG Act	Inspector General Act of 1978
ISU	Implementation and Support Unit
NCES	National Center for Education Statistics
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
ODS	Office of the Deputy Secretary
OESE	Office of Elementary and Secondary Education
OPEPD	Office of Planning, Evaluation and Policy Development
OSERS	Office of Special Education and Rehabilitative Services
OUS	Office of the Under Secretary
PAG	Post Audit Group
PDL	Program Determination Letter
Recs	Recommendations

Definitions

Attestation Reports. Attestation reports convey the results of attestation engagements performed within the context of their stated scope and objectives. Attestation engagements can cover a broad range of financial and nonfinancial subjects and can be part of a financial audit or a performance audit. Attestation engagements are conducted in accordance with American Institute of Certified Public Accountants attestation standards, as well as the related Statements on Standards for Attestation Engagements.

Inspections. Inspections are analyses, evaluations, reviews, or studies of the Department's programs. The purpose of an inspection is to provide Department decision makers 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 the Council of Inspectors General for Integrity and Efficiency.

Questioned Costs. As defined by the Inspector General Act of 1978 (IG Act), as amended, questioned 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. The OIG considers that category (3) of this definition would include other recommended recoveries of funds, such as recovery of outstanding funds or revenue earned on Federal funds or interest due the Department.

Special Projects. Special projects include OIG work that is not classified as an audit, attestation, inspection, or any other type of alternative product. Depending on the nature and work involved, the special project may result in a report issued outside the OIG. Information presented in the special project report varies based on the reason for the special project (for example, response to congressional inquiry or other evaluation and analysis). The report may contain suggestions.

Unsupported Costs. As defined by the IG Act, as amended, unsupported costs are costs that, at the time of the audit, inspection, or evaluation, were not supported by adequate documentation. These amounts are also included as questioned costs.

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 exemption. Consistent with the Freedom of Information Act, and to the extent practical, OIG redacts exempt information from the product so that nonexempt information contained in the product may be made available on the OIG Web site.

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* Significant Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed (October 1, 2014, Through March 31, 2015)	1
5(a)(4)	*Matters Referred to Prosecutive Authorities* Statistical Profile for October 1, 2014, Through March 31, 2015	7
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* Audit and Other Reports and Products on Department Programs and Activities (October 1, 2014, Through March 31, 2015)	2
5(a)(7)	*Summary of Significant Audits*	N/A
5(a)(8)	*Questioned Costs* Audit and Other Reports With Questioned or Unsupported Costs	3
5(a)(9)	*Better Use of Funds* Audit and Other Reports With Recommendations for Better Use of Funds	4
5(a)(10)	*Unresolved Reports* Unresolved Audit Reports Issued Before October 1, 2014 Summaries of Audit Reports Issued During the Previous Reporting Where Management Decision Has Not Yet Been Made	 5-A 5-B
5(a)(11)	*Significant Revised Management Decisions*	N/A
5(a)(12)	*Significant Management Decisions With Which the OIG Disagreed* Significant Management Decisions With Which the OIG Disagreed	6
5(a)(13)	*Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996*	N/A

Table 1. Significant Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed (October 1, 2014, Through March 31, 2015)

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

This table is limited to OIG internal audit reports of Departmental operations because that is the only type of audit in which the Department tracks each related recommendation through completion of corrective action.

Office	Report Type and Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Date of Management Decision	Number of Significant Recs Open	Number of Significant Recs Closed	Projected Action Date
FSA	Audit A17N0002	Fiscal Year 2013 Financial Statements Federal Student Aid *(SAR 68, page 43)*	12/11/13	2/27/14	1	9	9/29/15
OCFO	Audit A17N0001	Fiscal Year 2013 Financial Statements U.S. Department of Education *(SAR 68, page 43)*	12/11/13	3/27/14	1	9	9/29/15
OCIO	Audit A11N0001	Audit of the U.S. Department of Education's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2013 *(SAR 68, page 43)*	11/13/13	1/16/14	1	19	10/30/15
OCIO	Audit A11M0003	The U.S. Department of Education's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2012 (FSA is also designated as an action official) *(SAR 66, page 39)*	11/7/12	1/8/13	1	19	9/30/15
OCIO	Audit A11L0003	The U.S. Department of Education's Compliance with the Federal Information Security Management Act for Fiscal Year 2011 (FSA is also designated as an action official) *(SAR 64, page 36)*	10/18/11	1/3/12	1	17	1/29/16
OSERS	Audit A09L0011	Local Educational Agency Maintenance of Effort Flexibility Due to Recovery Act IDEA, Part B Funds *(SAR 67, page 44)*	7/25/13	9/26/13	11	1	5/25/15

Table 2. Audit and Other Reports and Products on Department Programs and Activities (October 1, 2014, Through March 31, 2015)

Section 5(a)(6) of the IG Act, as amended, requires a listing of each report completed by OIG during the reporting period. We have also included reports issued by independent public accountants under the OIG's oversight.

Office	Report Type and Number	Report Title	Date Issued	Questioned Costs (Includes Unsupported Costs)	Unsupported Costs	Number of Recs
FSA	Audit A05N0012	Federal Student Aid's Oversight of Schools' Compliance with the Incentive Compensation Ban	3/24/15	-	-	9
FSA	Audit A06O0002	Pell Grant Lifetime Eligibility Limit	3/31/15	-	-	-
FSA	Audit A09N0011	The U.S. Department of Education's Administration of Student Loan Debt and Repayment *(The report addresses OUS as the lead action official)*	12/11/14	-	-	5
FSA	Audit A17O0002	Fiscal Years 2014 and 2013 Financial Statements Federal Student Aid *(OCFO is also designated as an action official)*	11/14/14	-	-	4
OCFO	Audit A17O0001	Fiscal Years 2014 and 2013 Financial Statements U.S. Department of Education (*FSA is also designated as an action official)*	11/14/14	-	-	4
OCFO	Audit A17O0003	Fiscal Years 2014 and 2013 Closing Package Financial Statements U.S. Department of Education	11/17/14	-	-	-
OCFO	Special Project S19O0005	Completion of OIG Risk Assessment of the Department's Purchase Card Program for Fiscal Year 2013	2/10/15	-	-	2[2]
OCIO	Audit A11O0001	The U.S. Department of Education's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2014 *(The report and the recommendations are addressed to ODS and OUS)*	11/12/14	-	-	20

[2] Special Project Report S19O0005 contains 2 suggestions.

Office	Report Type and Number	Report Title	Date Issued	Questioned Costs (Includes Unsupported Costs)	Unsupported Costs	Number of Recs
OESE	Audit A04N0012	U.S. Department of Education's Implementation and Oversight of Approved Elementary and Secondary Education Act Flexibility Requests	1/15/15	-	-	3
OESE	Attestation B19P0005a	Office of Inspector General's Independent Report on the U.S. Department of Education's Performance Summary Report for Fiscal Year 2014, dated February 11, 2015	2/13/15	-	-	-
OPEPD	Attestation B19P0005	Office of Inspector General's Independent Report on the U.S. Department of Education's Detailed Accounting of Fiscal Year 2014 Drug Control Funds, dated January 26, 2015	1/29/15	-	-	-
OSERS	Audit A19O0004	Payback Provisions of the Personnel Development to Improve Services and Results for Children with Disabilities Program	3/3/15	-	-	11
Total				$0	$0	58[3]

[3] Figure includes 2 suggestions and 56 recommendations.

Table 3. Audit and Other Reports With Questioned or Unsupported Costs

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.

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

Requirement	Number	Questioned Costs (Includes Unsupported Costs)	Unsupported Costs
A. For which no management decision has been made before the commencement of the reporting period	11	$66,273,365	$18,518,735
B. Which were issued during the reporting period	0	$0	$0
Subtotals (A + B)	11	$66,273,365	$18,518,735
C. For which a management decision was made during the reporting period	1	$736,582	$373,643
(i) Dollar value of disallowed costs		$736,582	$373,643
(ii) Dollar value of costs not disallowed		$0	$0
D. For which no management decision was made by the end of the reporting period	10	$65,536,783	$18,145,092

Table 4. Audit and Other Reports With Recommendations for Better Use of Funds

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.

None of the products reported in this table were performed by the Defense Contract Audit Agency. The OIG did not issue any inspection or evaluation reports identifying better use of funds during this reporting period.

Requirement	Number	Dollar Value
A. For which no management decision has been made before the commencement of the reporting period	0	$0
B. Which were issued during the reporting period	0	$0
Subtotals (A + B)	0	$0
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 was made by the end of the reporting period	0	$0

Table 5-A. Unresolved Audit Reports Issued Before October 1, 2014

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. Summaries of the audit and inspection reports issued during the previous SAR period follow in Table 5-B.

Summaries of the audit reports issued during the previous SAR period follow in Table 5-B. Reports that are new since the last reporting period are labeled "New" after the report number. All other reports were reported in a previous SAR.

Office	Report Type and Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recs
FSA	Audit A04E0001	Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown *(SAR 49, page 14)* **Current Status:** FSA informed us that the draft audit determination/PDL is currently under review.	9/23/04	$2,458,347	7
FSA	Audit A06D0018	Audit of Saint Louis University's Use of Professional Judgment from July 2000 through June 2002 *(SAR 50, page 21)* **Current Status:** FSA informed us that the draft audit determination/PDL is currently under review.	2/10/05	$1,458,584	6
FSA	Audit A05G0017	Capella University's Compliance with Selected Provisions of the HEA and Corresponding Regulations *(SAR 56, page 25)* **Current Status:** FSA informed us that it is currently working to resolve this audit.	3/7/08	$589,892	9
FSA	Audit A05I0014	Ashford University's Administration of the Title IV HEA Programs *(SAR 62, page 24)* **Current Status:** FSA informed us the audit was placed on hold due to litigation dealing with incentive compensation.	1/21/11	$29,036	13
FSA	Audit A05K0012	Saint Mary-of-the-Woods College's Administration of the Title IV Programs *(SAR 64, page 36)* **Current Status:** FSA informed us that the draft audit determination/PDL is currently under review.	3/29/12	$42,362,291	19
FSA	Audit A07K0003	Metropolitan Community College's Administration of Title IV Programs *(SAR 65, page 40)* **Current Status:** FSA informed us that it is currently working to resolve this audit.	5/15/12	$232,918	22

Office	Report Type and Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recs
FSA	Audit A09K0008	Colorado Technical University's Administration of Title IV Programs *(SAR 65, page 40)* **Current Status:** FSA informed us that it is currently working to resolve this audit.	9/21/12	$173,164	8
OESE	Audit A06K0002	Oklahoma: Use of Funds and Data Quality for Selected Recovery Act Programs (OESE and OSERS are also designated as action officials) *(SAR 62, page 25)* **Current Status:** OCFO/PAG PDL was issued on 9/21/2012. OESE PDL was issued on 9/25/2012. ODS/ISU PDL was issued on 1/8/2013. OSERS informed us that it sent a follow-up message to the State on 3/27/2015 requesting additional information to address the findings.	2/18/11	$16,150,803	10
OESE	Audit A05N0009 (NEW)	The Ohio Department of Education's Administration of its Race to the Top Grant (OCFO is also designated as an action official) *(SAR 69, page 45)* **Current Status:** OESE informed us that it is currently working to resolve this audit. OCFO/ PAG PDL was issued on 3/31/2015.	9/2/14	$30,748	12
OPEPD	Audit A04J0003	Georgia Department of Education's Controls Over Performance Data Entered in ED*Facts (SAR 61, page 34)* **Current Status:** Because ED*Facts* is now administered by IES/NCES, OPEPD is currently working with IES to resolve this audit.	4/7/10	-	9
OSERS	Audit A04K0001	Systems of Internal Controls over Selected Recovery Act Funds in Puerto Rico (OCFO, OESE, and OSERS are also designated as action officials) *(SAR 62, page 25)* **Current Status:** OSERS informed us that the final PDL is currently under review.	12/16/10	$2,051,000	16
Total				$65,536,783	131

Table 5-B. Summaries of Audit Reports Issued During the Previous Reporting Where Management Decision Has Not Yet Been Made

Section 5(a)(10) of the IG Act, as amended, requires a summary of each audit, inspection, or evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period. These are the narratives for new entries. Details on previously issued reports can be found in Table 5-A of this Semiannual Report.

Office	Report Title, Number, and Date Issued	Summary and Current Status
OESE	The Ohio Department of Education's Administration of its Race to the Top Grant (OCFO is also designated as an action official) *(SAR 69, page 45)* Audit A05N0009 9/2/2014	Our audit sought to determine whether the Ohio Department of Education (the Ohio SEA) accurately and completely reported Race to the Top grant performance data to the Department, ensured that it and its participating LEAs and charter schools would have the capacity to deliver and sustain results described in its Race to the Top grant application after all Federal funds had been expended, and whether they spent Race to the Top funds only on allowable activities and in accordance with program requirements and the Ohio SEA's approved grant application. We found that although the Ohio SEA reported all required performance data for the two areas reviewed and ensured that it and the LEAs reviewed had the capacity to deliver and sustain results, it did not always report accurate data and did not ensure that the LEAs spent Race to the Top funds on allowable activities and in accordance with program requirements and the Ohio SEA's approved grant application. We recommended that the Ohio SEA improve the accuracy of its reported data and the administration of its Race to the Top grant by taking a number of actions, including that it obtain supporting documentation for applicable performance data so it can verify progress towards those measures, disclose in its annual performance report when it has not verified or does not have documentation to support the reported performance data, retain documents used to support reported performance data, and more closely monitor the fiscal activity of participating LEAs and charter schools to ensure that they comply with all Federal fiscal requirements. The Ohio SEA neither agreed nor disagreed with our findings or recommendations. **Current Status:** OESE informed us that it is currently working to resolve this audit. OCFO/PAG PDL was issued on 3/31/2015.

Table 6. Significant Management Decisions With Which the OIG Disagreed

Section 5(a)(12) of the IG Act, as amended, requires information concerning any significant management decision with which the Inspector General is in disagreement.

Office	Summary of Issue and OIG Disagreement
OPE	On October 31, 2014, the Department issued final regulations for gainful employment programs to address concerns about gainful employment programs that leave students with unaffordable levels of loan debt in relation to their earnings or lead students to default. Although the OIG supports the Department's efforts on defining gainful employment, we nonconcurred with the final regulations due to concerns with one key provision. Under the final rule, the Department established an accountability framework whereby gainful employment programs would be evaluated based on measures of "discretionary income rates" and "annual earnings rates" as a way to assess whether the programs provided students with sufficient income to meet their debt obligations. However, in calculating these two rates, the Department allowed institutions flexibility in determining annual loan payments to use the lesser of either (1) annual payments required to meet the median loan debt of students who completed the program or (2) annual payment amounts based on the direct costs to students. Direct costs include tuition, fees, books, equipment, and supplies, and exclude indirect costs such as room and board and transportation. We nonconcurred with this decision because it favored institutions to the detriment of students when students' actual loan debt is higher than the direct costs. We noted that the annual payment amount used in the calculations should be based on only the actual student loan debt incurred as a result of enrolling in and completing a gainful employment program. The Department countered that gainful employment programs should not be held accountable for borrowing for indirect costs that are beyond the institution's control. We expressed our concern that a program did not prepare the student for gainful employment if the student cannot repay his or her loan debt. Furthermore, we stated that institutions have the ability to influence what students borrow, through financial aid counseling for example, and therefore have some ability to affect what students borrow to cover their indirect costs. As a result, we disagree with the Department's final rule in this regard because it could allow some gainful employment programs to maintain their eligibility for the Federal Student Aid programs authorized under Title IV of the HEA when such programs would fail the accountability metrics if the student's full loan debt were taken into consideration.

Table 7. Statistical Profile for October 1, 2014, Through March 31, 2015

Audits, Inspections, Other Products	October 1, 2014–March 31, 2015
Audit Reports Issued	9
Inspection Reports Issued	0
Questioned Costs (Including Unsupported Costs)	$0
Recommendations for Better Use of Funds	$0
Other Products Issued	3
Reports Resolved By Program Managers	10
Questioned Costs (Including Unsupported Costs) Sustained	$736,582
Unsupported Costs Sustained	$373,643
Additional Disallowances Identified by Program Managers	$80,230
Management Commitment to the Better Use of Funds	$0
Investigative Cases Opened	47
Investigative Cases Closed	35
Cases Active at the End of the Reporting Period	305
Prosecutorial Decisions Accepted	33
Prosecutorial Decisions Declined	62
Indictments/Informations	72
Convictions/Pleas	46
Fines Ordered	$1,347,199
Restitution Payments Ordered	$9,389,034
Civil Settlements/Judgments (number)	17
Civil Settlements/Judgments (amount)	$1,662,946
Recoveries	$0
Forfeitures/Seizures	$3,308,132
Estimated Savings	$38,336,812
Suspensions Referred to Department	17
Debarments Referred to Department	36
Debarments Imposed by OIG	0

Acronyms and Abbreviations

Acronyms and Abbreviations Used in This Report

CIGIE	Council of Inspectors General on Integrity and Efficiency
Department	U.S. Department of Education
FAFSA	Free Applications for Federal Student Aid
FISMA	Federal Information Security Management Act of 2002
FSA	Federal Student Aid
FY	Fiscal Year
GED	Certificate of High School Equivalency
HEA	Higher Education Act of 1965, as Amended
IPERA	Improper Payments Elimination and Recovery Act
LEA	Local Educational Agency
OIG	Office of Inspector General
OPE	Office of Postsecondary Education
Recovery Act	American Recovery and Reinvestment Act of 2009
Recovery Board	Recovery Accountability and Transparency Board
SEA	State Educational Agency
SES	Supplemental Educational Services
Title I	Elementary and Secondary Education Act, Title I
Title IV	Higher Education Act of 1965, Title IV

For acronyms and abbreviations used in the required tables, see page 37.

FY 2015 Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to identify and summarize the most significant management challenges facing the Department each year. Below are the management challenges OIG identified for FY 2015.

1. Improper Payments, meeting requirements and intensifying efforts to prevent, identify, and recapture improper payments.
2. Information Technology Security, including management, operational, and technical security controls to adequately protect the confidentiality, integrity, and availability of its systems and data.
3. Oversight and Monitoring, including Federal student aid program participants, distance education, grantees, and contractors.
4. Data Quality and Reporting, specifically program data reporting requirements to ensure that accurate, reliable, and complete data are reported.
5. Information Technology System Development and Implementation, specifically processes related to oversight and monitoring of information technology system development and implementation.

For a copy of our FY 2015 Management Challenges report, visit our Web site at www.ed.gov/oig.

All images used with permission from Microsoft.

Anyone knowing of fraud, waste, or abuse involving U.S. Department of Education funds or programs should contact the Office of Inspector General Hotline:

http://www2.ed.gov/about/offices/list/oig/hotline.html

We encourage you to use the automated complaint form on our Web site; however, you may call or write the Office of Inspector General.

Inspector General Hotline
U.S. Department of Education
Office of Inspector General
400 Maryland Ave., S.W.
Washington, D.C. 20202

Call Toll-Free:
Inspector General Hotline
1-800-MISUSED
(1-800-647-8733)

You may make your report anonymously.

The mission of the Office of Inspector General is to promote the efficiency, effectiveness, and integrity of the U.S. Department of Education's programs and operations.

http://www2.ed.gov/oig