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Office of Inspector General
Kathleen S. Tighe
Inspector General

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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 April 1, 2015, through September 30, 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 74 investigations involving fraud or corruption related to the Department's programs and operations, securing about $50 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 nine audit reports that contained recommendations to improve program operations. The following are some examples of the results of our audits and investigations.

- Our audit of the Higher Learning Commission's evaluation of competency-based education programs, including direct assessment programs, found that the Commission did not establish a system of internal control that provided reasonable assurance that the schools' programs were properly classified for Federal student aid purposes. As a result, the Department could award Federal student aid to students enrolled in programs that do not meet eligibility requirements and schools might forgo plans to create innovative and effective competency-based education programs due to the uncertainty in how the Commission classifies these programs.

- Our audit found that the Department did not comply with the Improper Payments Elimination and Recovery Act for fiscal year 2014 because it reported an improper payment rate that did not meet its reduction target for the William D. Ford Direct Loan program; its improper payment estimates and estimation methodologies were inaccurate, incomplete, and unreliable; and its improper payment reporting was incomplete.

- Our investigations led to criminal actions against 51 school officials, vendors, and service providers, including the owner of a South Carolina charter school who was sentenced to prison for embezzling more than a million dollars from the school, leaders of a charter school in Texas who were indicted for allegedly orchestrating a $2.6 million fraud scam, and a tutoring company and 31 of its employees who were indicted for allegedly billing the Puerto Rico Department of Education nearly $1 million for services that were never provided.

- Our audit of the office of Federal Student Aid's (FSA) oversight of schools' administration of Federal student aid programs found weaknesses in its process for performing program reviews and how it selects schools for program reviews. As a result, FSA has limited assurance that program reviews are appropriately identifying and reporting all instances of noncompliance.

- As a result of our investigative efforts, Education Affiliates, Inc., a for-profit education company that operates 50 schools across the country, agreed to pay $13 million to settle claims that it violated the False Claim Act by obtaining fraudulent high school diplomas and submitting false student aid applications to the Department on behalf of students who were not qualified to attend the school or receive student aid.

- Three senior executives of Micropower Career Institute, a for-profit school chain with five related entities located in New York and New Jersey pled guilty to fraud and agreed to a $7.4 million forfeiture as a result of our investigation. We found that the owners falsified student records and submitted fraudulent information to the Department to make it appear that the school was eligible to participate in the Federal student aid programs when it was not.

- Our audits of the followup processes for OIG's external audits in FSA, the Office of the Chief Financial Officer, and the Office of Special Education and Rehabilitative Services found that processes in these

Department offices were not always effective, as audits were not always closed timely or the offices did not always obtain or maintain appropriate documentation to show requested corrective actions were completed. Not ensuring that corrective actions are taken as quickly as possible allows deficiencies to continue to exist, and the risk remains that related programs are not effectively managed and that funds are not being used as intended.

- Our audit of SOLEX College, a for-profit school with three locations in Illinois, found that the school improperly disbursed more than $1.79 million in Federal student aid to students who were enrolled in programs that were not qualified to participate in Federal student aid programs under the Higher Education Act.

- Our investigations into student aid fraud rings—loosely affiliated groups of criminals who seek to exploit distance education programs in order to fraudulently obtain Federal student aid—resulted in criminal actions taken against participants in rings that stole more than $6.7 million in Federal funds.

- Our audit of FSA's plan to correct significant deficiencies in its system for managing defaulted student loans (Default Management Collection System—DMCS2) found that FSA could not ensure that the original contractor delivered a fully functional system because it did not develop an adequate plan, did not ensure the contractor met milestones, did not hold the contractor accountable for missing milestones, and did not use appropriate systems development tools. As we communicated deficiencies identified during the audit with FSA, FSA implemented corrective actions to address the deficiencies. As a result, FSA's contract with its new DMCS2 contractor and other FSA actions provide a methodology that, if properly implemented, increases the likelihood that the contractor will timely identify and correct DMCS2 system deficiencies.

In this report, you will find more information on these efforts, as well as summaries of other audits 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, when implemented, will help prevent fraud and abuse, protect student interests, improve oversight and monitoring, and recoup taxpayer dollars.

In closing, I want to thank you for your interest in ensuring that inspectors general have timely and unfettered access to all necessary information to ensure that Government programs are operating as intended and to protect taxpayer dollars from waste, fraud, and abuse. I was proud to stand with my fellow inspectors general in opposition to the July 2015 Department of Justice Office of Legal Counsel opinion that had a narrow view of the authority of the inspector general to independently access all records necessary to carry out its oversight responsibilities. That opinion represents a serious threat not only to the Department of Justice Inspector General, but to the independent authority of all inspectors general. Actions that limit, condition, or delay access to information make us less effective and insulates agencies from independent scrutiny—contrary to the very reason our offices were established. I look forward to continuing to work with you and my colleagues to address this threat to inspector general independence so that we can better provide our nation's taxpayers with assurance that the Federal Government is using their hard-earned money effectively and efficiently.

Kathleen S. Tighe
Inspector General

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Goal 1

Improve the Department's ability to effectively and efficiently implement its programs.

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

In support of this goal, we audited the Higher Learning Commission—the regional accrediting agency responsible for higher education institutions in the central United States—to determine whether it had a system of internal control that provided reasonable assurance that competency-based education programs, including direct assessment programs, are properly classified for Federal student aid purposes. Competency-based education programs measure a student's learning through direct assessment (what a student knows and can do), not in credit or clock hours. Accrediting agencies play a critical role in determining whether those programs are eligible to participate in Federal student aid programs. With the growth of direct assessment programs, it is vital that accrediting agencies evaluate and classify these programs appropriately and consistently. Otherwise, the Department could award grants and student loans to students enrolled in programs that are not eligible to participate in Federal student aid programs. Schools might also forgo plans to create innovative and effective competency-based education programs if they are uncertain how an accrediting agency classifies these programs. Below you will find the results of this audit, as well as an update on our investigations related to the American Recovery and Reinvestment Act of 2009 (Recovery Act).

The Higher Learning Commission Could Improve Its Evaluation of Competency-Based Education Programs to Help the Department Ensure the Programs Are Properly Classified for Title IV Purposes

We concluded that the Higher Learning Commission did not establish a system of internal control that provided reasonable assurance that schools' classifications of delivery methods and measurements of student learning for competency-based education programs, including direct assessment programs, were sufficient and appropriate to help the Department ensure that the schools' programs were properly classified for the purposes of awarding Federal student aid authorized

under Title IV of the Higher Education Act (Title IV). Specifically, we found that the Higher Learning Commission did not

- consistently apply its standards when reviewing competency-based education programs, including direct assessment programs, and determining the proposed programs' delivery methods and measurements of student learning;
- obtain sufficient information to determine the delivery methods and measurements of student learning of proposed competency-based education programs that it determined were not direct assessment programs;
- sufficiently evaluate the credit-hour equivalencies of direct assessment programs; or
- maintain complete records supporting its decisions regarding the credit-hour equivalencies of direct assessment programs.

Without an appropriate evaluation by the Higher Learning Commission of the classification of proposed competency-based education programs, the Department might not receive sufficient information about a school's proposed competency-based education programs, including direct assessment programs, to make fully informed decisions about the Title IV eligibility of the programs. Further, because of the limits that the Higher Education Act places on programs offered by correspondence, weaknesses in the Higher Learning Commission's review process that result in schools' misclassifying programs offered by correspondence as competency-based education credit-hour education or direct assessment programs offered by distance education could result in overpayments of Title IV funds to students or disbursement of funds to students enrolled in ineligible programs. Additionally, if the Higher Learning Commission does not properly determine the type of programs schools are offering, it might not be able to meet all of the Department's criteria for recognition of accrediting agencies.

Based on our findings, we made eight recommendations, including that the Department require the Higher Learning Commission (1) to revise its policies and procedures for performing substantive change reviews to ensure that it obtains sufficient information about interaction between faculty and students in competency-based education programs, including direct assessment programs; (2) to determine whether the interaction will be regular and substantive; if not, classify the programs as correspondence programs; (3) develop procedures that will ensure it consistently evaluates proposed programs, including competency-based education programs, to determine whether they should be subject to substantive change review or direct assessment review; and (4) revise its procedures to ensure that it has an adequate mechanism to determine that all programs that meet the definition of a substantive change go through the substantive change process. We also recommended that the Department require the Higher Learning Commission to reevaluate previously proposed programs to determine whether interaction between faculty and students will be substantially different from the school's prior offerings of programs using the same delivery method. If so, determine whether the interaction between faculty and students will be regular and substantive. If not, classify the programs as correspondence programs. The Higher Learning Commission generally agreed with the matters presented in the finding, and it proposed corrective action to address all eight recommendations.

Recovery Act Investigations

Since the enactment of the Recovery Act, the OIG has initiated 226 criminal investigations of various schemes involving improper uses of Recovery Act funds. These investigations have resulted in more than 386 criminal convictions and more than $1.3 million in recoveries. Below is an example of one of our Recovery Act investigations.

President and Chair of Programa Avance Sentenced (Puerto Rico)

The president and chair of the Board of Programa Avance en Puerto Rico was sentenced to 5-years of probation and 600 hours of community service, and she was ordered to pay more than $754,200 in restitution and fees for theft of Government property and funds, including Recovery Act funds. From 2010 through 2012, the president stole Recovery Act and other Federal funds awarded to Programa Avance, a majority of which she spent at a resort and casino in Puerto Rico. She also failed to refund more than $13,000 to the Department for students who received Federal Pell grants but later dropped out of a school affiliated with Programa Avance.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Inspector General Community

- **Recovery Accountability and Transparency Board (Recovery Board).** During this reporting period, Inspector General Tighe served her final months as the Chair of the Recovery Board, which ceased operating on September 30, 2015. 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.

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 the Department 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 office of Federal Student Aid (FSA) 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.

FSA Oversight of Schools Participating in the Title IV Programs

Our audit of FSA's oversight of schools participating in the Federal student aid programs funded under Title IV of the Higher Education Act identified weaknesses in its processes for performing program reviews in how it selects schools for program reviews. Specifically, we found the following:

- FSA did not conduct program reviews in accordance with its program review procedures. Specifically, FSA staff did not (1) maintain all required forms and documents in the program review files or always complete the forms, (2) always adequately document fiscal testing for timely disbursement of funds and excess cash, (3) always conduct distance education program reviews in accordance with FSA's distance education program review procedures, and (4) determine schools' compliance with the Direct Loan program quality assurance system requirement. We also found limited

evidence that supervisors reviewed the program review files to ensure staff adequately completed program review procedures. Further, the time allotted to perform program reviews may not have been adequate.

- FSA did not consider annual dropout rate data for program review selection. We found that FSA managers did not consider high annual dropout rates when prioritizing schools for program reviews as required by the Higher Education Act.

The Department uses the results of program reviews to calculate its annual estimates of improper payments for the Pell grant and Direct Loan programs under the Improper Payments Elimination and Recovery Act of 2010 (IPERA). However, because of the extent of the deficiencies we found with the program reviews, the annual estimates may not be valid. In May, the OIG issued the results of its statutory IPERA review that included a finding involving the use of program reviews to calculate improper payment rates for the Pell grant and Direct Loan programs. We summarize our IPERA audit under Goal 4 of this report.

Lastly, although we found that FSA updated its program review quality control process in 2013, according to the quality control reports we reviewed, managers were not required to take corrective action on the recommendations. We concluded that if FSA follows those procedures, it should identify deficiencies such as the lack of documentation and supervisory review that our audit found.

We made six recommendations to help FSA improve its oversight efforts, including that it revise its program review procedures to ensure that staff document all work, require supervisory review of program review files, require managers to take corrective action on recommendations made in quality control reviews, develop steps to review a school's compliance with the Direct Loan program quality assurance system, and consult with the National Center for Education Statistics regarding the feasibility of collecting and calculating annual dropout rates for schools and use those rates as a factor in prioritizing schools for program reviews. FSA did not agree with all of our findings or recommendations.

SOLEX College's Administration of Selected Aspects of Title IV Programs

Our audit sought to determine whether SOLEX College, a for-profit school with three campuses in Illinois, disbursed Title IV funds only to eligible students enrolled in Title IV-eligible programs. We found that the school did not do so for its two English as a Second Language (ESL) programs. As a result, the school improperly disbursed more than $1.79 million in Pell grant funds to 413 of the 469 students who received Title IV funds for award years 2012–2013 and 2013–2014. According to Federal requirements, an ESL program qualifies as an eligible Title IV program if, in addition to satisfying all other relevant Title IV program eligibility provisions, the school admits to the program only students whom the school determines need the ESL instruction to use their already existing knowledge, training, or skills for gainful employment. The school must also document its determination for each student. SOLEX College did not meet these requirements for its two ESL programs as follows:

- SOLEX College admitted students who did not need the ESL instruction to use their already existing knowledge, training, or skills for gainful employment. This included a number of students between 71 and 83 years of age who, according to the U.S. Department of Labor civilian workforce statistics, were unlikely to participate in the labor force.

- SOLEX College did not maintain documentation sufficient to show that it determined that each student enrolled in its ESL programs was eligible for the programs. Instead, SOLEX College considered each student's need for ESL instruction to be implied based on information collected from the student during the admissions process and the school's acceptance of the student into an ESL program.

Based on the lack of sufficient documentation in SOLEX College student files, the U.S. Department of Labor civilian workforce statistics, and our analysis, we concluded that it was unlikely that SOLEX College admitted and disbursed Title IV funds only to eligible students. We made six recommendations, including that FSA require SOLEX College to return more than $1.79 million that it improperly disbursed to 413 students, cease disbursing Pell grant funds to any students enrolled in its two ESL programs until it establishes Title IV program eligibility for those programs, and strengthen its admission process to ensure that it establishes and maintains Title IV program eligibility for its ESL programs. SOLEX College officials disagreed with one finding and its recommendations and did not explicitly agree or disagree with the other finding and recommendations.

Debt Management Collection System 2 Implementation

In 2012, we identified significant deficiencies with the Debt Management Collection System 2 (DMCS2), FSA's system for managing defaulted student loans. The system was unable to accept the transfer of certain defaulted student loans from FSA's Title IV Servicers, leaving the entities that serviced Federal student aid loans with more than $1.1 billion in defaulted loans that should have been transferred to the Department for management and collection. During this reporting period, we issued the results of our follow-up audit on whether FSA's plan for correcting DMCS2 deficiencies provided accountability. We found that FSA could not ensure that Xerox, the original DMCS2 contractor, delivered a fully functional system, because FSA did not develop an adequate plan, did not ensure that Xerox met milestones, did not hold Xerox accountable for missed milestones, and did not ensure that system fixes were independently verified. In 2012, FSA initiated the process of terminating the Xerox contract for default, demanding that Xerox take corrective action to address system deficiencies. That process, however, provided limited leverage because FSA decided not to pursue the default termination after Xerox submitted a corrective action plan, including milestones, that FSA concluded addressed its concerns for correcting DMCS2 deficiencies. As such, Xerox was allowed to continue to work on DMCS, but, as our audit identified, continued to miss milestones after submitting its corrective action plan. Our audit also found that FSA did not use required live-cycle management processes, lacked the information technology experience to evaluate Xerox's work, did not use independent verification and validation, and did not provide sufficient contract oversight to ensure that Xerox corrected DMCS2 system deficiencies.

We shared our findings with FSA during the course of the audit. FSA addressed the findings by incorporating fixes in its contract with its new DMCS2 contractor, Maximus, including provisions for penalties for missed milestones. FSA's contract with Maximus and its other corrective actions provide a methodology that, if properly implemented, increases the likelihood that Maximus will identify and timely correct DMCS2 system deficiencies. Although Maximus was still in the early stages of contract implementation during our audit, we identified additional opportunities FSA could take to help ensure the contractor addresses potential DMCS2 weaknesses. FSA agreed with our recommendations and detailed actions it would take to address them.

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.

Education Affiliates, Inc. Agrees to $13 Million Settlement (Maryland)

Education Affiliates, Inc., a for-profit education company that operates 50 institutions of higher education throughout the United States, agreed to pay $13 million to settle claims that it violated the False Claims Act. The settlement resolved five lawsuits filed under the whistleblower provisions of the False Claims Act that included allegations that employees at All State Careers, one of Education Affiliates' schools, altered admissions test results in order to admit unqualified students to the school, created false or fraudulent high school diplomas for them, and falsified aid applications for Federal student aid that neither the students nor the school were eligible to receive. These allegations also led to the criminal convictions of two All State Careers admission representatives. The lawsuits also alleged that other Education Affiliates-operated schools referred prospective students to "diploma mills" to obtain invalid online high school diplomas, misrepresented graduation rates and placement statistics, switched students into costlier programs without their knowledge, altered student attendance records and audit records, falsely issued grades, certified students for graduation although the students lacked necessary clinical hours, and misrepresented students' graduation eligibility and eligibility for State licensure exams.

Senior Executives of Micropower Career Institute Pled Guilty, Agree to $7.4 Million Forfeiture (New York)

Three senior executives of Micropower Career Institute, a for-profit school with related locations in New York and New Jersey, pled guilty to fraud and agreed to forfeit more than $7.4 million. The three fabricated student financial aid records for the school to remain eligible to participate in the Federal student aid programs. They also directed school employees to falsify student records in anticipation of scheduled program reviews by FSA. The schools received nearly $20 million in Pell grants and other Federal student aid since 2008.

Carnegie Career College Employee Sentenced for Role in $2.3 Million Fraud Scam (Ohio)

In our last Semiannual Report, we noted that the two co-founders of Carnegie Career College, a not-for-profit school, were sentenced to prison and ordered to pay more than $2.3 million in restitution for orchestrating a multimillion dollar Federal student aid scam. During this reporting period, an employee of the now-defunct school was sentenced to 6 months in prison and 36 months of supervised release

and was ordered to pay $50,000 in restitution for assisting the founders in the scam. The three defendants' recruited students who had not earned valid high school diplomas or their equivalents, 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.

Concordia University and HotChalk, Inc., Agree to $1 Million Settlement (Oregon)

Concordia University and the for-profit service provider HotChalk, Inc., agreed to pay $1 million to settle claims that HotChalk violated the incentive compensation ban by paying recruiters based on the number of students they enrolled and, with the consent of its university partners, misrepresented the availability of scholarships available at schools.

Galen College Contract Bookkeeper Sentenced to Prison for Theft (California)

A former contract bookkeeper at the now-defunct Galen College was sentenced to 6 months in prison and 36 months of supervised release and was ordered to pay more than $35,400 in restitution for theft. The former bookkeeper created a sham business and 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 sham company.

Former Arizona Automotive Institute Employee Sentenced for Forgery (Arizona)

A former Arizona Automotive Institute employee was sentenced for forgery. The former employee forged the names of more than 140 former Arizona Automotive Institute students on Federal student aid deferment and forbearance forms. The former employee then submitted the forms to the Department and its loan servicing partners to obtain more than $9,600 in bonuses from the school. The former employee was sentenced to 6½ years in prison and was ordered to pay more than $9,600 in restitution.

Former American Commercial College Lubbock Campus Director Sentenced (Texas)

The former director of the American Commercial College Lubbock campus was sentenced to 2 years of probation for making false statements. During the course of the OIG criminal investigation of American Commercial College (which resulted in a $2.5 million settlement by the school to settle claims that it violated the False Claims Act, as well as prison sentences for some if its top executives for fraud), the former Lubbock campus director created and provided an email containing false statements to OIG criminal investigators in an attempt to mislead the investigation.

More Actions Taken in Lone Star College Employee Fraud Case (Texas)

In our last Semiannual Report, we shared that a former Lone Star College employee and three of her conspirators were sentenced for their roles in a

student aid fraud scam at the school. During this reporting period, four additional conspirators were sentenced for participating in the fraud. The former employee accessed the school's computer system, obtained student personally identifiable information and student loan data, and used that information to divert student financial aid refund checks to bank accounts under her and her conspirators' control. They stole more than $100,000 in Federal student aid from unwitting Lone Star College students. The four conspirators received sentences ranging from community supervision to 9 months in jail, and they were ordered to pay restitution ranging from $1,700 to $4,700.

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 September 30, 2015, the OIG has opened 152 fraud ring investigations, secured more than 555 indictments of fraud ring participants, and recovered more than $23.9 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. To date, this project has identified more than $31 million in potential fraud.

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

In our last Semiannual Report, we highlighted actions taken against members of 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, one member was sentenced and two other ring members pled guilty for their roles in the schemes. Between 2010 and 2012, the ring submitted at least 40 fraudulent applications for admission 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 fraud ring member was sentenced to serve 6 months in prison, 6 months of home confinement, and 18 months of supervised release and was ordered to pay more than $133,700 in restitution.

Actions Taken Against 10 Members of $1.9 Million Fraud Ring (Florida)

Throughout this reporting period, criminal actions were taken against 10 people who participated in a student aid and tax refund scheme. A total of 21 people,

some of whom were Miami Dade Community College students, obtained Higher One Financial Services account information for more than 1,000 students and then used that information to file fraudulent tax refunds to the Internal Revenue Service, directing the resulting refunds—totaling some $1.9 million—to be deposited into bank accounts that they controlled. Six of the participants were sentenced to probation or supervised release and were ordered to pay restitution and fines ranging from $20,800 to more than $72,300. Three ring participants received prison sentences ranging from 21 to 51 months and were ordered to pay restitution ranging from $7,700 to $63,000. A tenth fraud ring participant pled guilty to his role in the scam.

Actions Taken Against Members of $1.1 Million Fraud Ring (Alabama)

Four people were sentenced for their roles in a fraud ring that obtained more than $1.1 million in Federal student aid. The fraud ring participants recruited people to participate in the scam, most of whom did not possess a high school diploma or its equivalent and thus were ineligible to receive Federal student aid. The recruits knowingly provided their personally identifiable information to the ringleaders who enrolled them in distance education programs at various educational institutions for the purpose of fraudulently applying for financial aid and converting the funds to their own use. The four participants received sentences ranging from 2 years of probation to 31 months in prison and were ordered to pay restitution ranging from about $1,600 to more than $8,000.

Actions Taken Against Five Members of $680,000 Fraud Ring (South Carolina)

Actions were taken against five members of a 14-person fraud ring that allegedly targeted online courses and more than $400,000 in Federal student aid at the University of Phoenix, Grand Canyon University, and Capella University for their roles in the scam. From 2006 through 2010, the five ring members provided their personally identifiable information to the fraud ringleaders and some recruited other people to do the same. The ringleaders allegedly used the information to apply for admissions and receive Federal student aid even though they were ineligible to receive aid because they did not possess high school diplomas or their equivalents and did not intend to attend classes or otherwise use the money for educational purposes.

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

In our last Semiannual Report, we reported that the leader of a fraud ring that targeted online courses and Federal student aid at InterAmerican University pled guilty to fraud. During this reporting period, the ring leader and a coconspirator were sentenced to prison and actions were taken against four other ring members for their roles in the scam. 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. The ringleader was sentenced to serve 12 months in prison and 3 years of supervised release and was ordered to pay $200,000 in restitution. A coconspirator was sentenced to 9 months in prison and 3 years of supervised release and was ordered to pay $14,250 in restitution. The four other ring members entered into pretrial diversions.

Leader of $130,000 Fraud Ring Pled Guilty (Michigan)

The leader of a fraud ring that targeted online classes and Federal student aid at the University of Phoenix, Ashford University, and Capella University pled guilty to student aid fraud. The leader recruited people to act as straw students, completed admissions and student aid forms on their behalf, and received a portion of the student aid once received. As a result of his fraudulent efforts, the leader received more than $130,000.

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.

Student Aid Fraud Charges Added in Terrorism Investigation (Minnesota)

Seven men were indicted for conspiracy to provide material support to the Islamic State in Iraq and Syria (ISIS). Two of them were also charged for allegedly using Federal student aid funds to do so. According to the indictment, the two allegedly used their student aid to purchase airline tickets to travel to Turkey and Greece. From those destinations, the two allegedly planned to travel to Syria and join ISIS.

> **Two men were charged for allegedly using Federal student aid funds to provide material support to the Islamic State in Iraq and Syria (ISIS).**

Graduate Student Charged with Fraud in Million Dollar Student Loan Scheme (New York)

A graduate student was charged with student financial aid fraud and possession of false papers. From 2008 through 2013, the student allegedly submitted fraudulent letters and bills from doctors and others falsely claiming that he required special assistance to attend school and thereby obtain Federal student loan funds. As a result of his fraudulent efforts, the student allegedly obtained more than $1.3 million in Federal student aid and loans to which he was not entitled.

Woman Sentenced for Scamming Nearly $350,000 in Federal Funds (California)

A woman was sentenced for fraud and identity theft. She submitted student financial aid applications to Axia College and Capella University on behalf of people who did not intend to attend the schools. She also used stolen personally identifiable information of another person to apply for student aid. The woman was sentenced to serve 4½ years in prison and was ordered to pay more than $347,700 in restitution

Singing Group Leader Indicted for $337,000 Fraud (Arkansas)

The leader of the singing group Pardoned Ministries was indicted on 22 counts of fraud. The woman allegedly used the identity of a family friend to obtain 21 student loans on behalf of herself, her daughter, son, son-in-law, and husband, most of whom did not attend school during the period for which the loans were sought. The funds were deposited into a bank account maintained for Pardoned Ministries and allegedly used for purposes other than school.

Repeat Student Aid Fraud Offender Indicted (Florida)

A man who was sentenced to prison for student aid fraud in 2004 was indicted again in 2015 on charges of wire fraud and aggravated identity theft associated with student aid fraud. The man allegedly used the identities of numerous people, some without their knowledge or permission, to fraudulently apply for admission to attend online classes and receive Federal student aid from American Public University, Art Institute of Pittsburgh, Colorado Technical University, Full Sail University, Grand Canyon University, Liberty University, and Westwood College. In the previous 2004 case, the man was sentenced to 37 months in prison and was ordered to pay more than $62,500 in restitution for stealing the identities of former prison inmates that he used to fraudulently apply for and receive Federal student aid at an online community college.

Man Pled Guilty in $236,000 Student Aid Fraud Scheme (Michigan)

A man pled guilty to student aid fraud. The man used the identities of others to target online classes and Federal student aid at Baker College, the University of Phoenix, Colorado Technical College, and Centura College. As a result of his fraudulent efforts, the man obtained more than $236,000 in Federal student aid.

Doctor Sentenced for Tax Fraud, Student Aid Fraud, and Social Security Fraud (Pennsylvania)

A former medical director of the Lehigh County Prison was sentenced to 3½ years in prison and 3 years of probation and was ordered to pay $555,000 in restitution for orchestrating 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 obtain 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 student financial aid applications for his children, which enabled them to receive more than $36,000 in Pell grants.

Woman Sentenced for Targeting at Least Six Schools in Student Aid Fraud Scheme (Texas)

A woman was sentenced to 27 months in prison and 2 years of supervised release and was ordered to pay $20,000 in restitution for student aid fraud. The woman applied for admission to and received student financial aid from several schools, including New Mexico State University, Western New Mexico University, Ashford University, Northern New Mexico College, Coconino Community College, and Pima County Community College, but she never intended to attend the schools or use the funds for educational purposes.

Woman Sentenced for Stealing More Nearly $65,000 in Federal Funds (Texas)

A woman who stole Federal funds, including Federal student aid, was sentenced to 78 months in prison and 3 years of supervised release and was ordered to pay more than $64,800 in restitution. From 2011 through 2012, the woman stole insurance benefits paid to her for the use of her three minor children that she converted to her own use. She also used the identity of another person to obtain Pell grants and other Federal funds that she converted to her own use.

Former Funeral Home Director Sentenced (Texas)

The former owner of a funeral home was sentenced to 21 months in prison and 3 years of supervised release and was ordered to pay more than $76,400 in restitution for fraud. From 2010 through 2013, the woman failed to disclose her household composition and ownership of two businesses that generated income on applications for Federal funds, including Federal student aid, to obtain funds she was otherwise ineligible to receive.

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

- **Dear Colleague Letter on Citizenship and Immigration Status Documentation.** The OIG provided technical and clarifying suggestions.
- **Department's Draft Dear Colleague Letter on Repayment Agreements and Liability for Collection Costs on Federal Family Education Loan Program Loans.** The OIG provided comments related to guaranty agencies to make whole borrowers who were improperly charged collection costs.
- **Department's Draft Notice of Proposed Rulemaking for the Revised Pay As You Earn Repayment Plan.** The OIG provided technical comments to improve the quality and integrity of the document.
- **Department's Draft Clarifications on the Role of Accrediting Agencies in Experimental Sites Questions and Answers Document.** The OIG provided comments based on its audit work in related areas.
- **Department's Draft Final Rule for Program Integrity and Improvement Cash Management Regulations.** The OIG provided comments to improve the quality and integrity of the document.
- **Department's Draft Notice Inviting Institutions to Participate in New Institutionally Based Experiment Under the Experimental Sites Initiative.** The OIG provided comments to improve the quality and integrity of the document.
- **Department's Draft Competency-Based Education Experiment Reference Guide.** The OIG provided comments based on its audit work in this area.
- **Department's Draft Electronic Announcement on Eligible Career Pathway Programs—Questions and Answers.** The OIG commented that the document should include language to remind institutions that when the Department determines that a career pathway program is not eligible, the school must return to the Department all Title IV funds the school provided to students enrolled in the ineligible career pathway program.

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

An example of our work related to this goal involves our audits of the Race to the Top grant program. Race to the Top is a multibillion dollar discretionary grant program authorized under the American Recovery and Reinvestment Act of 2009 (Recovery Act). It was created to spur innovation, reforms, and outcomes in elementary and secondary education programs. During this reporting period, we completed an audit of the North Carolina Department of Public Instruction's administration of its nearly $400 million Race to the Top grant. This is the second in our series of State-specific Race to the Top reports; we issued the first report involving the Ohio Department of Education last year. We will share the findings from our work in additional States once we complete those audits.

The North Carolina Department of Public Instruction's Administration of its Race to the Top Grant

We found that the North Carolina Department of Public Instruction could improve its administration of its Race to the Top grant by strengthening its system of internal control over contracting and by more closely monitoring the fiscal activity of participating local educational agencies (LEAs) and charter schools to ensure that they complied with all applicable Federal requirements. In its Race to the Top grant application, North Carolina stated it would focus on seven educational topic areas, including data systems to support instruction and great teachers and leaders. We examined those areas to determine whether North Carolina accurately and completely reported grant performance data, whether it spent funds only on allowable activities and in accordance with program requirements and its approved grant application, and whether it ensured that LEAs and charter schools receiving Race to the Top subgrants spent the funds on allowable activities and in accordance with program requirements. We found that North Carolina generally reported performance data accurately and completely and that it generally spent Race to the Top funds on allowable activities and in accordance with program requirements and its approved grant application. We did, however, identify two weaknesses. The first weakness involved North Carolina's processes for approving procurements:

North Carolina paid an information technology contractor about $1.4 million of a $2.4 million contract amendment without sufficiently documenting that employees obtained all required approvals to make the payments. Additionally, North Carolina did not design its review and approval processes so that they provided reasonable assurance that employees could not bypass legal review of purchases greater than $100,000. By not designing and implementing effective internal controls over its contracting processes, North Carolina increased the risk that Federal funds would be misused or not used to accomplish the goals set forth in its approved Race to the Top grant application. The second weakness involved employee compensation: North Carolina did not provide documentation sufficient to show that the hourly pay rates for two employees were reasonable and as a result, may have inappropriately charged more than $31,400 to the Race to the Top grant.

Finally, we found that North Carolina could more closely monitor LEAs and charter schools compliance with Federal fiscal requirements as North Carolina did not ensure that the LEA that we reviewed (Winston-Salem Forsyth County Schools) spent Race to the Top funds only on allowable activities and in accordance with program requirements, North Carolina's approved grant application, and Forsyth County's detailed scope of work. Specifically, North Carolina did not ensure that the LEA (1) minimized the amount of time elapsing between the receipt and disbursement of Race to the Top funds, (2) spent more than $12,500 in Race to the Top funds only on allowable activities, and (3) adequately documented more than $3,500 in Race to the Top expenditures. We made six recommendations to address our findings. North Carolina neither agreed nor disagreed with our findings but agreed with five of our six recommendations.

Investigations of Public Corruption, School Officials, Vendors, and Contractors

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

Former Plano Independent School District Texas Official and Vendor Sentenced (Texas)

The former manager and security and fire system security support specialist for the Plano Independent School District and the owner of Fire Systems Specialists and Digital Security Solutions were sentenced for their roles in a conspiracy to embezzle more than $2.5 million from the school district. Between 2004 and December 2013, the former official, the vendor, and another conspirator set up two fake companies that were allegedly in the business of maintaining fire safety systems and security systems. The three generated fraudulent invoices and submitted them to the school district for payment. The former official used his position to approve the fraudulent invoices, knowing that services and products were never provided or delivered. When payments were made, the three would split the profits among themselves. The former Plano Independent School District official was sentenced to 51 months in prison and 3 years of supervised release and

was ordered to pay more than $2.6 million in restitution. The vendor was sentenced to 30 months in prison and 3 years of supervised release and was ordered to pay more than $1.2 million in restitution.

Former Hawaii Centers for Independent Living Director Pled Guilty (Hawaii)

The former executive director of the now-defunct Hawaii Centers for Independent Living pled guilty to theft of Federal funds. From 2012 through 2013, the former executive director embezzled more than $153,600 which he used for personal charges. He stole the money by using the Hawaii Centers for Independent Living debit card for personal charges and unauthorized cash withdrawals. He also issued reimbursement checks to himself based on false claims that he had incurred the expenses on behalf of Hawaii Centers for Independent Living.

Former Executive Director of Open World Family Services Sentenced (Louisiana)

The former executive director of Open World Family Services, a nonprofit organization in New Orleans, was sentenced to 6 months of home detention and 5 years of probation and was ordered to pay more than $149,000 in restitution for theft. The former executive director used the Center's 21st Century Community Learning Center grant funds for her personal benefit rather than for educational, grant-related purposes.

Former Westside Community Schools Comptroller Sentenced (Nebraska)

The former comptroller and director of finance for Westside Community Schools, a public school district located in Omaha, was sentenced to 4 years of probation and was ordered to pay $20,000 in restitution for embezzlement. 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.

Last Vendor Sentenced in Massive Corruption Scheme Involving the Puerto Rico Department of Education (Puerto Rico)

During this reporting period, the president of School Solutions, a vendor doing business with the Puerto Rico Department of Education, was sentenced to 3 years of probation and 320 hours of community service and was ordered to pay a $100 assessment fee for his role in a $7 million public corruption scheme involving the Puerto Rico Department of Education. The vendor is the last of 13 people—including school officials and vendors—to be sentenced for participating in the scam. From 2008 through 2010, the vendors conspired to reward Puerto Rico Department of Education officials in exchange for their support on lucrative contracts.

Former Executives of Sports Equipment Company Sentenced for Defrauding Schools Nationwide (New Jersey)

The former chief executive office and the former chief financial officer of Circle Systems Group were sentenced for perpetrating a decade-long fraud scheme involving schools in New Jersey and other States. Circle Systems Group, now known as Schutt Reconditioning, was a sports equipment and reconditioning company that provided services to school districts, schools, colleges, universities, and professional sports teams nationwide. From at least 1997 through 2007, Circle Systems Group engaged in a number of fraudulent business practices aimed at defrauding schools, such as submitting fraudulent invoices and fake quotes to schools to increase its sales and profits. As a result of the executive's fraudulent actions, Circle Systems Group retained more than $822,000 in overpayments from various schools. The former chief executive officer was sentenced to serve 9 months of home confinement and 36 months of probation and was ordered to pay more than $1.75 million in restitution, forfeiture, and fines. The chief financial officer was sentenced to 41 months in prison and was ordered to pay more than $67,000 in restitution and fines.

Five School Bus Owners Indicted for Bid-Rigging and Fraud Conspiracies (Puerto Rico)

The owners of five school bus companies were indicted for participating in bid rigging and fraud conspiracies at an auction for public school bus transportation contracts in Puerto Rico's Caguas municipality. The charges relate to a 2013 Cauguas municipality auction at which contracts totaling $3.5 million for school bus transportation were awarded.

Investigations of Charter Schools

We have conducted a significant amount of investigative work involving charter schools. From January 2005 through September 30, 2015, the OIG opened 69 charter school investigations. To date, these investigations have resulted in 44 indictments and 34 convictions of charter school officials. The cases that have been fully settled have resulted in more than $12.6 million in restitution, fines, forfeitures, and civil settlements.

Former Charter School Executive Sentenced for $1.5 Million Fraud Scheme (South Carolina)

The former executive director of the Mary L. Dinkins Higher Learning Academy charter school was sentenced to 42 months in prison and 3 years of supervised release and was ordered to pay more than $1.5 million in restitution and fines for embezzlement. From 2007 through 2013, the former executive embezzled money from the school, including Title I and Individuals with Disabilities Education Act funds that should have been used to support the school and its students.

Former Charter School Leaders Indicted in $2.6 Million Fraud Scheme (Texas)

The founding superintendent of the Varnett Public School and her husband, the school's facilities and operations manager, were indicted for allegedly bilking the school out of millions of dollars. According to the indictment, the couple allegedly

used their positions of trust and authority to embezzle more than $2.6 million from the school's three campuses by maintaining "off the books" accounts, stealing money orders submitted by parents of the school's students for school field trips and fundraisers, and deploying false invoicing schemes.

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 State educational agencies, 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.

> **The owners were each sentenced to serve 60 months in prison and were ordered to pay more than $1.6 million in restitution.**

Dallas-Area Tutoring Company Owners Sentenced to Prison (Texas)

The owners of a tutoring company who previously pled guilty to bilking Texas school districts out of more than $3 million were sentenced to prison for their crimes. From 2011 through 2013, the two owners, one of whom was a former Dallas Independent School District teacher, contracted with the Dallas Independent School District, the Fort Worth Independent School District, and other school districts in Texas to provide SES services through four purported 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 amount they billed, was for services that they never provided. The owners were each sentenced to serve 60 months in prison and were ordered to pay more than $1.6 million in restitution.

Owner of Sham Tutoring Company Sentenced for Fraud (Georgia)

The owner of a sham company called A Love of Learning tutoring was sentenced for fraud. The owner scammed multiple school districts in Georgia out of SES funding. She falsified the financial assets and liabilities of the company, making it appear as if it were thriving when, in fact, it existed only on paper. She provided a false balance sheet, a false statement of net income, a program summary showing a false start date for the company, and a forged letter from a fictitious financial institution representing a nonexisting line of credit. The woman was sentenced to serve 12 months in prison and 14 years of probation and was ordered to pay more than $230,900 in restitution.

Former Academic Advantage Employee Sentenced (New York)

A former employee at Academic Advantage was sentenced to 5 years of probation and community service and was ordered to pay more than $101,700 in restitution for conspiracy and making false statements. The former employee conspired with others to submit false attendance records to the New York City Department of Education on behalf of Academic Advantage for tutoring services that were never provided, enabling the company to obtain SES funds to which it was not entitled. As reported in previous Semiannual Reports, Academic Advantage and three of its former employees agreed to pay the Government more than $2.1 million for their roles in the scam.

Tutoring Company, 31 Employees Indicted for Fraud (Puerto Rico)

A Federal grand jury returned a 74-count indictment charging Rocket Learning, a tutoring company, and 31 of its employees with conspiracy, mail fraud, theft of Government money and property, and aggravated identity theft. The company and the employees allegedly billed the Puerto Rico Department of Education more than $954,000 for tutoring services that they never provided.

Woman Sentenced for Filing False SES Applications (Florida)

A woman was sentenced to 1 year of probation and was ordered to pay a $100 special assessment for fraud. The woman 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.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Federal and State Law Enforcement-Related Groups

- **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.
- **GAO Domestic Working Group.** The Inspector General was asked to serve on this working group focused on advancing accountability in Federal, State, and local government.

Review of Legislation, Regulations, Directives, and Memoranda

- **SY 2012–2013 Report to Congress on the Elementary and Secondary Education Act of 1965, as Amended.** The OIG commented that the Department should consider including a brief description of any internal data verification and validation techniques, in accordance with the Government Performance and Results Modernization Act of 2010, to provide Congress with additional insight regarding the Department's efforts to ensure the reliability of performance data submitted by the States.
- **Health and Human Services/Education Policy Statement on Inclusion of Children with Disabilities in Early Childhood Ed Programs.** The OIG provided technical comments to improve the quality and integrity of the document.
- **Dear Colleague Letter on Transgender Students' Rights under Title IX (To be Issued by the Department's Office for Civil Rights and the Department of Justice Civil Rights Division).** The OIG commented that, given the considerable discussion regarding the Family Educational Rights and Privacy Act, the Department should reference its Family Policy Compliance Office and/or Privacy Technical Assistance Center as resources for parents and eligible students who need assistance or who wish to file a complaint under the Family Educational Rights and Privacy Act.
- **Dear Colleague Letter to State Education Agencies to Remind Them (Current and Prospective Charter Schools Program Grantees) of Responsibilities Related to Fiscal Monitoring of Federal Funds.** The OIG commented that it is important to highlight Section 303 of the Uniform Grant Guidance regarding internal controls because it is the foundation for avoiding many of the issues that we have found with charter schools and other programs and sends the message that, without effective controls, entities run the risk of serious program performance and compliance issues.
- **2015 National Education Technology Plan.** The OIG commented that the Department should consider adding links to Institute of Education Sciences resources and the Privacy Technical Assistance Center. The Department should also consider adding information regarding secure data system requirements.

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

During this reporting period, we issued four reports related to this goal. The first report reviewed the Department's compliance with the Improper Payments Elimination and Recovery Act (IPERA), which requires Federal agencies to conduct annual risk assessments to determine which programs are susceptible to significant improper payments and to estimate, reduce, and recover improper payments. We also issued the first reports in a series of audits we are conducting to evaluate the effectiveness of the Department in ensuring that external auditees implement corrective actions made in OIG audit reports. We intend to issue an overall report as well as Department office-specific reports, three of which we issued during this reporting period. Summaries of the completed work in this series follow.

Compliance With the Improper Payments Elimination and Recovery Act for FY 2014

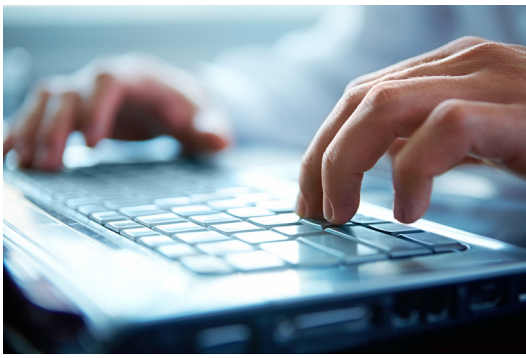
We found that the Department did not comply with IPERA for FY 2014 because it reported an improper payment rate that did not meet its reduction target for the Direct Loan program; its improper payment estimates and estimation methodologies were inaccurate, incomplete, and unreliable; and its improper payment reporting was incomplete. Specifically, we found the following.

- The Department established a FY 2014 reduction target of 1.03 percent for the Direct Loan program and reported that the estimated improper payment rate was 1.50 percent for FY2014. Because the reported estimated improper payment rate for FY 2014 was higher than the reduction target for FY 2014, the Department failed to meet one of IPERA's six compliance requirements. The Department complied with the other five requirements.

- The Department's improper payment estimates and estimation methodologies for both the Pell grant and Direct Loan programs were inaccurate, incomplete, and unreliable, and the estimates deviated from the Office of Management and Budget (OMB)-approved methodologies in effect at the time the

Department's Agency Financial Report was issued. Further, and as we noted in previous IPERA reviews, the estimation methodologies based on program reviews for the Pell grant and Direct Loan programs were flawed because they excluded other sources of improper payments. Although OMB approved the Department's current estimation methodology, our concern that improper payment estimates may be understated by using program reviews as the sole source of information to estimate improper payments continues to exist.

- The Department's supporting documentation for its reported improper payment estimates for the Pell grant and Direct Loan programs contained data transcription errors, data integrity errors, and significant formula errors and omissions.
- The Department's Agency Financial Report and its "FY 2014 Improper Payment Estimation Methodologies" were incomplete. The Department did not provide statistical sampling details for the Pell grant program and did not report amounts of improper payments associated with each category of root cause.



To address the weaknesses identified, we made 10 recommendations, including that the Department analyze the program review reports that identified improper payments for root causes and evaluate FSA's existing corrective actions to determine whether additional corrective actions can be implemented, intensified, or expanded to reduce or prevent improper payments in any program that fails to meet its reduction target; that it recalculate the FY 2014 improper payment estimates for the Direct Loan and Pell grant programs in accordance with the Office of Management and Budget (OMB)-approved methodologies and correct all the data, calculation, and estimation methodology errors; that it revise the estimation methodologies to include improper payments that are not identified in program reviews; and in its annual reporting on improper payments, provide sufficient details as to the samples used in calculating the estimated improper payment rates and include the error amounts when reporting on the root causes of improper payments. The Department agreed or partially agreed with our findings and our recommendations.

Followup Process for External Audits in Department Offices

We issued the first three reports in a series of audits we are conducting to evaluate the effectiveness of the Department to ensure that external auditees implement corrective actions made in OIG audit reports. This is an important issue as not ensuring that auditees quickly take corrective actions allows identified deficiencies to continue to exist, and the risk remains that auditees will not effectively manage related programs and use funds as intended. Below are summaries of the three reports.

Federal Student Aid

We found that FSA's audit follow-up process was not always effective and it had not sufficiently implemented the corrective actions it reported taking in response to the recommendations made in our 2004 audit of FSA's external audit follow-up process. Specifically, we found that FSA did not close audits timely and did not adequately maintain documentation of audit follow-up activities. From October 1, 2008, through September 30, 2013, FSA had resolved (meaning the Department and OIG agreed on actions to be taken on reported findings or recommendations) 36 external OIG audit reports, but only 1 audit had been closed (meaning the

agreed-on corrective action has been completed, which the Department determines). As of March 2014, 25 (69 percent) of these 36 audits had been in resolved status for more than 2 years; 9 (36 percent) of the 25 audits had been in resolved status for over 4 years. The total of the monetary recommendations associated with the 36 resolved audits was more than $1.3 billion. We also found that FSA did not adequately maintain and was not always able to provide documentation that showed auditees completed requested corrective actions or were that FSA was monitoring them for completion. We reviewed audit follow-up activities for a judgmental sample of 10 out of the 36 external OIG audits of FSA programs in our review. Of the 10 audits in our sample, 1 had been closed prior to our audit, and 6 were closed after we started our fieldwork. For these 7 audits, FSA determined that 26 recommendations required corrective actions, to include $20.1 million in monetary corrective actions. FSA was ultimately unable to provide support that the auditees took corrective action 9 (43 percent) of these recommendations, to include more than $503,900 in monetary corrective actions. Additionally, for two of the three audits that were not yet closed, FSA did not provide documentation to support that it performed any follow-up activities since the audits were resolved. These audits were resolved between August 2010 and March 2011. By not obtaining or maintaining appropriate documentation to show auditees completed requested corrective actions, FSA did not have assurance that auditees corrected identified deficiencies. As such, the risk remains that auditees were not effectively managing related programs and using funds as intended. We made five recommendations to address the weaknesses identified, including that the Department ensure that its staff are following up with auditees until all appropriate corrective actions have been taken and that audits are being closed timely. FSA stated that it disagreed in part with the finding but agreed with the recommendations and noted significant actions that it has taken or plans to undertake to address them.

Office of the Chief Financial Officer

We found that the Office of the Chief Financial Officer (OCFO) audit follow-up process was not always effective. Specifically, we found that OCFO did not close audits timely and did not adequately maintain documentation of audit follow-up activities. From October 1, 2008, through September 30, 2013, OCFO closed 29 external OIG audits. Of those 29 closed audits, 18 (62 percent) were closed more than 2 years after resolution; 10 (34 percent) were closed more than 5 years after resolution; and 5 audits (17 percent) were not closed for more than 7 years after resolution. The total of the monetary recommendations associated with the 29 audits was $57,320,188. Further, we found that OCFO did not always adequately maintain documentation of audit follow-up activities, including not maintaining supporting documentation of corrective actions in the official audit file and documentation that supported that auditees completed requested corrective actions prior to audit closure. We reviewed audit followup activities for a nonstatistical sample of four external OIG audits of OCFO programs. For these 4 audits, OCFO determined that 15 recommendations required corrective actions, to include $1.1 million in monetary corrective actions. OCFO was unable to provide support that the auditees took corrective action for 7 (47 percent) of the 15 recommendations, to include support documenting the amount of and rationale for a reduction of an established liability. To address the weaknesses identified, we recommended that staff obtain and maintain adequate documentation to support completion of corrective actions and audit follow-up activities. We also recommended that OCFO ensure that staff are following up with auditees until auditees have taken all appropriate corrective actions and that audits are being closed timely. OCFO officials agreed with our finding and recommendations.

Office of Special Education and Rehabilitative Services

We found that the Office of Special Education and Rehabilitative Services (OSERS) audit follow-up process was not always effective. Specifically, we found that although OSERS adequately maintained documentation of audit follow-up activities for the audits included in our review, it did not close audits timely. From October 1, 2008, through September 30, 2013, OSERS closed 14 external OIG audits; 11 (79 percent) were closed more than 2 years after resolution, and 2 (14 percent) were closed more than 5 years after resolution. The total of the monetary recommendations associated with the 14 audits was $356,490,506. Not ensuring that corrective actions are taken as quickly as possible allows identified deficiencies to continue to exist. As such, the risk remains that related programs are not effectively managed and funds are not being used as intended. We recommended that OSERS ensure that audits are being closed timely once the auditees have taken all appropriate actions. OSERS agreed with the recommendation and described actions it had taken to improve the timeliness of its audit resolution process, as well as actions the Department planned to facilitate the timely closure of OIG audits.

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, OMB 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." OMB's "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 20 quality control reviews of engagements conducted by 20 different IPAs or offices of firms with multiple offices. We concluded that 5 (25 percent) were acceptable or acceptable with minor issues, 12 (60 percent) were technically deficient and 3 (15 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.

- **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.

Reviews of Legislation, Regulations, Directives, and Memorandum

- **Appendix III, Security of Federal Information Resources, to OMB Circular No. A-130, Management of Federal Information Resources.** The OIG provided technical feedback regarding its concern about requiring OIGs reviewing agency privacy programs as part of our FISMA work.
- **S. 579, Inspector General Empowerment Act of 2015.** The OIG provided comments to CIGIE related to inspector general independence. suggesting that "general supervision" by head of agency over the IG be replaced with "minimal supervision," supporting the exemption of IGs from the requirements of the Computer Matching Act and Paperwork Reduction Act to help facilitate and expedite IG audits and investigations; supporting testimonial subpoena authority for IGs without limiting subpoena recipients; and providing comments regarding new IG reporting requirements to Congress.
- **H.R. 2395, Inspector General Empowerment Act of 2015.** The OIG provided comments that Attorney General review of IG testimonial subpoena requests would be cumbersome and would delay the issuance of subpoenas, that a CIGIE panel would be sufficient to ensure that testimonial subpoenas are appropriate in a given case, and that recipients of subpoenas should not be limited as long as the subpoena is necessary in the performance of the functions assigned to IGs by the IG Act.
- **Department Directive, External Breach Notification Policy and Plan.** The OIG made technical comments.
- **Fraud Reduction and Data Analytics Act of 2015.** The OIG, on behalf of the CIGIE Information Technonlogy Committee, provided comments that the bill duplicates existing obligations to conduct risk assessments and establish internal controls; is unclear as to who conducts antifraud activities (agency management or OIGs); raises an IG independence issue of agencies collecting and analyzing data possibly from OIG hotlines; and raises privacy, IG independence, security, and funding concerns regarding the creation of a Federal interagency library of data analytics and data sets.
- **FedRAMP Third Party Assessment Organizations (3PAO) Accreditation Requirements.** The OIG, on behalf of the CIGIE Information Technology Committee, suggested a requirement be added to permit Government officials, including OIGs, access to any information of a 3PAO or its subcontractor and a requirement that any 3PAO assessments comply with Government Auditing Standards. These requirements would enable OIGs to rely on 3PAO assessments and incorporate them into OIG audits, including FISMA audits, thereby reducing duplication of effort by the 3PAO and the OIG.

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 2008 (Public Law No. 110-181), which requires each Inspector General to include information in its Semiannual Reports to Congress on final contract-related audit reports that contain significant findings.

We 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.

During this reporting period, the Environmental Protection Agency Office of Inspector General, Office of Investigations concluded an external assessment review of our investigative operations. The assessment found that our internal safeguards and management procedures for our investigative function were in compliance with the quality standards established by CIGIE and the applicable Attorney General guidelines. These safeguards and procedures provide reasonable assurance that the OIG conforms to professional standards in the planning, execution, and reporting of our investigations.

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
IG Act	Inspector General Act of 1978
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OESE	Office of Elementary and Secondary Education
OII	Office of Innovation and Improvement
OPE	Office of Postsecondary Education
OSERS	Office of Special Education and Rehabilitative Services
PDL	Program Determination Letter
Recs	Recommendations

Definitions

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. 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.

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 (April1, 2015, Through September 30, 2015)	1
5(a)(4)	*Matters Referred to Prosecutive Authorities* Statistical Profile for FY 2015 (October 1, 2014, Through September 30, 2015)	6
5(a)(5) and 6(b)(2)	*Summary of Instances Where Information was Refused or Not Provided*	N/A
5(a)(6)	*Listing of Reports* Audit and Other Reports on Department Programs and Activities (April 1, 2015, Through September 30, 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 and Other Reports Issued Before April 1, 2015 Summary of Audit and Other Reports Issued During the Previous Reporting Period 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 OIG Disagreed*	N/A
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 (April 1, 2015, Through September 30, 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 (PriorSAR Number and Page)	Date Issued	Date of Management Decision	Number of Significant Recs Open	Number of Significant Recs Completed	Projected Action Date
FSA	Audit A06M0012 New	Handling of Borrow Complaints Against Private Collection Agencies *(SAR 69, page 45)*	7/11/14	9/9/14	4	7	3/31/16
OCIO	Audit A11N0001	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 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
OESE	Audit A07M0001 New	The U. S. Department of Education's and Five State Educational Agencies' Systems of Internal Control Over Statewide Test Results (Report is addressed to the Deputy Secretary) *(SAR 68, page 44)*	3/31/14	9/25/14	5	4	9/30/16
OII	Audit A02L0002 New	The Office of Innovation and Improvement's Oversight and Monitoring of the Charter Schools Program's Planning and Implementation Grants *(SAR 65, page 40)*	9/25/12	6/26/14	3	4	9/30/14
OSERS	Audit A19M0004 New	Payback Provisions of the Rehabilitation Long-Term Training Program *(SAR 69, page 46)*	4/25/14	6/3/14	2	13	9/30/16

Table 2. Audit and Other Reports on Department Programs and Activities (April 1, 2015, Through September 30, 2015)

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

Office	Report Type and Number	Report Title	Date Issued	Questioned Costs (Includes Unsupported Costs)	Unsupported Costs	Number of Recs
FSA	Audit A03L0001	Federal Student Aid's Oversight of Schools Participating in the Title IV Programs	9/29/15	-	-	6
FSA	Audit A04N0004	Review of Debt Management Collection System 2 (DMCS2) Implementation	8/24/15	-	-	4
FSA	Audit A05O0007	SOLEX College's Administration of Selected Aspects of the Title IV Programs	9/30/15	$1,795,500	-	6
FSA	Audit A19P0001	Audit of the Followup Process for External Audits in Federal Student Aid	6/17/15	-	-	5
OCFO	Audit A03P0003	The U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2014 (FSA is also designated as an action official)	5/15/15	-	-	10
OCFO	Audit A05O0005	The North Carolina Department of Public Instruction's Administration of its Race to the Top Grant (OESE is also designated as an action official)	7/13/15	$47,508[1]	$34,976	6
OCFO	Audit A19P0004	Audit of the Followup Process for External Audits in the Office of the Chief Financial Officer	9/28/15	-	-	2
OPE	Audit A05O0010	The Higher Learning Commission Could Improve Its Evaluation of Competency-Based Education Programs to Help the Department Ensure the Programs Are Properly Classified for Title IV Purposes	9/30/15	-	-	8
OSERS	Audit A19P0003	Audit of the Followup Process for External Audits in the Office of Special Education and Rehabilitative Services	9/22/15	-	-	1
Total				**$1,843,008**	**$34,976**	**48**

[1] Audit Report A05O0005 total questioned costs includes $12,532 in questioned costs and $34,976 in unsupported costs.

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 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	10	$65,536,783	$18,145,092
B. Which were issued during the reporting period	2	$1,843,008	$34,976
Subtotals (A + B)	12	$67,379,791	$18,180,068
C. For which a management decision was made during the reporting period	3	$18,232,551	$18,145,092
(i) Dollar value of disallowed costs		$16,386,651	$16,299,192
(ii) Dollar value of costs not disallowed		$1,845,900	$1,845,900
D. For which no management decision was made by the end of the reporting period	9	$49,147,240	$34,976

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 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 insection or evaluation reports identifying better use of funds during this reporting period.

Requirement	Number	Dollar Value
A. For which no management decision was 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:		
Dollar value of recommendations that management agreed to	0	$0
Dollar value of recommendations that management did not agreed to	0	$0
D. For which no management decision has been made by the end of the reporting period	0	$0

Table 5A. Unresolved Audit Reports Issued Before April 1, 2015

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. No reports are new since the last reporting period.

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 this audit 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 it is currently working to resolve this audit.	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 the draft audit determination/PDL is currently under review.	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 that it is currently working to resolve this audit.	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
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
Total				**$47,304,232**	**84**

Table 5B. Summaries of Audit and Other 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 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
Nothing to report. Audit and other reports issued during the previous reporting period have been resolved.		

Table 6. Statistical Profile for FY 2015 (October 1, 2014, Through September 30, 2015)

Accomplishment	October 1, 2014–March 31, 2015	April 1, 2015–September 30, 2015	FY 2015 Total
Audit Reports Issued	9	9	18
Inspection Reports Issued	0	0	0
Questioned Costs (Including Unsupported Costs)	$0	$1,843,008	$1,843,008
Recommendations for Better Use of Funds	$0	$0	$0
Other Products Issued	3	0	3
Reports Resolved By Program Managers	10	9	19
Questioned Costs (Including Unsupported Costs) Sustained	$736,582	$16,386,651	$17,123,233
Unsupported Costs Sustained	$373,643	$16,299,192	$16,672,835
Additional Disallowances Identified by Program Managers	$80,230	$5,504	$85,734
Management Commitment to the Better Use of Funds	$0	$0	$0
Investigative Cases Opened	47	40	87
Investigative Cases Closed	35	74	109
Cases Active at the End of the Reporting Period	305	276	276
Prosecutorial Decisions Accepted	33	84	117
Prosecutorial Decisions Declined	62	47	109
Indictments/Informations	72	97	169
Convictions/Pleas	46	74	120
Fines Ordered	$1,347,199	$169,598	$1,516,797
Restitution Payments Ordered	$9,389,034	$11,823,219	$21,212,253
Civil Settlements/Judgments (number)	17	7	24
Civil Settlements/Judgments (amount)	$1,662,946	$14,698,226	$16,361,172
Recoveries	$0	$2,133,198	$2,133,198
Forfeitures/Seizures	$3,308,132	$8,795,837	$12,103,969
Estimated Savings	$38,336,812	$12,357,302	$50,694,114
Suspensions Referred to Department	17	11	28
Debarments Referred to Department	36	18	54
Debarments Imposed by OIG	0	0	0

Acronyms and Abbreviations

CIGIE	Council of Inspectors General on Integrity and Efficiency
Department	U.S. Department of Education
ESL	English as a Second Language
FISMA	Federal Information Security Management Act of 2002
FSA	Federal Student Aid
FY	Fiscal Year
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 IV	Higher Education Act of 1965, Title IV

FY 2016 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 2016.

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 2016 Management Challenges report, visit our Web site at www.ed.gov/oig.

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.

Call Toll-Free:

Inspector General Hotline
1-800-MISUSED
(1-800-647-8733)

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

Your report may be made anonymously.

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