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April 1, 2021–September 30, 2021

U.S. Department of Education
Office of Inspector General

Office of Inspector General
Sandra D. Bruce
Deputy Inspector General Delegated the Duties of Inspector General

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Message from Sandra D. Bruce

Deputy Inspector General

Delegated the Duties of Inspector General

On behalf of the employees of the U.S. Department of Education (Department) Office of Inspector General (OIG), I want to open this Semiannual Report by acknowledging the lives of the more than 750,000 people we lost in this country due to the coronavirus disease 2019 (COVID-19) pandemic. Although we are grateful for the availability of vaccines and the actions Americans are taking to protect themselves against the spread of COVID-19, our thoughts go out to the families and friends of those who lost their lives to the pandemic. We also want to acknowledge those we lost to natural disasters this summer and pray for their families and friends that the memories of their loved ones are a comfort and will help them through these difficult times.

Here at the OIG, we continued to work in a 100-percent telework posture throughout this reporting period, with an exception for staff working on mission-essential activities, such as criminal investigations. Throughout this time, we made a concerted effort to keep connecting with one another, collaborating, and creating new ways of approaching and conducting our oversight and law enforcement efforts so we meet our responsibilities on behalf of America's taxpayers and students. This includes producing "flash reports"—limited-scope reviews in high-interest areas that provide faster completion times when compared to traditional audits. Planning this work is a collaborative and recurring process that involves input from multiple OIG components on a frequent basis, including Audit Services; Investigation Services; Information Technology, Audits, and Computer Crime Investigations; and our Office of Counsel. This dynamic activity identifies value-added, quick-response work that furthers our ability to promote the efficiency, effectiveness, and integrity of the Department's programs and operations.

You will find examples of this work in the pages of this Semiannual Report, which presents the activities and accomplishments of the OIG from April 1, 2021, through September 30, 2021.

Specific highlights of some of the work we conducted and completed during this period follows. In our

audit-related work, we issued 16 reports, identified nearly \$2.2 million in questioned and unsupported costs, and offered recommendations aimed at improving Department programs and operations. Examples of this audit work are highlighted below. In addition, we completed 15 quality control and 21 desk reviews of required audits submitted by recipients of Department funding. You will learn more about this work beginning on [page 53](#) of this report.

- Our audit found that the Federal Student Aid office (FSA) did not have documented processes to guide its fiscal year (FY) 2020–2024 strategic planning and to ensure that the strategic goals, objectives, and performance indicators included in the report were effective. Only after a new Chief Operating Officer (COO) for FSA had been officially installed in March 2019 did FSA start its strategic planning activities. FSA did not issue the final Strategic Plan until December 2020, more than 14 months after the start of the performance period. As a result, contrary to the Higher Education Act of 1965, as amended, FSA did not publish its Strategic Plan by the start of the performance period or before the end of the first year of the performance period. We also found that former secretaries and former COOs have not executed performance agreements for the COOs since FY 2015. Despite these issues, we found that the strategic goals, objectives, and majority of performance indicators included in the final FY 2020–2024 Strategic Plan are effective.
- For FY 2020, we determined that the Department did not comply with the Payment Integrity Information Act of 2019 because it did not meet two of the six compliance requirements. Specifically, the Department did not demonstrate improvement in reducing improper payments in the William D. Ford Federal Direct Loan Program. In addition, the Department reported improper payment rates that exceed 10 percent for the Temporary Emergency Impact Aid for Displaced Students and Immediate Aid to Restart School

Operations programs. We also found that the Department's improper payment risk assessment process needs strengthening, and its improper payment sampling and estimation plans and estimates for all programs that required an estimate for FY 2020 were not reliable.

- Our audit found that the Office of Safe and Supportive Schools (OSSS), the Department office responsible for administering the Student Support and Academic Enrichment (SSAE) program, provided inadequate oversight of grantee performance and funds awarded under the SSAE program. Although OSSS had provided some general oversight, its formal monitoring activities were limited to ensuring that grantees were obligating and spending funds by established deadlines. OSSS' inadequate oversight of SSAE grantees means it has little assurance that grantees are making progress toward program goals and objectives and has limited insight as to how grantees and subgrantees are using grant funds. Further, inadequate monitoring increases the risk that grantees will misuse grant funds, and this risk could increase as SSAE grantees realize that the Department is not monitoring them.
- As noted in our flash report, the Puerto Rico Department of Education (Puerto Rico DOE) may have used Department program funds for payroll costs related to inactive employees from 2007 to 2020. The Puerto Rico DOE identified nearly \$79.2 million in unallowable payroll payments made to 16,267 employees between 2007 and 2020 and may have charged up to \$1.3 million in unallowable payroll costs to the Temporary Emergency Impact Aid for Displaced Students program.
- Our inspection determined that FSA generally achieved positive results in suspending and refunding most involuntary collections on defaulted Department-held loans, as required by the Coronavirus Aid, Relief, and Economic Security Act. However, as of October 23, 2020, FSA continued to receive administrative wage garnishments for 1,930 borrowers. Although FSA refunded most administrative wage garnishments and Treasury offsets collected for the period of our review, it did not reprocess all refunds that were subsequently returned to Treasury and did not refund all wage

garnishments and Treasury offsets collected. In addition, FSA did not develop procedures to obtain and track the U.S. Department of Justice's progress on suspending and refunding involuntarily collections on defaulted Department-held loans.

- Our inspection of the Department's activities surrounding the sale of 13 postsecondary schools from Education Management Corporation to Dream Center Education Holdings found that the Department took several unprecedented actions during and after the sale of the schools, including the following. First, although it identified significant financial risks associated with the purchase, the Department deviated from FSA's financial analysis procedures, reduced the letter of credit amount, and issued temporary provisional program participation agreements to all 13 schools. Second, it approved temporary nonprofit status for two of the institutions retroactive to the date of the ownership change, even though it had not decided on whether the institutions satisfied all aspects of the regulatory definition of a nonprofit institution. Lastly, its oversight was not rigorous enough to ensure that Dream Center complied with requirements for drawing down and disbursing Federal student aid funds. In addition, we found the Principal Deputy Under Secretary signed agreements and authorizations that are operational activities delegated to and the responsibility of the COO for FSA, not the Office of the Under Secretary.

In our investigative work, we closed 28 investigations involving fraud or corruption and secured nearly \$10.9 million in restitution, settlements, fines, recoveries, forfeitures, and estimated savings. As a result of this work, criminal actions were taken against numerous people, including current and former school officials and service providers who cheated students and taxpayers. Our investigative work included the following.

- The former Secretary of the Puerto Rico Department of Education pled guilty to conspiracy to commit wire fraud and honest services fraud. The former Secretary and others used their positions to benefit and enrich themselves with Federal funds, specifically by awarding contracts through a corrupt bidding process. This included a \$95,000 professional services contract that the Puerto Rico Department of

Education awarded to a contractor with close ties to the former Secretary despite being unqualified under the terms of the contract request for proposal.

- Members of fraud rings that targeted some \$10 million in Federal student aid were sentenced, pled guilty, or were indicted for their roles in student aid fraud rings, including a Defense Contract Audit Agency employee who was arrested and charged in connection with a 16-year, \$6.7 million student aid fraud scheme; a guilty plea by the leader of a \$1.2 million North Carolina-based fraud ring; a prison sentence for the leader of a \$870,000 California-based fraud ring; and guilty pleas by the leader of a \$600,000 Michigan-based ring and the leader of a \$500,000 Mississippi-based ring.
- Three people, including one of the two former Alabama school superintendents who had been indicted for their roles in a fraud scheme that targeted the State funding for virtual schools, pled guilty. The conspirators offered various inducements to private schools in exchange for student data that the conspirators then used to create phony student records showing those students as attending Alabama virtual schools. Those records and related academic materials were submitted to the Alabama State Department of Education, which then paid the school districts millions of dollars for supposedly educating these private school students, who at no time attended the virtual schools. The conspirators are alleged to have skimmed a good portion of that State money for their personal use.
- The owner of a network of third-party debt relief businesses and others were arrested for their alleged roles in a multimillion-dollar student loan debt relief fraud scam. Between 2017 and 2020, the owner and others are alleged to have contacted 380,000 student loan borrowers across the country, promising to reduce or eliminate their Federal student loan debt. Instead, they allegedly stole more than \$6.1 million from more than 19,000 unsuspecting borrowers in less than 3 years.
- Criminal actions were taken in fraud cases involving charter school officials. This included

the former superintendent of Houston Gateway Academy who was sentenced to prison for fraud, and the founder and superintendent of the now-closed Zoe Learning Academy who pled guilty to conspiracy, fraud, theft, money laundering, and false bankruptcy declarations.

- The president and chief executive officer of Divers Academy International, a private, for-profit commercial diving school, pled guilty and agreed to pay \$1.1 million in restitution for submitting fraudulent documents in order to receive Federal funds that the school was not entitled to receive.

Our Semiannual Report also contains information on other efforts the OIG completed during this reporting period. This includes our required non-Federal audit-related work and summary tables containing statistical and other data as required by the Inspector General Act of 1978, as amended, and other statutes.

I also wanted to take a moment to share with you some news that we are very proud of. In September, OIG staff worked with the Department to issue a new directive, "Overview of the Office of Inspector General." This new directive provides all Department staff with information such as OIG operations, our legal authorities, and statutory independence requirements. It also provides information on cooperating with the OIG during audits, inspections, and similar reviews; information on how to report allegations of fraud or abuse to the OIG; and procedures for Department staff in handling referrals made from the OIG. This directive not only helps all Department staff understand the role and independence of the OIG but also sets a course for effective communication and cooperation.

To the members of the U.S. Congress, we thank you for all that you are doing to help our nation during the pandemic. The OIG will fulfill its responsibilities as set forth in the coronavirus response and relief measures by ensuring that the funding provided to the Department and its grantees is used as intended and by investigating misuse, theft, or other criminal activity involving these funds. As a member of the Pandemic Response Accountability Committee established by the Coronavirus Aid, Relief, and Economic Security Act, we will work tirelessly with our colleagues to help ensure that all the funding you allotted is protected from fraud, waste, and abuse. Our nation deserves nothing less.

In closing, it was an honor to have been nominated by President Biden to be the permanent Inspector General of this agency, and I am so appreciative of the time and opportunities presented to me by the U.S. Senate as they consider my nomination. I look forward to working with you through the remainder of the confirmation process. Finally, as Deputy Inspector General Delegated the Duties of Inspector General, I look forward to continuing to work with this outstanding OIG team, the Department, members of Congress, and my colleagues in the inspector general community to provide our nation's taxpayers with assurance that the Federal Government is using their hard-earned money effectively and efficiently.

A handwritten signature in cursive script that reads "Sandra D. Bruce".

Sandra D. Bruce
Deputy Inspector General
Delegated the Duties of Inspector General



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Pandemic Relief Oversight

The U.S. Department of Education (Department) has been charged with allocating billions of dollars to assist States, K–12 schools, school districts, and institutions of higher education in meeting their needs and the needs of their students impacted by the coronavirus disease 2019 (COVID-19) pandemic. The Office of Inspector General (OIG) has been charged with ensuring that these vital funds are used as required and reach the intended recipients, and with investigating misuse, theft, and other criminal activity involving these funds.

Audits and Other Reports

Three measures have been signed into law providing the Department with more than \$280 billion to assist States, K–12 schools, school districts, and institutions of higher education in meeting their needs and the needs of their students impacted by the coronavirus pandemic—the Coronavirus Aid, Relief, and Economic Security Act or CARES Act (March 2020), the Consolidated Appropriations Act, 2021–Coronavirus Response and Relief Supplemental Appropriations Act (December 2020), and the American Rescue Plan (March 2021). Starting in 2020 and continuing over the next several years, the OIG will be conducting a series of audits and reviews of programs, grants, requirements, and flexibilities established under these measures, as shared in our [pandemic oversight plan](#) and our [annual work plans](#). We will also highlight this work in future Semiannual Reports to Congress and via our [coronavirus webpage](#). During this reporting period, we issued six reports specific to coronavirus response and relief aid. Summaries of those reports follow.

Federal Student Aid’s Suspension of Involuntary Collections in Response to the Pandemic

The CARES Act required the Secretary of Education to suspend all involuntary collections on defaulted loans held by the Department through September 30, 2020, to help provide relief to borrowers. This was extended several times, with the Department announcing that it would continue to suspend all involuntary collection activity on Department-held loans until January 31, 2022. We conducted an inspection that sought to evaluate Federal Student Aid’s (FSA) processes for carrying out this provision of the CARES Act, which found that FSA took quick action to implement processes that generally achieved positive results in suspending and refunding most involuntary collections on defaulted Department-held loans. Specifically, FSA suspended administrative wage garnishments and the U.S. Department of the Treasury (Treasury) offsets for over 96 percent of the borrowers that FSA collected payments for within 90 days of March 13, 2020, the start of the suspension period. However, as of October 23, 2020, FSA continued to receive administrative wage garnishments for 1,930 borrowers.

We also determined that FSA refunded most administrative wage garnishments and Treasury offsets collected from March 13, 2020, through September 30, 2020,

and issued refunds for \$576.65 million (99 percent) of the \$582.48 million collected for the same period. FSA also refunded 1,063,984 of the 1,094,507 administrative wage garnishments and 221,436 of the 244,080 Treasury offsets within 60 days from the date the payments were received. However, FSA did not reprocess refunds for \$21.25 million of the \$576.65 million FSA refunded that were subsequently returned to Treasury and did not refund \$5.83 million (1 percent) of the \$582.48 million wage garnishments and Treasury offsets collected. Finally, our inspection found that FSA did not develop procedures to obtain and track the U.S. Department of Justice's (Justice) progress on suspending involuntary collections and refunding payments involuntarily collected on defaulted Department-held loans from March 13, 2020, through September 30, 2020. Specifically, although FSA instructed Justice to suspend involuntary collections and refund payments collected, FSA did not track Justice's progress throughout the suspension period to determine whether borrowers were granted the temporary borrower relief extended to defaulted borrowers in response to the pandemic.

Because FSA took quick action to implement processes that generally achieved positive results in suspending and refunding most involuntary collections on defaulted Department-held loans, it was able to grant temporary relief to most borrowers subject to involuntary collections in response to the pandemic. Nonetheless, we found that FSA could improve its processes related to refunding involuntary collections from borrowers. As such, we recommended that FSA determine appropriate actions to take regarding employers that continued to improperly withhold wages from borrowers, adopt best practices for proactively identifying payments eligible for refund, and develop and implement procedures to obtain and track Justice's progress on suspending and refunding payments involuntarily collected during the suspension period on Department-held loans. FSA agreed with two of our findings but did not explicitly agree or disagree with the recommendations. [FSA Involuntary Collections Report](#)

Risk of Closed Institutions of Higher Education Receiving Higher Education Emergency Relief Fund Grants

In May, the OIG issued a flash report that shared with the Department observations we made concerning institutions of higher education (IHE) that ceased to provide educational instruction in all programs of study (closed) and received or had access to coronavirus response and relief aid through the Higher Education Emergency Relief Fund (HEERF). HEERF provides more than \$76.2 billion to the Department to help IHEs meet their needs and the needs of their students impacted by the coronavirus pandemic. Funding for the HEERF was authorized by three laws: \$13.9 billion through the CARES Act, \$22.7 billion through the Coronavirus Response and Relief Supplemental Appropriations Act, and \$39.6 billion through the American Rescue Plan. The Department's Office of Postsecondary Education (OPE) is responsible for administering the HEERF grants.

During the course of investigative work, we received multiple allegations of closed IHEs receiving or having access to the HEERF grants. While no fraudulent activity came to our attention, we identified specific observations requiring the Department's immediate action. Specifically, we found that 17 IHEs that closed on or before

December 31, 2020, applied for and were awarded more than \$4.9 million of HEERF grants. Of these 17 IHEs, 14 drew down HEERF funds, and 8 of these 14 IHEs made drawdowns after the IHE closure date listed in the Department's Postsecondary Education Participants System. The total of these post-closure drawdowns was more than \$1.2 million. In addition, 1 of the 14 closed IHEs that drew down funds withdrew more than \$364,700 just 1 day before closing. Neither the CARES Act nor any subsequent legislation authorizing HEERF grants expressly prohibit closed IHEs from being eligible for HEERF grants. However, the CARES Act and the Department's related Frequently Asked Questions seem to set the expectation that HEERF funds would be used to help students continue in their programs of study and allow IHEs to adapt to providing continued instruction during the pandemic.

Based on our findings, we suggested that the Department review HEERF grants already made to verify that the IHEs that were allocated, awarded, or drew down funds had not closed. If awards were made to closed IHEs, determine whether those IHEs were eligible for the HEERF grants; recover any funds received by ineligible, closed IHEs; and ensure closed IHEs used HEERF grant funds in accordance with the uses outlined in their Funding Certification and Agreement.

We also suggested that the Department establish processes to ensure OPE and other Department components effectively communicate, coordinate, and share information to help identify and mitigate risks involving closed schools or schools at risk of closing that receive HEERF grants. Lastly, we suggested that the Department consider developing and providing guidance to IHEs that close or are closing regarding the use or return of HEERF funds. The Department agreed with our suggestions. [HEERF Flash Report](#)

Inconsistent Grantee and Subgrantee Reporting of Education Stabilization Fund Programs in the Federal Audit Clearinghouse

In August, we issued a flash report to share with the Department our observations concerning grantees and subgrantees inconsistently reporting audit data on



Department subprograms, or unique components of a program, to the Federal Audit Clearinghouse (FAC), the designated repository of single audit data. Coronavirus pandemic emergency relief funds were allocated to the Department under a single Federal program—the Education Stabilization Fund—and were then awarded by the Department to grantees under 22 subprograms. Grantees and subgrantees are required to identify Federal award expenditures and report them in the FAC and their auditors are required to identify the award expenditures that are impacted by a Federal program audit finding and also report that in the FAC. Department guidance recommended that grantees identify subprograms in the audit report package, but did not give specific instructions on reporting by subprogram in the FAC.

During a routine check of FAC data as part of our responsibilities to ensure audit quality, it came to our attention that because grantees and subgrantees have to manually enter subprogram identifying information, they are not consistently reporting Education Stabilization Fund expenditure data by subprogram in the FAC, and consequently, auditors are not reporting audit findings by subprogram in the FAC. Specifically we found that when entering Federal award information, grantees and subgrantees either did not identify which Education Stabilization Fund subprogram their expenditures were awarded under or used widespread variations of subprogram identifying information to identify under which subprogram their expenditures were awarded. Widespread variations in manual entries affect the utility of the FAC audit data used by the Department to inform work around program risk, audit finding trends, priorities, and strategies for effective grant management. Further, the manual processes the Department must perform to identify subprogram information are time-consuming and could put a strain on the Department’s limited resources. If FAC audit data were provided to the Department at the subprogram level, the Department could more effectively leverage audit resources to assist in grantee oversight. As such, we suggested that the Department develop and issue guidance that further encourages grantees and subgrantees to identify subprogram awards in the audit report package, addresses how to identify subprogram data in the FAC, and promotes consistency in reporting. The Department agreed with the observation and suggestion. [FAC Flash Report](#)

Schools’ Use of Higher Education Emergency Relief Grant Funds

The CARES Act set aside \$14 billion in HEERF funds to mitigate the impact of the coronavirus on students and institutions of higher education, including providing \$12.6 billion for direct grants to schools to prevent, prepare for, and respond to the coronavirus; about \$1 billion for additional formula grants to certain types of schools to address needs directly related to the coronavirus; and another \$349 million for schools that the Department determined had the greatest unmet needs related to the coronavirus. In April 2020, the Department allocated the \$12.6 billion to schools as two separate grants—50 percent of each school’s total authorization for emergency financial aid grants to students under the “Student Aid portion” and 50 percent for institutional costs under the “Institutional portion.” In addition to submitting an application, schools were required to sign separate Certification and Agreement forms in order to access their Student Aid and Institutional grant funds and had 1 calendar year from the award date of each HEERF grant to spend the funds unless the school received a no-cost extension. The Department also required schools to

report publicly on their use of HEERF funds by posting the required information on the school's primary website on a quarterly basis.

The Coronavirus Response and Relief Supplemental Appropriations Act authorized an additional \$22.7 billion for schools under the HEERF programs and provided additional flexibilities in how HEERF funds could be used, including for lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll. Additionally, it extended the allowable use provisions listed above to a school's unspent CARES Act funds. The American Rescue Plan added \$39.6 billion in additional HEERF funding. This law and subsequent Department regulations changed the eligibility criteria to allow institutions to provide emergency aid to any individual enrolled at an eligible institution on or after March 13, 2020, the date of the national emergency. During this reporting period, we issued two reports that sought to determine whether selected schools used the Student Aid and Institutional portions of their HEERF grants for allowable and intended purposes. Summaries of those reports follow.

Lincoln College of Technology's Use of HEERF Student Aid and Institutional Grants

Lincoln College of Technology (Lincoln) is a for-profit school that offers training in the areas of automotive technology and skilled trades, such as welding, electrical technology, and heating, ventilation, and air conditioning. Lincoln is owned by the Lincoln Educational Services Corporation (LESC), which operates 22 campuses in 14 States under 4 brands, including Lincoln College of Technology. LESG officials are responsible for drawing down, managing, awarding, spending, and reporting on Lincoln's HEERF grant funds.

Our audit found that LESG generally used the Student Aid portion of Lincoln's HEERF funds for allowable and intended purposes but did not always use the Institutional portion of its funds in accordance with Federal requirements. We also determined that LESG did not adequately document eligibility determinations for a small number of students who received emergency financial aid grants, improperly applied Institutional grant funds to credit student accounts, improperly charged expenditures that extended beyond the grant performance period, and did not follow cash management requirements. Specifically, LESG

- did not have policies and procedures with sufficient detail regarding students who did not have an Institutional Student Information Record on file, to ensure that all the steps necessary to verify student eligibility were completed, and eligibility determinations were adequately supported for 202 students who received an emergency financial aid grant, contrary to Federal regulations;
- improperly applied \$700,155 of Institutional grant funds to credit 461 students' accounts for rent the students paid to third-party landlords for the months the school was closed due to coronavirus, contrary to Department guidance;
- improperly used \$9,838 of Institutional grant funds to purchase software subscriptions that extended beyond Lincoln's 1-year grant performance period, contrary to Federal regulations; and

- did not minimize the time between drawing down and disbursing HEERF funds or deposit excess HEERF funds in an interest-bearing account, contrary to Federal regulations.

Finally, we determined that the information in Lincoln’s required HEERF reports posted on LESC’s website was generally accurate, complete, and timely. Based on our findings, we recommended that OPE require LESC to update its policies and procedures to contain sufficient detail to ensure that all the steps necessary to verify student eligibility and distribute emergency financial aid grants to students are completed, and funding determinations are adequately documented and supported. Following the presentation of our findings to LESC, LESC officials reallocated the amounts we questioned to other expenditures they believed were eligible to be charged to Lincoln’s Institutional grant. As a result, we further recommended that OPE review the allowability of the reallocated Institutional expenditures, and if not allowable, require LESC to return to the Department the \$700,155 of Institutional grant funds improperly applied to credit 461 students’ accounts for rent the students paid to third-party landlords and the \$9,838 improperly spent for subscriptions that extended beyond the grant performance period; and that it require LESC to incorporate Federal cash management requirements in its policies and procedures and determine whether LESC accurately calculated interest and properly remitted the interest. LESC officials did not agree with all of our findings, and did not explicitly state whether they agreed or disagreed with our all of our recommendations. [Lincoln Report](#)

Remington College’s Use of HEERF Student Aid and Institutional Grants

Remington College is a nonprofit career college with 14 campuses located in 7 States—Alabama, Arkansas, Louisiana, Ohio, South Carolina, Tennessee, and Texas. Our audit covered Remington College’s use of HEERF funds from the grant award date through September 30, 2020. Because Remington College drew down but did not expend all Institutional grant funds by September 30, 2020, we also



included in our review expenditures through December 31, 2020, that were paid for with Institutional grant funds that the school had drawn down by September 30, 2020. Our audit also covered Remington College’s cash management practices and reporting of HEERF expenditures.

We found that Remington College generally used the Student Aid portion of its HEERF grant funds for allowable and intended purposes but did not always use the Institutional portion of its funds in accordance with Federal requirements. We found that Remington College spent Institutional funds for several unallowable purposes and did not always follow Federal procurement and cash management requirements. Specifically, our audit determined that Remington College

- improperly used \$80,121 of Institutional grant funds to purchase multiyear software subscriptions that extend beyond the supplemental grant period;
- may have improperly used \$64,985 of Institutional grant funds to cover costs associated with its purchase of student computers;
- did not always use a competitive procurement process for Institutional grant purchases over \$10,000, contrary to Federal regulations; and
- did not minimize the time between drawing down and spending its Institutional funds nor deposit excess HEERF funds (Student Aid and Institutional) in an interest-bearing account, contrary to Federal regulations.

Finally, we determined that the information in Remington College’s required HEERF reports posted on its website was generally accurate, complete, and timely. Based on our findings, we made several recommendations, including that OPE (1) require Remington College to return to the Department the \$80,121 in Institutional grant funds spent beyond the supplemental Institutional grant period or reallocate the funds to other allowable costs; (2) clarify whether the costs that Remington College initially charged to its Institutional grant for student computers were allowable under the law and existing guidance, and determine whether Remington College’s subsequent reallocation of costs for other expenses in the amount of \$64,985 was appropriate; (3) determine whether the \$639,400 that Remington College charged to its Institutional grant for contracts awarded without a competitive procurement process was reasonable when compared to the quality and costs of suitable alternatives, and if not, require appropriate corrective actions; and (4) require Remington College to incorporate Federal requirements related to grant performance periods, procurements, and cash management in its policies and procedures for managing HEERF grant funds. Remington College officials did not agree with all of our findings or recommendations, but their proposed corrective actions, if implemented, are responsive to most of the recommendations. [Remington College Report](#)

Fraud Reporting Guide

In July, the OIG issued its “Fraud Reporting Requirements—A Guide for Federal Program Participants and Auditors.” The guide was developed for grantees and subgrantees who receive Department funds and for auditors who oversee Department funds. It summarizes the fraud reporting requirements most relevant to entities receiving pandemic relief funds and auditors of those entities. The guide is a result of the outreach efforts the OIG had been conducting with Department

stakeholders focused on identifying fraud indicators and best practices in Federal education programs, where stakeholders raised questions about how and when to report fraud.

The guide provides information in specific sections on fraud reporting for Department grantees and subgrantees, fraud reporting for auditors, and information on reporting fraud to the OIG. [Fraud Reporting Guide](#)

Investigative Efforts

During this reporting period, the OIG continued to promote its fraud awareness materials specific to coronavirus response and relief aid from kindergarten through college, Governors' offices, and law enforcement organizations identify and report potential fraud involving coronavirus response and relief funds to the OIG. This included a [digital booklet](#) and a [one-page flyer](#). The materials highlight what education-related coronavirus fraud could look like and provides information on free resources to help identify and report to the OIG's Special Investigations Unit. The Special Investigations Unit and regional investigative staff also continued to conduct outreach to stakeholders on identifying and reporting fraud and participated on Federal-State COVID-19 task forces and work groups. These task forces are a collective of Federal and State law enforcement and prosecutive entities combining their investigative power to quickly address fraud complaints and to identify, investigate, and prosecute fraud related to the pandemic.

Pandemic Response Accountability Committee

The CARES Act established the Pandemic Response Accountability Committee (PRAC), composed of inspectors general from across the Federal government. The PRAC is tasked with conducting, coordinating, and supporting inspectors general in the oversight of the trillions of dollars in emergency Federal spending to address the economic impacts of the COVID-19 pandemic. The CARES Act named nine specific agency inspectors general to the Committee, including the U.S. Department of Education. Deputy Inspector General Delegated the Duties of Inspector General Sandra D. Bruce represents the OIG on the PRAC. Deputy Inspector General Bruce chairs the PRAC's Federal, State, and Local Coordination Subcommittee and is a member of the PRAC Financial Sector Oversight Workgroup. During this reporting period, the PRAC issued a [press release](#) noting the addition of State and local agencies' oversight reports to its website. The release also highlighted the work the Subcommittee is doing with Federal, State, local, Territorial, and Tribal oversight entities. The press release generated some press coverage, including a [one-on-one interview with Subcommittee Chair Bruce and Route Fifty](#), a publication focused on State and local governments.

Also during this reporting period, the PRAC's Federal, State, and Local Coordination Subcommittee continued to hold "Listening Post" sessions—small discussion groups for those charged with providing oversight of coronavirus response and relief funds to discuss challenges, best practices, and to share information with State and local

auditors, State treasurers, certified public accounting firms and tribal oversight entities, American Institute of Certified Public Accountants, the Government Accountability Office, other inspectors general, and the National Association of State Auditors, Comptrollers, and Treasurers. These Listening Posts provide an open and safe forum to discuss challenges, concerns, best practices; facilitate coordination of audit, program, and other work when possible; and perhaps best of all, help find solutions to challenges in real time. The Listening Posts are also leading to needed changes in real-time. As an example, at a recent Listening Post, it was noted that the Treasury Department's American Rescue Plan funds totaling \$362 billion were sent to States without a designated Assistance Listing Number. State and local auditors and single audit representatives said that without a specific Assistance Listing Number, these funds would not be effectively auditable. The participants came up with a suggestion to address the problem which was shared with PRAC leadership, and shortly thereafter, the Treasury Department and the Office of Management and Budget designated an Assistance Listing Number for funding.

Finally, the OIG is participating in a number of PRAC cross-cutting projects: (1) a multiagency study focusing on the timing of State agencies' drawdowns of coronavirus response and relief funds; (2) a multiagency project required by the CARES Act specific to contracts and grants staffing and resources; (3) a look at recipients receiving coronavirus response and relief funds from multiple Federal programs for the same purpose (multidipping); and (4) a multiagency study that will identify all Federal coronavirus response and relief funds provided to entities in select geographic areas and determine whether program spending aligned with the intended goals and objectives. We will share the results of this work once issued.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

- **PRAC.** Deputy Inspector General Delegated the Duties of Inspector General Sandra D. Bruce is a member of this Committee, established under the CARES Act. Deputy Inspector General Bruce also leads the PRAC's Federal, State, and Local Coordination Subcommittee. Deputy Inspector General Bruce is also a member of the Financial Sector Oversight Work Group. Assistant Inspector General for Investigation Services Aaron Jordan serves as an Advisory Board member to the PRAC's Fraud Task Force, and Deputy Assistant Inspector General for Investigation Services Shafee Carnegie serves on the PRAC's Investigations Training Subcommittee.
- **Council of Counsels to the Inspectors General COVID-19 Work Group.** Counsel to the Inspector General Antigone Potamianos and OIG Assistant Counsels continued to participate in the government-wide OIG attorney working group regarding COVID-19 related legal issues.
- **Procurement Collusion Strike Force.** Assistant Inspector General for Investigations Aaron Jordan continued to coordinate with the Department of Justice Antitrust Division on efforts related to COVID-19.
- **COVID-19 Federal-State Task Forces.** OIG criminal investigators continued to work with their Federal and State investigative and prosecutive partners to address COVID-19 fraud.



Disaster Recovery Oversight

In 2018 and 2019, Congress passed, and the President signed into law, measures providing the Department with nearly \$2.9 billion to assist K–12 schools, school districts, and institutions of higher education in meeting the educational needs of students affected by the hurricanes and wildfires that ravaged several States and territories. Congress also provided funding to the OIG to carry out oversight activities, such as auditing Department and grantee management and spending of disaster recovery funds, examining the effectiveness of recovery programs, and investigating misuse, theft, and other criminal activity involving these funds.

Audits and Other Reports

During this reporting period, we issued two reports specific to disaster recovery funds. The first was a flash report to alert the Department that the Puerto Rico Department of Education may have charged up to \$1.3 million in unallowable payroll costs to the Temporary Emergency Impact Aid for Displaced Students (Emergency Impact Aid) program, and the second was an audit of FSA's processes for reallocating unexpended campus-based Federal student aid funds, authorized under Title IV of the Higher Education Act of 1965, as amended (HEA). Summaries of these reports follow.

Puerto Rico Department of Education's Unallowable Use of Temporary Emergency Impact Aid for Displaced Students Program Funds for Payroll Activities

In June, we issued a flash report to apprise the Department of the risk that the Puerto Rico Department of Education (Puerto Rico DOE) used Department program funds for payroll costs related to inactive employees from 2007 to 2020. During an ongoing audit of the Puerto Rico DOE's administration of the Emergency Impact Aid program, it came to our attention that the Puerto Rico DOE identified nearly \$79.2 million in unallowable payroll payments made to 16,267 employees between 2007 and 2020 and may have charged up to \$1.3 million in unallowable payroll costs to the Emergency Impact Aid program. Specifically, we found that the Puerto Rico DOE charged January 2018 payroll costs to its Emergency Impact program grant for 539 employees who, according to the accounts receivable report, were not employed by the Puerto Rico DOE during the payroll accrual periods applicable to the January 2018 payments. This occurred because the Puerto Rico DOE did not have adequate controls to ensure that only active employees receive payroll payments. On September 30, 2020, after becoming aware of the unallowable payroll payments made between 2007 and 2020 to inactive employees, the Financial Oversight and Management Board for Puerto Rico required the Puerto Rico DOE to implement internal controls to ensure that only active employees receive payroll payments. The Puerto Rico DOE reported that it implemented controls in February 2021, to ensure personnel comply with time and attendance policies. The Puerto Rico DOE also reported that it made modifications to its payroll and human resources systems

that would allow payroll staff to identify active and inactive employees, immediately stop unallowable payments, and make the appropriate payroll deductions.

We recommended that the Department (1) require the Puerto Rico DOE to demonstrate that it has implemented sufficient controls over its payroll system to ensure that Department program funds are safeguarded, and, if it cannot, impose specific conditions on all Department grants awarded, including disaster and pandemic relief grants, prohibiting the use of grant funds for payroll without documentation to support that payments went to active employees; (2) closely monitor the Puerto Rico DOE's implementation of internal controls over payroll included in its corrective action plan prepared in response to the new time and attendance controls required by the Puerto Rico Financial Oversight and Management Board; and (3) require the Puerto Rico DOE to identify the amount of unallowable payroll costs charged to the Emergency Impact Aid program and other Department programs and establish a plan to return those funds to the Department. In response to our recommendations, the Department informed us of the actions it had already taken as well as proposed actions to address this matter. As shared in our report, if those actions are implemented as described by the Department, they will be responsive to our recommendations.

[Puerto Rico DOE Flash Report](#)



FSA's Processes for Reallocating Unexpended Campus-Based Title IV Funds in Accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017

In 2017, Congress enacted the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. The purpose of the law, in part, was to provide the Department with waiver authority for the reallocation rules and authority to extend the deadline by which campus-based student aid program funds must be reallocated. The law required the Department to reallocate unexpended award year 2016–2017 campus-based student aid program funds to eligible postsecondary schools participating in those programs in award year 2017–2018. The law allowed the Department to determine how to reallocate the unexpended award year 2016–2017 campus-based student financial assistance program funds, but it directed the Department to give preference to the needs of schools located in affected areas.

During this reporting period, we concluded our audit on whether FSA designed and implemented processes that provided reasonable assurance that it reallocated unexpended award year 2016–2017 campus-based student financial assistance program funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017. We determined that FSA did not design and implement processes to provide reasonable assurance that it reallocated unexpended award year 2016–2017 campus-based student financial assistance program funds in accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017.

First, FSA did not design and implement processes that provided reasonable assurance that it identified all schools participating in the campus-based student financial assistance programs that were affected by or enrolled students affected by a qualifying disaster before reallocating unexpended award year 2016–2017 Federal Supplemental Educational Opportunity Grant and Federal Work Study funds. Second, FSA did not design and implement processes that provided reasonable assurance that it would give preference to schools located in affected areas when reallocating Federal Work Study funds. Instead, FSA generally applied formulas like those designed for annually allocating campus-based student financial assistance program funds to all schools participating in those programs. As a result, FSA omitted 221 schools from the December 2017 Federal Work Study reallocations. It also improperly reallocated \$30,444 in Federal Work Study funds to 9 schools that were not located in affected areas or had not enrolled or accepted for enrollment 20 or more affected students. Additionally, the December 2017 Federal Work Study reallocations did not give any preference to schools located in affected areas. For the Federal Work Study reallocations in March 2018, FSA reserved \$5 million to give preference to schools located in Puerto Rico and the Virgin Islands. However, it did not give any preference to affected schools located in Florida, Georgia, and Texas. Finally, schools that were not located in affected areas but had enrolled or accepted for enrollment 20 or more affected students received reallocations that were based on all students they enrolled and were participating in the campus-based student financial assistance programs in a normal year.

We also determined, as noted in the “Other Matters” section of the report, that FSA did not provide the Senate Committee on Health, Education, Labor, and Pensions and the House of Representatives Committee on Education and the Workforce with a complete report on the total amount of assistance received by and the total amount of the non-Federal share waived for each eligible school. On March 13, 2018, the Department provided to Congress a press release that included the total amount of assistance received by each affected school and each school that enrolled 20 or more affected students. However, the press release did not disclose the total amount of non-Federal share waived for each affected school and each school that enrolled affected students. As of September 2020, FSA had not notified the two committees of the amount of non-Federal share waived for each affected school and each school that enrolled affected students.

Proactively designing appropriate processes in anticipation of national emergencies and applying formulas for allocating aid that are designed specifically for the special funding would improve FSA’s ability to provide emergency assistance during a crisis. To that end, we recommended that FSA require the 9 schools that improperly received Federal Work Study reallocations to return the funds; reevaluate its reallocation of unexpended award year 2016–2017 Federal Work Study funds and ensure that all affected schools and all schools enrolling affected students were correctly reallocated the funds; and ensure its policies and procedures for disaster response direct employees to develop plans specific to new laws authorizing special funding to schools or students. FSA agreed with the finding, but not all of our recommendations, and stated that it has put processes in place to appropriately reallocate funds to eligible schools. [FSA Reallocation Report](#)

Investigative Efforts

During this reporting period, the OIG continued to promote its fraud awareness materials specific to disaster recovery. This included special posters aimed at helping school officials and others identify and report potential fraud involving Disaster Recovery funds, and our Eye on ED podcast episodes specific to disaster recovery, including an episode on identifying and reporting disaster recovery fraud in Spanish. The free posters and Eye on ED Podcasts are available via our [website](#). In addition, OIG criminal investigators continued to work with the National Center for Disaster Fraud Working Group, a partnership between the U.S. Department of Justice and various law enforcement and regulatory agencies to improve and further the detection, prevention, investigation, and prosecution of fraud related to natural and man-made disasters.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

- **Council of the Inspectors General on Integrity and Efficiency (CIGIE) Disaster Assistance Working Group.** The OIG participates in this group that helps coordinate the Federal inspector general community's oversight efforts of disaster-related funds.
- **National Center for Disaster Fraud.** The OIG is involved in this partnership between the U.S. Department of Justice and various law enforcement and regulatory agencies that work to improve and further the detection, prevention, investigation, and prosecution of fraud related to disasters.



Federal Student Aid Programs and Operations

The Federal student financial aid programs have long been a major focus of our audit and investigative work. 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. OIG efforts in this area seek not only to protect Federal student aid funds from fraud, waste, and abuse, but also to protect the interests of the next generation of our nation's leaders—America's students.

Audits and Other Reports

The Department disburses about \$121 billion in Federal student aid annually and manages an outstanding loan portfolio valued at more than \$1.5 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, OPE and 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 student aid programs, works with other participants to deliver services that help students and families finance education beyond high school, and enforces compliance with FSA program requirements. During this reporting period, OIG work identified actions that FSA and OPE should take to address weaknesses in program operations and management. Summaries of these reports follow.

FSA's Fiscal Year 2020–2024 Strategic Planning Process

Our audit found that FSA did not have documented processes to guide its strategic planning and to ensure that the strategic goals, objectives, and performance indicators included in the fiscal year (FY) 2020–2024 Strategic Plan (Strategic Plan) were effective. Only after a new Chief Operating Officer (COO) for FSA had been officially installed in March 2019 (only 6 months before the start of the performance period) did FSA start its strategic planning activities. Based in part on the late start of this process, FSA did not issue the final Strategic Plan until December 2020, more than 14 months after the start of the performance period. As a result, contrary to the HEA, FSA did not publish its Strategic Plan by the start of the performance period or before the end of the first year of the performance period.

Despite FSA not having documented processes to guide its strategic planning, we found that the goals, objectives, and 37 of the 44 performance indicators included in the final Strategic Plan are effective. Of the 44 performance indicators included in the plan, 37 (84 percent) are intended to measure the results of actions that FSA took or will take to achieve its strategic goals and objectives. However, the methodologies to measure progress for the other seven (16 percent) performance indicators had not been fully developed or had not been approved when FSA published the final

Strategic Plan in December 2020. Therefore, we could not determine whether the seven performance indicators will be measurable and effective.

It is important for the Department and FSA to ensure that each strategic plan is created, reviewed, approved, and made publicly available by the start of the performance period. Without documented processes for ensuring that a strategic plan will be in place at the start of the performance period, FSA officials and other employees might not fully understand what is expected of them or how they will be evaluated during the first year of the 5-year performance period. Additionally, stakeholders, including the President and Secretary, could not effectively evaluate FSA's performance and did not have information necessary to hold FSA leaders accountable for improving the administration and modernizing the delivery of student financial assistance under the HEA.

We also found that former secretaries and former COOs for FSA have not executed performance agreements for the COOs since FY 2015. The HEA requires the Secretary and the COO for FSA to enter into an annual performance agreement that sets forth measurable organization and individual goals. The law also requires the agreement to be made publicly available. Without timely executing performance agreements that are publicly available, the ability of stakeholders, including the President and the Secretary, to hold the COO accountable for FSA's performance as a performance-based organization diminishes.

Based on our findings, we recommended that the COO for FSA design and document processes to guide FSA through future strategic planning. We also recommended that the Secretary and the COO for FSA ensure that they timely execute and make publicly available the COO's annual performance agreement. FSA did not agree with all of our findings or our recommendations, but proposed actions that, if implemented, would address our recommendations. [FSA Report](#)

The Department's Activities Surrounding the Sale of Postsecondary Schools to Dream Center Education Holdings

In June, the OIG issued a report on its inspection of the Department's activities involving Dream Center Education Holdings, LLC's (Dream Center) purchase of 13 for-profit postsecondary schools from Education Management Corporation (EDMC). The inspection sought to describe (1) the involvement of the Department in transactions among EDMC, Dream Center, Education Principle Foundation, and a service provider and the steps the Department took to protect students and taxpayers; (2) how the Department drew down and applied surety funds from letters of credit for EDMC and Dream Center and how the Department ensured that the surety funds were used in accordance with the terms of the provisional program participation agreements and any other requirements; and (3) how the Department ensured that Dream Center complied with requirements for drawing down and disbursing Title IV program funds.

We found that, during its review of the planned transactions, the Department identified significant financial risks associated with Dream Center's purchase of the 13 schools—including Dream Center's loss of the financial backing of an investor

who was to provide at least 50 percent of the funds for the purchase, Dream Center's lack of experience investing in or operating schools participating in the Title IV programs, potential cash flow issues, and more than a decade of failing financial health scores for all 13 schools. Since October 2006, the Department had been requiring EDMC to post letters of credit to mitigate the significant financial risks posed by these schools' continued noncompliance with financial responsibility regulations. As of September 2017, the Department was requiring EDMC to post letters of credit totaling about \$194 million, 15 percent of the Title IV funds that its schools received during the prior fiscal year. Despite the risks it identified during the review of Dream Center's purchase of the schools, the Department deviated from FSA's financial analysis procedures and reduced the letter of credit amount from 15 percent to 10 percent (about \$108 million) of the Title IV funds that the schools received during the prior fiscal year. It also issued temporary provisional program participation agreements to all 13 schools.

We also found that in May 2018, the Department took the unprecedented action of approving temporary nonprofit status for two schools that were in a preaccredited status. The approval of the temporary nonprofit status was retroactive to the date of Dream Center's purchase of the schools. The Department took this unprecedented action despite not having made a final decision about whether the two schools satisfied all aspects of the regulatory definition of a nonprofit school. From the change in ownership on January 21, 2018, through May 2, 2018, the two schools received about \$12 million in Title IV funds, even though for-profit schools in a preaccredited status are not eligible to continue participation in Title IV programs.

In December 2018, the Department convened a meeting between Dream Center, its lenders, and any parties interested in acquiring the 13 schools that Dream Center purchased from EDMC. Those discussions culminated in a January 2019 purchase agreement for Education Principle Foundation to acquire 4 of the 13 schools. Because of the speed with which the transaction took place and the threat of the four schools' immediate closures, the Department made decisions before completing its due diligence. Similar to its handling of Dream Center's purchase of the 13 schools from EDMC, the Department's handling of the proposed sale of



4 schools to Education Principle Foundation deviated from Federal regulations and FSA's financial analysis procedures. In this case, rather than waiting for the required (by 34 C.F.R. § 600.20(h)(3)) approval of the change in ownership by accrediting agencies and State agencies, the Department extended the four schools' temporary provisional program participation agreements that were expiring in February 2019 based on oral and email assurances from accrediting agencies and State agencies that they would approve the sale of the schools. The Department also agreed to limit the letter of credit requirement for Education Principle Foundation to the minimum 10 percent of the Title IV funds that the four schools received in the prior fiscal year. However, the Department had not received financial statements for the previous 2 years from the highest level of ownership (Education Principle Foundation). According to 34 C.F.R. section 600.20(g) and FSA's "Financial Analysis Procedures," absent financial statements for the previous 2 years from the highest level of ownership, the required letter of credit amount should be 25 percent of the Title IV funds the schools received in the prior fiscal year.

Because the Department extended their temporary provisional program participation agreements even though they should have been deemed ineligible when their agreements expired on February 28, 2019, the four schools received more than \$207 million in Title IV funds from March 1, 2019, through December 31, 2019. Because it lowered the required letter of credit amount, The Department had about \$42 million less to protect the interests of students and taxpayers.

In May 2018, the Department drew down the entire amount of the letters of credit (almost \$108 million) that it had required EDMC to post for the 13 schools it sold to Dream Center because Dream Center failed to post its own letter(s) of credit by the deadline. In June 2018, Dream Center notified the Department that it planned to close 5 of the 13 schools that it had purchased from EDMC and the branch campuses of 5 other schools by December 31, 2018. At Dream Center's request—but contrary to the terms of the EDMC letters of credit—the Department agreed to release as much as \$50 million in surety funds to pay the operating expenses of the school locations that Dream Center was closing. Typically, surety funds held by the Department are designated to cover potential refunds to students, the additional costs that other postsecondary schools incur to teach out students who are transferring from the closing schools, loan discharges, and liabilities that the closing schools might owe to the Department.

Before Dream Center, the Department had never allowed an entity to use surety funds to cover the operating expenses that schools incurred to continue teaching

“Before Dream Center, the Department had never allowed an entity to use surety funds to cover the operating expenses that schools incurred to continue teaching students at the closing schools. This unprecedented decision resulted in Dream Center receiving more funds than its schools normally would have received had they not been closing (\$57 million instead of \$17 million).

students at the closing schools. This unprecedented decision resulted in Dream Center receiving more funds than its schools normally would have received had they not been closing (\$57 million instead of \$17 million).

According to the then-Principal Deputy Under Secretary and data from the National Student Loan Data System provided by FSA, allowing Dream Center to use surety funds to cover the operating expenses of the 27 closing school locations through the end of December 2018 ensured that more than half of the approximately 9,300 students attending the schools could complete their education at the closing school locations or transfer to other postsecondary schools. According to the Department, as of November 2020, the potential closed school loan discharges for students who attended those schools totaled about \$97 million for about 3,300 students.

Also, according to the Principal Deputy Under Secretary, the General Counsel for the Department determined that there was no legal prohibition on using surety funds to pay the operational expenses of schools that were closing but had not yet closed, and the Secretary approved the decision. The Principal Deputy Under Secretary then signed the agreements allowing Dream Center to use surety funds to pay the operational expenses of schools that it was closing. The Principal Deputy Under Secretary also signed Department documents authorizing the releases of surety funds. However, both those actions are operational activities delegated to and the responsibility of the COO for FSA, not the Office of the Under Secretary (Section 141 of the HEA and a 2008 Delegation of Authority from the Secretary).

Finally, the Department's oversight was not rigorous enough to ensure that Dream Center complied with requirements for drawing down and disbursing Title IV funds. Rather than applying more rigorous cash monitoring, the Department used the same cash monitoring procedures it was using before Dream Center purchased the 13 for-profit postsecondary schools. Under those procedures, a school must first credit a student's account for the Title IV funds that the student is eligible to receive and pay any credit balance due to the student before drawing any Title IV funds. However, the school is not required to provide evidence that it adhered to this requirement. We found that from July 1, 2018, through March 31, 2019, Dream Center drew down at least \$80 million in Title IV funds before its service provider paid Title IV credit balances to students.

Based on our findings, we recommended that the COO for FSA ensure that records of decisions regarding changes in ownership, changes in accreditation status, percentage of required letters of credit, or Title IV cash monitoring that deviates from the regulations or FSA policy are created and retained; design and implement policies and procedures for reviewing and approving schools' applications for conversions from for-profit to nonprofit status; and ensure that FSA creates and retains records explaining its decisions to deviate from prescribed policy for letter of credit requirements and temporary provisional program participation agreement extensions during a change in ownership and records explaining how the interests of students and taxpayers are adequately protected. We also recommended that the Secretary of Education clarify the functional statements for the Office of the Under Secretary and FSA to clearly state whether and in what circumstances the Under Secretary may, consistent with the provisions of the HEA governing FSA as a performance-based organization, exercise the Secretary's authority to direct

the operations of FSA. The Department disagreed with three of our findings but generally agreed with one finding. The Department agreed with one of our recommendations, neither agreed nor disagreed with two recommendations, and disagreed with two recommendations. Although the Department disagreed with two recommendations, it stated that FSA will prepare materials for escalation and approval by documenting deviations from standard procedures or established practices. [Dream Center Report](#)

Free Application for Federal Student Aid Verification Process

To ensure that the information students and parents provide on the Free Application for Federal Student Aid (FAFSA) is accurate, the Department requires colleges and universities to verify the accuracy and completeness of the information on the FAFSA, and to confirm that the student is eligible to receive Federal financial aid based on the expected family contribution calculation. Schools must then report the results of the verification to the Department. Verification helps ensure that students receive the appropriate amount of Federal financial aid and is an important control to prevent improper payments of Federal financial aid. In recent [Semiannual Reports to Congress](#), we highlighted a series of audits we conducted to determine whether selected schools completed verification of applicant data in accordance with Federal requirements and accurately reported the results to the Department. During this reporting period, we issued another report in this series that examined FSA's control activities over institutional processes for completing verification and reporting verification results in accordance with Federal requirements. A summary of our findings follows.

FSA Controls Over the School Verification Process

Our inspection found that FSA implemented control activities over institution processes for completing verification procedures and reporting verification results. Specifically, we identified five significant control activities over these processes: annual compliance audits, program reviews, W code reports, management information system reports, and verification guidance. We also determined that FSA performed ongoing monitoring of the verification guidance control activity; however, it did not monitor the other control activities on a regular basis. Further, and as noted in our inspection, in September 2018, FSA's Enterprise Risk Management (ERM) internal review group released the results of its separate evaluation of FSA's verification processes that identified weaknesses in each of the five control activities it reviewed. (The five control activities covered in the ERM Report are annual compliance audits, program reviews, W code reports, management information system reports, and FSA's A-123 assessments of its controls over school eligibility requirements.)

Our examination of FSA's response to the ERM evaluation found that FSA did not always address the control issues identified and did not always determine the appropriate corrective actions or complete or document the corrective actions taken. FSA's ERM evaluation report included 12 recommendations for FSA to improve its verification control activities. FSA provided feedback or took actions to address several of the recommendations; however, for most of the 12 recommendations, FSA did not document whether it took corrective actions or determined that corrective actions were not warranted. Because it did not address all of the ERM evaluation

recommendations, FSA missed an opportunity to improve its verification control activities.

To address the issues identified, we recommended that FSA (1) establish and operate monitoring activities including ongoing monitoring, separate evaluations, or a combination of the two, to obtain reasonable assurance of the operating effectiveness of FSA's verification control activities; (2) establish processes to ensure that FSA management evaluates and documents corrective actions, including when corrective actions are not taken, for verification control weaknesses identified by monitoring activities; and (3) for issues identified with its verification control activities in the 2018 ERM evaluation and other monitoring activities, ensure that FSA management evaluates and documents corrective actions, or if corrective actions are not warranted. FSA agreed with the findings and all but one recommendation. [FSA Verification Report](#)

Schools' Use of Professional Judgment

Under section 479A of the HEA, professional judgment refers to the authority of a school's financial aid administrator, with adequate documentation and on a case-by-case basis, to adjust a student's cost of attendance or the values of the data items required to calculate the expected student or parent contribution, or both (professional judgment other than dependency override) to allow for treatment of an individual student with special circumstances. Under section 480 of the HEA, a financial aid administrator may also make a determination of independence for an otherwise dependent student with other unusual circumstances (dependency override). Special and unusual circumstances are conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. During this reporting period, we issued the first in what will be a series of reports on whether selected schools applied, documented, and reported their use of professional judgment, including dependency override, in accordance with the HEA. A summary of the report follows. We will share the results of additional work in this series in future Semiannual Reports to Congress.



National Aviation Academy of Tampa Bay's Use of Professional Judgment

Our audit found that National Aviation Academy of Tampa Bay, owned by National Aviation Academy of Mississippi, Inc., a for-profit corporation, and located in Clearwater, Florida, did not adequately document special circumstances for 34 of the 37 students for whom it applied professional judgment, including dependency override, for award year 2017–2018 or award year 2018–2019, and therefore was not in accordance with sections 479A and 480 of the HEA.

Although it did not adequately document its use of professional judgment, including dependency override, National Aviation Academy of Tampa Bay reported all instances of its use of professional judgment, including dependency override, to the Department's Central Processing System in accordance with the "Federal Student Aid Handbook, Application and Verification Guide." Specifically, we determined the following.

- National Aviation Academy of Tampa Bay did not adequately document its use of professional judgment other than dependency override in accordance with section 479A of the HEA for 28 (93 percent) of the 30 students in our nonstatistical random sample. The school adjusted the value of data items affecting gross income for each of these 28 students without documentation substantiating the students' special circumstances. The school's records did not show that the financial aid administrators considered income and support from all possible sources, as required by the school's policy, before submitting adjustments to the value of data items affecting gross income to the Department's Central Processing System. As a result of it adjusting the value of data items affecting gross income without substantiating special circumstances, National Aviation Academy of Tampa Bay made the 28 students eligible for and disbursed \$115,776 more in Pell grant funds than the students otherwise would have received.
- National Aviation Academy of Tampa Bay applied dependency override for seven students for award year 2017–2018 or award year 2018–2019. It adequately documented its use of dependency override in accordance with section 480 of the HEA for only one of the seven students. For the other six students, the school did not provide records adequately documenting that the financial aid administrators considered statements from third parties, such as a teacher, counselor, medical authority, clergy member, prison administrator, government agency, or court, attesting to the unusual circumstances or explaining that such statements from third parties were not available. Records for four of these six students included letters from individuals with unknown relationships to the students. For three of the six students, the school did not adequately document the financial aid administrators' determinations of independence. Without adequate documentation to substantiate unusual circumstances, National Aviation Academy of Tampa Bay increased the risk of awarding and disbursing more Federal student aid funds than those students otherwise would have been eligible to receive.

Based on our findings, we recommended that FSA require National Aviation Academy of Tampa Bay to provide additional records that adequately document its use of

professional judgment for 28 students or to return \$115,776 in Pell funds; require the school to review its records for the 401 students for whom the school applied professional judgment for award years 2017–2018 and 2018–2019 that we did not include in our nonstatistical random sample, identify records adequately documenting its use of professional judgment, and provide those records, along with a listing of the amount of Federal student aid funds that were disbursed to students, to FSA; and require the school to provide additional records that adequately document its determinations of independence for six students or to return to the Department the Pell funds improperly awarded to the students. The school disagreed with our findings and recommendations but stated that it has strengthened its professional judgment and dependency override policies. [National Aviation Academy of Tampa Bay Report](#)

Investigations

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 Federal student aid funds, significant civil fraud actions against entities participating in the Federal student aid programs, and hundreds of millions of dollars returned to the Federal government in fines, restitutions, and civil settlements.

Investigations of Schools and School Officials

The following are summaries of OIG investigations and links to press releases involving Federal student aid fraud and other fraud involving schools and school officials.

Chief Executive Officer of Divers Academy International Pled Guilty to Fraud, Agrees to Pay \$1.1 Million in Restitution (New Jersey)

The president and chief executive officer of Divers Academy International (DAI), a private for-profit commercial diving school, pled guilty to submitting bogus documents in order to receive Federal funds that her school wasn't entitled to receive. As a for-profit institution, the diving school was required to be accredited through an approved accreditation body to be eligible to participate in the Federal student aid programs. The U.S. Department of Veterans Affairs also relies upon the accreditation in evaluating the eligibility of veteran students to receive student aid funding. Given that more than 80 percent of the diving school's students received Federal student aid, the diving school stood to lose its largest source of tuition funding for its students if it lost its accreditation. Before 2012, the school had been properly accredited. However, when renewing its accreditation that year, the chief executive officer submitted fraudulent information to the accrediting authority, including reporting employment rates of the school's graduates at 81 to 84 percent, when the employment rates were closer to 50 to 60 percent, significantly lower than the rate required to maintain accreditation. The chief executive officer also provided fraudulent information pertaining to the school's holding of "advisory board" meetings required for accreditation to ensure that the school's curriculum would educate students to meet the current demands of the industry and prospective employers. In the school's accreditation application, the chief executive officer reported holding advisory board meetings on various dates, when in reality, the



school did not have a formal advisory board and did not regularly conduct meetings as required, and therefore did not satisfy the minimum accreditation requirements. As a result of her fraudulent actions, the school continued to participate in the Federal student aid programs. In pleading guilty, the chief executive officer agreed to pay \$1.1 million in restitution. [Press Release](#)

Owner-Operator of Training Domain Sentenced in \$109,000 Fraud Scheme (Florida)

The owner-operator of Training Domain, an educational institution offering business software application courses, was sentenced to 180 days of home detention, 3 years of probation, and was ordered to pay more than \$109,000 in restitution for fraud. From 2017 through 2019, the owner-operator solicited students to enroll in her school and assisted them in applying for Federal student aid, including creating false and fraudulent high school diplomas or their equivalents. Rather than using the loans and grant proceeds to hold classes at the school and for other educational purposes, the owner-operator kept the funds and split them with the students.

Quality Technical and Beauty College Agrees to Pay \$35,000 to Settle False Claims Allegations (Puerto Rico)

In our last [Semiannual Report to Congress](#) we noted that Advance Central College, a school that offered an accelerated learning program for high school completion, agreed to pay \$25,000 to settle allegations that it violated the False Claims Act. From 2014 through 2017, Advance Central College was alleged to have assisted another postsecondary school, the Quality Technical & Beauty College, by providing high school completion certificates to ineligible students in order for those students to receive Federal student aid to Quality Technical & Beauty College. During this reporting period, Quality Technical & Beauty College agreed to pay \$35,000 to settle its False Claims allegations associated with this matter.

Former Dean, Other Educators Indicted in Temple Business School Fraud Scheme (Pennsylvania)

The former Dean of Temple University's Richard J. Fox School of Business and Management was indicted on charges that he conspired and schemed to deceive the school's applicants, students, and donors into believing that the school offered top-ranked business degree programs, so they would pay tuition and make donations to Temple. Per the indictment, from 2014 until at least 2018, the former Dean conspired with others to submit false information about the school's online Master of Business Administration and part-time Master of Business Administration programs to *U.S. News & World Report* in order to inflate Fox's rankings in the annual U.S. News surveys of top business school programs. In May, one of the conspirators—a former school financial manager—pled guilty to conspiracy charges, admitting that she aided the dean in falsifying the submissions. In June, a former statistics professor at the business school pled guilty to his role in the scheme. [Press Release](#)

Former University of North Texas Financial Aid Office Employee Sentenced for Fraud (Texas)

A former financial aid employee at the University of North Texas was sentenced to 5 years of probation and was ordered to pay more than \$234,000 in restitution for fraud. From 2012 to 2017, the former employee used her position in the school's financial aid office and her ability to award and reject financial aid awards and grants to fraudulently award herself and her husband, both students at the school, student aid and other monetary grants. She also requested that her colleagues approve and process increases in her personal awards. As a result of her criminal efforts, the former employee and her husband received more than \$233,000 to which they were not eligible or entitled to receive. [Press Release](#)

Former Florida Memorial University Official Sentenced for Theft Involving Federal Work Study Funds (Florida)

A former official at Florida Memorial University was sentenced to serve 3 years of probation and was ordered to pay more than \$62,100 in restitution for theft of government funds. While working at the school, the official was in charge of the school's Federal Work Study program, which included placing students at work locations, keeping track of their hours, and allocating some \$340,000 in Federal Work Study funds each year. He used his position to recruit students to participate in a scheme where he would falsify their Federal Work Study time sheets in exchange for a portion of their earnings. The participants either did not work the hours for which they were paid or were allowed to work additional hours past their allocated award and would kickback almost half of their earnings to the official.

Investigations of Student Aid Fraud Rings

Below are summaries and links to press releases on 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. These cases are just a sample of the large number of actions taken against fraud ring participants during this reporting period.

Former Financial Aid Advisor and Current Defense Department Employee Arrested for Running a \$6.7 Million Fraud Ring (Maryland)

A Defense Contract Audit Agency employee was arrested and charged in connection to a 16-year long scheme to fraudulently obtain Federal student aid. The employee, who was once a financial aid advisor at a university, is alleged to have used the personally identifiable information of 65 people—some with their consent and others through identity theft—to fraudulently apply for admissions to and receive Federal student aid from 8 colleges. When the student aid award balances were received, the employee allegedly pocketed all of it, or occasionally shared a portion with a consenting participant. The employee is also alleged to have used a portion of the money to pay a company that he directed to complete the coursework for the straw students to maintain their eligibility for financial aid. Between 2005 and 2021, the straw students were allegedly awarded at least \$6.7 million in Federal student aid, with at least \$6.2 million disbursed to the straw students. [Press Release](#)

“Between 2005 and 2021, the straw students were allegedly awarded at least \$6.7 million in Federal student aid, with at least \$6.2 million disbursed to the straw students.”

Leader of \$1.2 Million Fraud Ring Pled Guilty (North Carolina)

A woman pled guilty to orchestrating a fraud ring that targeted more than \$1.2 million in Federal student aid at a number of schools, including Asheville Buncombe Technical Community College, Grantham University, Guilford Technical Community College, Miller-Motte Technical College, Pitt Community College, Strayer University, Ultimate Medical Academy, Wake Technical Community College, and Wayne Community College. From 2012 to 2019, the ring submitted enrollment and student aid applications on behalf of students who had no intention of attending the schools, and most did not have a high school diploma or its equivalent so were ineligible to attend the schools or receive the aid. The ring also submitted fraudulent placement test scores to satisfy eligibility and completed online assignments for enrolled students. The ringleader used her bank to receive Federal student aid award balances and provided ring participants with a portion of the money.

Member of \$870,000 Fraud Ring Sentenced (California)

In our last [Semiannual Report](#), we highlighted our case involving three women who were arrested for their roles in a fraud ring that targeted more than \$1 million in Federal student aid. During this reporting period, the leader of the ring was sentenced to serve 30 days in prison, followed by 3 years of supervised release, and was ordered to pay nearly \$870,000 in restitution. The woman and her co-conspirators obtained the personally identifiable information of 235 people—including victims of identity theft and inmates in California State prisons—that was then used to apply for admissions to and receive student aid from Fullerton College and other schools. As a result of their actions, more than \$1 million in Federal student aid was disbursed to the straw students.



Member of \$600,000 Fraud Ring Pled Guilty (Michigan)

A woman pled guilty to fraud and identity theft for her role in a fraud ring that targeted more than \$600,000 in Federal student aid. From 2015 through 2016, the woman and others obtained the personally identifiable information of unwitting people that was then used to apply for admissions to and receive Federal student aid for online courses at several colleges, including Wayne County Community College. The woman completed and submitted fraudulent FAFSAs and other forms and directed the student aid award balances to her residence or to bank accounts that she controlled. When she received the money, she shared a portion with her conspirators.

Leader of \$500,000 Fraud Ring Pled Guilty (Mississippi)

A woman pled guilty to orchestrating a fraud ring that targeted more than \$500,000 in student aid. The ring used the identities of other people—both with and without their knowledge—to apply for admissions to and receive Federal student aid from schools including Walden University, Colorado Technical University, and Purdue University Global, knowing that those people had no intention of attending classes or completing coursework. For those participants who willingly provided their information to the ringleader for use in the scam, the ringleader shared a portion of the student aid award balance once received. The other people had no knowledge that the ringleader had possession of their personally identifiable information nor were they aware that it was used to apply for student aid.

Second Leader of \$193,700 Fraud Ring Sentenced (California)

In a recent [Semiannual Report](#), we highlighted our case involving a fraud ring that fraudulently obtained more than \$193,000 in student aid. At that time, one of the two ringleaders was sentenced for her role in the scam. During this reporting period, the second ringleader was sentenced, ordered to serve 30 months in prison followed by 3 years of supervised release, and to pay more than \$193,700 in restitution. Beginning in 2014, the ringleaders and others obtained the personally identifiable

information of people, most of whom were incarcerated in California prisons, to act as “straw students.” The duo and their co-conspirators used the information to apply for admissions to and receive Federal student aid from Liberty University on behalf of the straw students, knowing that these straw students would never attend any classes. The ring completed all required forms and supplied all contact information, including addresses that were under the control of the ring members. This enabled them to receive the student aid award balances.

Investigations of Other Student Aid Fraud Cases

The following are summaries and links to press releases on the results of additional OIG investigations into abuse or misuse of Federal student aid.

Woman Pled Guilty to Wire Fraud and Aggravated Identity Theft Involving Multiple Federal Programs (Hawaii)

A woman pled guilty to running fraud and identity theft schemes, including a Federal student aid fraud scheme. Specific to Federal student aid fraud, from 2011 through 2017, for college-bound students the woman prepared and submitted false student loan, grant, scholarship, and financial aid applications and documents that requested money from public and private educational-based financial assistance and aid providers. She transferred some student aid award balances to her personal bank accounts and other bank accounts she controlled, then spent the money on her own personal and other expenses, such as for home construction, retail purchases, and her bills. [Press Release](#)

Former University of North Texas Student Sentenced for Fraud (Texas)

A former University of North Texas student was sentenced to serve 6 months in prison and 3 years of supervised release, and she was ordered to pay more than \$42,400 in restitution for fraud. While attending the school, the woman submitted requests to the financial aid office to increase her loan amounts using fraudulent expenses supported by fictitious receipts. Some of those fictitious expenses included childcare for children that she did not have. As a result of her fraudulent efforts, the woman received Federal student aid to which she was not entitled.



Former Financial Advisor Sentenced for Stealing from Elderly Client, Used Portion of the Money to Pay Off Student Loan Debt (Massachusetts)

A man was sentenced to prison for defrauding an elderly victim and her bank by stealing the woman's retirement assets. The man was her former financial advisor with power of attorney over fiduciary responsibilities for her. The woman, however, terminated that advisor relationship and revoked the power of attorney in July 2019. About 9 months after he was notified that the victim had terminated the relationship, the man accessed and liquidated the victim's bank account, transferring more than \$250,000 of the victim's retirement assets into his own bank account. He used a portion of the stolen funds for personal expenses, including paying off more than \$100,000 in Federal student loan debt. The man forged the victim's signature on a purported "gift letter" that he sent to the bank in an attempt to legitimize the fraudulent transfer. The former advisor was sentenced to serve 33 months in prison, followed by 2 years of supervised release, and was ordered to pay more than \$310,400 in restitution. [Press Release](#)

Business Owner Sentenced to Prison for Tax Evasion, Fraudulently Received Pell Grants (Missouri)

A man was sentenced to 2 years in prison without parole and was ordered to pay some \$758,500 in restitution for tax evasion. The man owned a successful satellite cable and internet service provider and installation business, yet fraudulently underreported business net income and paid for personal expenses from his business accounts. As a result, he fraudulently lowered his adjusted gross income so that when reported on the FAFSA, it enabled two of his sons to receive more than \$35,400 in Pell grants for which they were not eligible. His sons also received Medicaid benefits and free or reduced school lunches for which they were not eligible. [Press Release](#)

Woman Sentenced for Stealing from Multiple Federal Programs Including Federal Student Aid (Oregon)

A woman was sentenced to 3 years of probation and was ordered to pay more than \$83,700 in restitution for theft of government funds. The woman and her son fraudulently obtained Federal assistance, including Federal student aid, by using a second Social Security number. Although she reported her legitimate income on tax forms using her legitimate Social Security number, she used the second number to report little to no income and submitted that information on FAFSAs that enabled her son to receive more than \$16,600 in Pell grants.

Student Loan Debt Relief Fraud

The following is a summary of a student loan debt relief fraud case where the OIG assisted in the investigation.

Owner of Debt Relief Businesses Arrested in Multimillion Student Loan Debt Fraud (California)

The owner of a network of third-party debt relief businesses and others were arrested for their alleged roles in a multimillion-dollar student loan debt relief fraud scam. Between 2017 and 2020, the owner and others are alleged to have contacted 380,000 student loan borrowers across the country promising to reduce or eliminate



their Federal student loan debt. Instead, they allegedly stole more than \$6.1 million from more than 19,000 unsuspecting borrowers in less than 3 years. The conspirators allegedly feigned an association with the U.S. Department of Education and, without authority to do so, guaranteed borrowers' enrollment in programs that would lower their monthly payments and result in loan forgiveness. By leading victims to believe they were with the Department or that they were a commercial entity with the power to acquire loans or enroll students in a Federal loan forgiveness plan, they allegedly led borrowers to divulge personal identifying information and then used that information to access and make changes to borrowers' FSA accounts without consent. Each victim paid—or was scheduled to pay—up-front fees and additional monthly fees totaling over \$1,000 for services that Federal loan servicers provide at no cost. Most victims believed these payments were being applied toward their student loan debt when, in reality, they were not. This belief led many of the victims to stop making their monthly payments on their actual student loans, which resulted in late payment notifications, increased loan balances, and sometimes, defaulting on their student loans. [Press Release](#)

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

- **FBI Cyber Crime Investigations Task Force.** The OIG is a member of this task force of Federal, State, and local law enforcement agencies conducting cybercrime investigations nationwide, with agents physically located in Washington, D.C., and Boston, Massachusetts. OIG agents are currently assisting with investigations in Colorado and Arkansas in association with this task force.

Reviews of Legislation, Regulations, Directives, Memoranda and Other Activities

- **Department's Dear Colleague Letter on the Expansion of Collections Pause to Defaulted Federal Family Education Loan Program Loans Managed by Guaranty Agencies.** The OIG provided a comment in our unique area of responsibility regarding a proposed requirement that lost revenue calculations be attested to by an independent auditor.
- **Department's Dear Colleague Letter on the Financial Responsibility Supplemental Schedule Audit Requirement.** The OIG provided comments both for clarity and in the OIG's unique area of responsibility.



Elementary and Secondary Education Programs

The Department administers more than 100 programs that involve 56 States and territorial educational agencies, nearly 18,400 public school districts, 132,000 schools, and numerous other grantees and subgrantees. Effective oversight of and accountability in how these entities spend the Department funding they receive is vital. Through our audit work, we identify problems and propose solutions to help ensure that the Department's programs and operations meet the requirements established by law and that federally funded education services reach 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 holding them accountable for their unlawful actions.

Audits

During this reporting period, we issued two reports specific to elementary, secondary, and special education. The first report involved the Department’s oversight of the Student Support Academic Enrichment program—a multibillion-dollar formula grant program authorized under the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act, aimed at increasing the capacity of States, local educational agencies, schools, and local communities to: provide all students with access to a well-rounded education, improve school conditions for student learning, and improve the use of technology in order to improve the academic achievement and digital literacy for all students. The other audit was the Replication and Expansion of High-Quality Charter Schools. The Consolidated Appropriations Act of 2010, Division D, Title III (Public Law 111–117) authorized the Department to competitively award grants from funds made available for the Charter Schools Program to nonprofit charter management organizations and other nonprofit entities for the replication and expansion of successful charter school models. Summaries of these reports follow.

The Department’s Oversight of the Student Support and Academic Enrichment Program

We conducted an audit of the Department’s oversight of the Student Support Academic Enrichment program that sought to determine whether the Department is providing adequate oversight of grantee performance and funds awarded under the program and is ensuring that State educational agencies (SEA) are meeting the program’s reporting requirements.

We found that the Office of Safe and Supportive Schools (OSSS), the Department office responsible for administering the Student Support and Academic Enrichment (SSAE) program, provided inadequate oversight of grantee performance and funds awarded under the SSAE program. Although OSSS had provided some general oversight, its formal monitoring activities were limited to ensuring that grantees were obligating and spending funds by established deadlines. Specifically, OSSS had conducted a formal monitoring review of just 1 of the 52 SSAE grantees (2 percent) since the inception of the program in FY 2017. It had one additional



on-site monitoring visit scheduled for 2020 that was not conducted due to the pandemic. We also found the following.

- OSSS had not ensured that SEAs were meeting all reporting requirements. Although OSSS made efforts to ensure that SEAs submitted SSAE data required to be reported through the Consolidated State Performance Report, it did not ensure that SEAs were collecting SSAE data from their local educational agencies or that the SEAs were publicly reporting SSAE data, as required.
- OSSS Did not always develop, finalize, and implement monitoring plans to monitor grantees' performance and use of funds, as we found that even though it first awarded SSAE funds in FY 2017, OSSS did not begin developing a monitoring plan until FY 2019. We found no evidence that this monitoring plan was finalized and fully implemented in FY 2019 or FY 2020, but did find that OSSS developed and finalized a monitoring plan for FY 2021.
- OSSS could improve its risk assessment process by considering additional risk factors in calculating risk scores. OSSS developed a risk assessment tool in FY 2020 to assess grantee risk and better inform its monitoring efforts. The SSAE risk assessment tool is based upon eight key indicators. Although all of the indicators are appropriate for assessing grantee risk, the tool did not include the Entity Risk Review internal controls risk score, which reflects an entity's level of compliance with Department and program rules and regulations, as tested in A-133 single audits.

OSSS' inadequate oversight of SSAE grantees means that OSSS has little assurance that grantees are making progress toward program goals and objectives and has

limited insight as to how grantees and subgrantees are using grant funds. OSSS also lacks assurance that SEAs are conducting required monitoring of their subgrantees. Since OSSS has not ensured that SEAs are meeting all reporting requirements, OSSS is ill-positioned to identify and assist struggling grantees that do not reach out to them for assistance and would seem to be generally unaware of program performance and funds usage overall. Further, inadequate monitoring increases the risk that grantees will misuse grant funds and this risk could increase as SSAE grantees realize that the Department is not monitoring them.

Based on our findings, we made seven recommendations, including that OSSS develop, finalize, and implement adequate plans to monitor SSAE grantees' performance and to ensure that funds are being used for allowable activities under the program; make efforts to assure that SEAs are meeting public reporting requirements; and consider the Entity Risk Review internal controls score or applicable findings in A-133 single audit reports as part of its risk assessment process. Additionally, we recommended that the Deputy Secretary develop regulations or nonregulatory guidance pertaining to SEA public reporting requirements for SSAE data, to include timeframes for reporting the required data. The Department agreed with the finding and recommendations and stated that it has already taken or plans to take corrective actions to address the recommendations. [SSAE Report](#)

InspireNOLA Charter Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools

The audit sought to determine whether InspireNOLA, a nonprofit charter management organization that serves 5,500 students at 8 charter schools in New Orleans, Louisiana, reported complete and accurate information on the annual performance reports that they submitted for their grants and spent grant funds in accordance with Federal cost principles and their approved grant applications. Our findings included the following.

- **Annual Performance Reports Were Incomplete and Inaccurate.** Despite certifying that annual performance reports were true, complete, and accurate, InspireNOLA Charter Schools did not report complete and accurate information for all performance measures on which it was required to report in its 2017, 2018, and 2019 annual performance reports on the Replication and Expansion grant. Additionally, it did not always retain records to support the performance measures information included in the annual performance reports. As a result, the Department might not have had all the information it needed to determine whether InspireNOLA Charter Schools was making substantial progress in achieving the performance goals for its Replication and Expansion grant and eligible for continuation awards.
- **Inadequately Documented and Unallowable Costs Were Charged to the Replication and Expansion Grant.** We reviewed records for statistical random samples of \$467,893 (37 percent) of the \$1,268,278 in expenditures that InspireNOLA Charter Schools charged to its Replication and Expansion grant from October 1, 2016, through September 30, 2019. Of the \$467,893, \$223,348 (48 percent) was inadequately documented or unallowable.

Based on the results of our statistical random samples, we estimated that about \$427,995 (34 percent) of the \$1,268,278 in expenditures that InspireNOLA Charter Schools charged to its Replication and Expansion grant from October 1, 2016, through September 30, 2019, was inadequately documented or unallowable.

- **Audit Scope Limitation.** As noted in our report, we experienced a scope limitation by InspireNOLA while conducting this audit. Because of the pandemic, we were unable to conduct a planned onsite physical inventory of technology items purchased with the Replication and Expansion grant funds. We made multiple attempts to contact InspireNOLA Charter Schools officials to discuss an alternative way to complete this audit procedure. We arranged a virtual inventory with the help of grantee officials, but they did not follow through with the arrangement. After we then learned InspireNOLA Charter Schools officials had since contacted the Office of Elementary and Secondary Education program officer responsible for overseeing Replication and Expansion grants, we concluded that InspireNOLA Charter Schools officials should have been available to help us complete the virtual inventory. This scope limitation represents a violation of the terms of InspireNOLA Charter Schools' Replication and Expansion grant and Federal regulations, which require a grantee to provide the OIG with access to all records pertinent to the grant.

We made nine recommendations to address the issues identified. Among other things, we recommended that the Department take appropriate action against InspireNOLA Charter Schools for violating the requirement for providing access to pertinent records to the OIG; require InspireNOLA Charter Schools to provide records supporting the performance measures on which it did not report in the 2017, 2018, and 2019 annual performance reports; provide records supporting the inadequately documented or unallowable expenditures; and conduct a physical inventory and provide the Department with visual evidence of the existence of technology items charged to the grant. InspireNOLA Charter School officials did not agree with all of our findings or recommendations but noted where it would follow specific recommendations. [InspireNOLA Report](#)

Investigations

OIG investigations in the elementary, secondary, special, and vocational education areas include criminal investigations involving bribery, embezzlement, and other unlawful activity, often involving State and local education officials, educational services providers, and contractors who abused their positions of trust for personal gain. Examples of some of these investigations and links to press releases follow.

Investigations of School Officials, Vocational Agency Officials, Contractors, and Educational Services Providers

The following are summaries of OIG investigations involving K–12 school officials and contractors.

Former Secretary of the Puerto Rico Department of Education Pled Guilty to Fraud Charges (Puerto Rico)

The former Secretary of the Puerto Rico Department of Education (Puerto Rico DOE) pled guilty to conspiracy to commit wire fraud and honest services fraud. The former Secretary and others used their positions to benefit and enrich themselves with Federal funds, specifically by awarding contracts through a corrupt bidding process. This included a \$95,000 professional services contract that the Puerto Rico DOE awarded to a contractor with close ties to the former Secretary despite being unqualified under the terms of the contract request for proposal.

Former Mayor Sentenced for Role in Public Corruption Charges (Puerto Rico)

The former Mayor of the Municipality of Sabana Grande was sentenced to 5 years of probation and was ordered to pay more than \$130,600 in restitution for fraud. As reported in a previous [Semiannual Report](#), the Mayor, on behalf of the Municipality and in conjunction with members of the Puerto Rico Olympic Committee and the owner of Administrative, Environmental, and Sports Consultants, entered into a contract whereby the municipality subcontracted with the Olympic Committee and the company to provide training for public school teachers. Based on the rules governing the grant funds provided to the Puerto Rico DOE, the municipality was precluded from subcontracting the services for the training to nongovernmental entities; however, the municipality submitted falsified records to bypass the rules and obtain the funding. As a result of those false claims, the Puerto Rico DOE disbursed more than \$1.7 million to the municipality, of which the municipality provided \$1.3 million to the Olympic Committee and the consulting company. The municipality agreed to pay \$500,000; the Olympic Committee previously paid \$700,000 pursuant to an out-of-court settlement; and the United States seized more than \$1 million from bank accounts belonging to the owner of the consulting company.

Computer Learning, Inc., Agrees to \$200,000 Settlement (Puerto Rico)

Computer Learning, Inc., a Puerto Rico DOE contractor specializing in computer training and educational support services, agreed to pay \$200,000 to settle claims that it violated the False Claims Act. It was alleged that between June and October 2015, the company billed Puerto Rico DOE for 400 services, including services related to teachers' coaching, that were never provided.

More Actions Taken in Virtual Education Fraud Scheme (Alabama)

In our last [Semiannual Report](#), we highlighted our investigation involving the indictment of six people for their alleged roles in fraud scheme involving Alabama's virtual school: the former superintendent of the Athens City Schools district, the former superintendent of the Limestone County School district, the current executive director of planning for the Athens City Schools district, a former employee of the Athens City Schools district, and two other conspirators. During this reporting period, the superintendent of Limestone County Schools and the two conspirators pled guilty for their roles in the scheme. The three pled guilty to fraudulently enrolling students in virtual public schools and then falsely reported those students to the Alabama State Department of Education. They obtained

student identities to use in their scheme from various private schools located across the State by offering the private schools various inducements—including computers, direct payments, and access to online curriculum—to persuade the private schools to share their students’ academic records and personally identifiable information with the public school districts. The conspirators created fake report cards, manufactured false addresses for students of the private schools who lived outside of Alabama, and submitted falsified course completion reports to the Alabama State Department of Education, who then paid the school districts millions of dollars for the cost of supposedly educating these private school students, who at no time attended the virtual public schools. They allegedly skimmed a portion of that State money for their personal use. [Press Release](#)

Owners-Operators of Teacher Certification Exam Preparation Company Pled Guilty to Racketeering, Theft (Florida)

The owners-operators of NavaEd, a tutoring and training company that specialized in preparing prospective Florida educators to take and pass the Florida Teacher Certification Exams and Florida Educational Leadership Examinations, pled guilty to running a far-reaching conspiracy scheme to steal, defraud, and profiteer by cheating the State's educator testing, certification, and licensing process. NavaEd offered tutoring and training to prepare prospective Florida educators to successfully take and pass the teacher certification and leadership exams. Passing these exams is required for certification in Florida. NavaEd offered training publications for sale worldwide directly through its website and through third-party e-commerce websites such as Amazon and Shopify. The two owners took both exams multiple times—after having already passed the exams—to see and memorize, or harvest, as many different exam questions as possible. They also directed NavaEd employees and independent contractors to take the both exams for the purpose of harvesting exam questions and answers. [Press Release](#)

Three School District Employees Charged with Fraud Scheme (New York)

Three employees of the Syracuse City School District were charged with engaging in a scheme to defraud the school district’s Twilight Program—an after-school credit recovery program to help students graduate on time. The employees allegedly falsified time sheets claiming to have worked hours that they did not, created a fake home visit log to falsely claim they were visiting Twilight students at their homes, and added phony Twilight classes to a roster to make it appear as if there were actual classes that needed to be taught.

“The owners-operators of NavaEd, a tutoring and training company that specialized in preparing prospective Florida educators to take and pass the Florida Teacher Certification Exams and Florida Educational Leadership Examinations, pled guilty to running a far-reaching conspiracy scheme to steal, defraud, and profiteer by cheating the State's educator testing, certification, and licensing process.”

Former Executive of the South Central Ohio Computer Association Sentenced (Ohio)

In a previous [Semiannual Report](#), we noted that the former director of Communications and Instructional Technology for the Office of Catholic Schools, an arm of the Roman Catholic Diocese of Columbus Department of Education, was sentenced, and the executive director of the South Central Ohio Computer Association, the school district's internet services supplier, pled guilty to false claims charges related to the Federal E-Rate program. During this reporting period, the former executive was sentenced to serve 60 months in prison, followed by 3 years of supervised release, with restitution to be ordered at a future time. The two negotiated a contract between the school district and the company whereby the company would supply internet access for 5 years at an annual cost of \$600,180. The contract specified that it was only for internet access, which was an E-Rate eligible service. The charges, however, were inflated and included expenses that were not eligible for E-Rate funding. The two knew the charges under this contract were inflated, which included \$142,500 in undisclosed or hidden expenses. The former executive director, whose company had contracts with other Ohio public and private schools, unlawfully withheld E-rate reimbursements to schools, or would pay schools reimbursements one to two years later than was requires and would use the funds from one funding year to reimburse what was owed for previous funding years.

Investigations of Charter Schools and Charter School Officials

The following are summaries and links to press releases on OIG criminal investigations involving charter schools and charter school officials. These now-former school leaders were in control of or in positions overseeing Federal education programs.



Former Superintendent of Houston Gateway Academy Sentenced for Fraud (Texas)

The former superintendent of Houston Gateway Academy (a charter school in Texas) was sentenced to serve 60 months in prison followed by 3 years of supervised release and was ordered to pay more than \$191,200 in restitution and fines for his role in a contract award kickback scheme. The former superintendent conspired with a full-time school employee who at the time was also the owner of an information technology company called Hot Rod Systems to award a contract to Hot Rod Systems totaling more than \$280,800 for the installation and configuration of information technology network equipment at a new school campus, when the two knew that construction on the campus had not yet begun. Within days of the payment, the contractor wired more than \$164,300 to the superintendent's personal bank account that he then used for his personal benefit. The former employee/contractor was sentenced to serve 5 years of probation and was ordered to pay nearly \$157,000 in restitution. [Press Release](#)

Founder and Former Superintendent of Zoe Learning Academy Pled Guilty (Texas)

The founder and superintendent of the now-closed Zoe Learning Academy, a charter school in Houston, pled guilty to charges related to embezzling funds intended for the school's operation that he used for his personal expenses, including legal fees, a lawsuit settlement, and purchase of a timeshare. After the school ceased operations, the founder, as the school's agent, filed for bankruptcy and made various false statements under penalty of perjury in documents regarding payments to insiders, creditors, and others.

Former Richard Allen Academy Treasurer Sentenced (Ohio)

The former treasurer of the Richard Allen Academy was sentenced to 12 months of probation, was ordered to pay a \$250 fee, and was ordered not to work as a fiscal officer for a public entity in the future. The sentence is a result of an OIG investigation that followed an Ohio State auditor's report identifying waste and misspending at the Richard Allen Charter Schools totaling more than \$860,000 and allegations of ethics violations and conflicts of interest. The Ohio State auditor's report found that school officials chose to ignore their legal obligations and instead improperly spent hundreds of thousands of dollars intended for the education of children.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

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 between Federal, State, and local governmental organizations to improve performance and accountability.
- **Intergovernmental Audit Forums.** OIG staff serve on several 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.



Department Management and Operations

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

Audits and Reviews

OIG work completed over the last 6 months in this area includes statutory reviews involving the Department's compliance with the Payment Integrity Information Act of 2019, the Government Charge Card Abuse Prevention Act of 2012, and our audit of the Office of Civil Rights complaint dismissal process. Summaries of this work follow.

Improper Payments

Improper payments—payments that should not have been made or were made in the incorrect amount—have consistently been a government-wide issue and taking actions to reduce them is a requirement for Federal agencies. Actions include identifying susceptible programs, developing reliable methodologies for estimating improper payments, implementing effective corrective actions based on root cause analysis, and publicly reporting progress and results in doing so.

Signed into law in March 2020, the Payment Integrity Information Act of 2019 (PIIA) was enacted to improve government-wide efforts to identify and reduce improper payments. The PIIA consolidated agency reporting requirements from three improper payment laws—the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, and the Improper Payments Elimination and Recovery Improvement Act of 2012.

The PIIA requires each agency, in accordance with guidance prescribed by the Office of Management and Budget, to periodically review all programs and activities that the agency administers and identify all programs and activities that may be susceptible to significant improper payments. For each program and activity identified as susceptible to significant improper payments, the agency is required to produce a statistically valid estimate, or an estimate that is otherwise appropriate using a methodology that the Office of Management and Budget approved, of the improper payments made by each program and activity and include those estimates with the Agency Financial Report. To comply with the PIIA, an agency must meet six specific requirements; if it does not meet one or more of these requirements, then it is not compliant with the PIIA. The PIIA also requires each agency's inspector general to determine the agency's compliance with the statute in each fiscal year. As

part of the review, the law requires the inspector general to evaluate the accuracy and completeness of the agency's reporting and its performance in preventing and reducing improper payments.

Department's Compliance with Improper Payment Reporting Requirements for FY 2020

For FY 2020, we determined that the Department did not comply with the PIIA because it did not meet two of the six compliance requirements established under the PIIA: it did not demonstrate improvement in reducing improper payments in the William D. Ford Federal Direct Loan (Direct Loan) program, and reported improper payment rates that exceeded 10 percent for the Emergency Impact Aid and Immediate Aid to Restart School Operations (Restart) programs. We also found that the Department's improper payment risk assessment process needs strengthening. Specifically, the Individuals with Disabilities Education Act Part B quantitative risk assessment the Department performed did not adequately support the Department's conclusion as to the level of improper payment risk for the program, and the risk assessment the Department conducted on its contracts management activity was incomplete because it did not include FSA-managed contracts. Finally, we determined that the Department's improper payment sampling and estimation plans and estimates for five programs (the Federal Pell Grant, Direct Loan, Emergency Impact Aid, Restart, and Emergency Assistance to Institutions of Higher Education programs) that required an estimate for FY 2020 were not reliable. Specifically, for all five programs, neither the improper payment sampling and estimation plans the Department developed nor the improper payment estimates themselves were statistically valid and rigorous because they included the use of nonrandom samples, unsuitable sample weighting, or inaccurate and incomplete population sampling frames. In addition, the improper payment estimates were not statistically valid and rigorous because some of the data used in the calculations had not been verified for accuracy, the precision level for the estimates exceeded +/- 3 percent, or not all improper payments were accurately or completely included in the calculations.

Based on our findings, we made 9 recommendations. In general, we recommended that the Department submit to Congress a plan describing actions it will take to bring the Direct Loan, Emergency Impact Aid, and Restart programs into compliance with the PIIA; reassess the Individuals with Disabilities Education Act Part B program's risk for significant improper payments in the Department's FY 2021 annual improper payment review; ensure that the improper payment sampling and estimation plans for the Direct Loan, Pell, Emergency Impact Aid, Restart, and Emergency Assistance to Institutions of Higher Education programs are statistically valid and produce improper payment estimates that are statistically valid and reliable; and implement controls to ensure it uses quality data in its Direct Loan and Pell programs improper payment estimates, uses accurate and complete population sampling frames in its Emergency Impact Aid, Restart, and Emergency Assistance to Institutions of Higher Education programs' improper payment estimates, and accurately and completely include all improper payments in its Restart program improper payment estimate. The Department agreed with some but not all of our findings and recommendations.

[Improper Payments Report](#)

FY 2020 Risk Assessment of the Department's Purchase Card Program

As required by the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), we performed a review to analyze the risk of illegal, improper, and erroneous purchases and payments made through the Department's purchase card program, and to use the results to determine the scope, frequency, and number of periodic audits of purchase card transactions to perform in the future. For FY 2020, we assessed the Department's risk as moderate-high and determined that an audit or review of the program by OIG may be warranted, as we found weaknesses in the Department's monitoring activities that were not found in previous risk assessments, noted turnover of key staff involved with the program, and encountered significant and recurring delays receiving responses to our requests for information.

Specifically, we found that the Department has policies and procedures in place that address the applicable purchase card internal control requirements identified in the Charge Card Act and related Office of Management and Budget guidance. Most of these internal controls are documented in the Department's Purchase Card Management Plan and Department Directive Office of the Chief Financial Officer: 3-104, Government-wide Commercial Purchase Card Program (Directive). The Charge Card Act and the Office of Management and Budget Circular No. A-123, Appendix B, prescribe 81 internal control requirements relevant to government purchase card programs, although many of these overlap to varying degrees. We compared these requirements to Department policies and procedures and found that the Department adequately addresses each requirement. However, we found that some staff within the Contracts and Acquisitions Management Division—the Department office that coordinates the purchase card program—did not appear to be aware of the most recent Department Directive. Although the Contracts and Acquisitions Management Division provided some evidence of monitoring efforts, the efforts were seemingly less than those performed in previous years and revealed a number of weaknesses, resulting in our inability to determine whether it is adequately monitoring to reduce the risk that illegal, improper, and erroneous purchases are made within the purchase card program. For example, unlike past years, the Contracts and Acquisitions Management Division did not provide any evidence that six of the seven reports listed in the Department's Purchase Card Management Plan were generated or reviewed for FY 2020. These reports assist with the monitoring of the appropriateness of transactions, delinquency, and possible misuse of the purchase card. We found discrepancies in the documentation provided by the Contracts and Acquisitions Management Division supporting the review of transactions associated with the one report that was generated.

While conducting our risk assessment, we encountered significant and recurring delays receiving responses to our requests for information. This included delays in getting responses from Department staff and management to basic questions and requests for information, similar to what was requested in prior years' risk assessments, which necessitated several follow-up requests to obtain requested information and to obtain clarification of inadequate or unclear responses. We also determined that two of the key personnel that had been involved with the program in past years as back-ups to the Agency Program Coordinator, and who had worked closely with us on these risk assessments, left the Department in February 2020.

The Agency Program Coordinator's supervisor is also new to the Department and assumed the back-up Agency Program Coordinator role in January 2021.

We suggested that the Department ensure that applicable Contracts and Acquisitions Management Division staff are fully aware of purchase card program requirements and that an appropriate level of monitoring is performed and documented, consistent with the processes noted in the Purchase Card Management Plan, to help detect and prevent unauthorized use of purchase cards. The Department agreed with our suggestion and noted several efforts it had underway or had already completed to further improve the oversight and management of the Department's purchase card program. [Purchase Card Assessment](#)

The Office for Civil Rights Complaints Dismissal Process

The Office for Civil Rights (OCR) primary procedures for handling discrimination complaints are prescribed in its Case Processing Manual (CPM), including the conditions under which OCR may dismiss an allegation, or, if appropriate, a complaint in its entirety. In March 2018, OCR revised its CPM to include an entirely new provision (Section 108(t)) whereby a discrimination allegation or complaint could be dismissed in its entirety. In November 2018, OCR revised its CPM again, reversing some of the changes made in the March 2018 version, to include eliminating Section 108(t). In conjunction with the issuance of its November 2018 revised CPM, OCR indicated publicly that it planned to open complaints previously dismissed under Section 108(t) as directed investigations. We conducted an audit to determine whether complaints initially dismissed by OCR as a result of March 2018 CPM revisions had been reopened and reviewed and if the revised complaint dismissal process was conducted as provided in OCR's November 2018 revision to the CPM.

We were unable to determine whether complaints that were dismissed because of the March 2018 CPM revisions had been reopened and reviewed. We found that OCR needs to improve its tracking related to the reopening of complaints previously dismissed under Section 108(t) of the March 2018 CPM. Specifically, we found that while OCR had worked to reopen complaints dismissed under Section 108(t), it did not have a process in place that clearly linked the original complaints dismissed under 108(t) with the directed investigations that had been opened to address those complaints. By not designing an effective control to link complaints previously dismissed under Section 108(t) to directed investigations or other related actions, OCR has less assurance that complaints are being reopened and investigated as stated or are being handled in another appropriate manner.

We found no indication that complaints were not being dismissed in accordance with revisions made to the November 2018 CPM. Specifically, we did not find any indication that complaints were still being dismissed under 108(t) or any other similar provision since the change in policy. We also found that complaints dismissed because of the March 2018 CPM revisions were generally dismissed in accordance with policy. However, we did find that some complaints dismissed under Section 108(t) did not always meet the criteria for dismissal, some complaints that did meet the criteria for a dismissal under Section 108(t) were not always dismissed (due in part to inconsistent application of criteria), and case files did not always contain required documentation. In addition, we found that several of the complaints dismissed were already in an active resolution phase or an investigation had been

completed. By dismissing complaints that do not meet the criteria for dismissal, OCR may not be effectively investigating and resolving complaints to ensure that recipients of Federal funds comply with civil rights laws and regulations and may be inadvertently allowing discriminatory practices to continue.

Inconsistently applying criteria can create confusion and weaken controls created by written policy to ensure complaint processing is appropriately handled. By not retaining complete case files, documentation is not readily available for review and there is less assurance that complainants or recipients have been informed of the status of complaints as required. Dismissing complaints where investigations have been completed or are in resolution wastes time and effort spent by OCR staff investigating and working with those recipients and identified issues that were in the process of being resolved may be left unresolved and the recipient may remain in noncompliance.

We made several recommendations to improve OCR's complaint dismissal process, including that it establish a process that clearly links all complaints that had been previously dismissed under 108(t) to directed investigations or other related actions and ensure all previously dismissed complaints under 108(t) have been reopened as stated or otherwise appropriately resolved; clearly define new policies prior to implementation and provide adequate and documented training; maintain all information and records as required; and clarify policy with regard to the circumstances under which dismissal of complaints where investigations have been completed or are in resolution would be deemed appropriate, considering resources expended. OCR did not explicitly agree or disagree with our findings and disagreed with one of our recommendations. [OCR Report](#)

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 that provides oversight of the Department's assessment of internal controls and related reports. The team also 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.



Other OIG Efforts

This section of our Semiannual Report contains information on other efforts completed during this reporting period specific to the OIG. This includes our required non-Federal audit-related work, other reports, and noteworthy activities. Below you will find summaries of this work.

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 desk reviews and quality control reviews of non-Federal audits, providing technical assistance, and issuing audit guides to help independent public accountants or audit organizations performing audits of participants in the Department's programs.

Desk Reviews and Quality Control Reviews

The Office of Management and Budget's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" requires entities, such as State and local governments, universities, and nonprofit organizations that spend \$750,000 or more in Federal funds in 1 year to obtain an audit, referred to as a "single audit." 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 or audit organizations 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 audits performed each year, we conduct quality control reviews of a sample of audits. During this reporting period, we also established a process for and began performing desk reviews of a sample of audit reporting packages. The objectives of a desk review include identifying quality issues that may warrant follow-up work, revisions to the reporting package, or appropriate management official attention.

CIGIE issued the following guidance regarding the classification of desk reviews and quality control review results.

- Pass—reporting package or audit documentation contains no quality deficiencies or only minor quality deficiencies that do not require corrective action for the audit under review or future audits.

- Pass with Deficiencies—reporting package or audit documentation contains quality deficiencies that should be brought to the attention of the auditor (and auditee, as appropriate) for correction in future audits.
- Fail—reporting package or audit documentation contains quality deficiencies that affect the reliability of the audit results or audit documentation does not support the opinions contained in the audit report and require correction for the audit under review.

During this reporting period, we completed 21 desk reviews of engagements conducted by 19 independent public accountants or audit organizations. We concluded that five (24 percent) were Pass, eight (38 percent) were Pass with Deficiencies, and eight (38 percent) were Fail. We also completed 15 quality control reviews of engagements conducted by 11 independent public accountants or audit organizations. We concluded that four (27 percent) were Pass, five (33 percent) were Pass with Deficiencies, and six (40 percent) were Fail.

When a quality control review receives a rating of Fail, the independent public accountant or audit organization must resolve the deficiencies identified. If the independent public accountant or audit organization does not adequately resolve the deficiencies, we may find the audit report is not reliable and we will recommend the report be rejected. During this reporting period, we made two recommendations to the Department to reject audit reports. The Department rejected both of those audit reports. Furthermore, we referred two independent public accountants to the American Institute of Certified Public Accountants and also referred one of those independent public accountants their State Board of Accountancy for possible disciplinary action. We made these referrals due to the independent public accountants' unacceptable audit work. In addition, during this reporting period, we received information from a State Board of Accountancy regarding disciplinary actions taken against an independent public accountant as



a result of a previous referral. The independent public accountant was fined and ordered to take additional ethics training.

Technical Assistance

Through its Non-Federal Audit Team, the OIG provide technical assistance to independent public accountants or audit organizations and others, including auditee officials and Department program officials, aimed at improving the quality of non-Federal audits through technical assistance. Technical assistance involves providing advice about standards, audit guides and guidance, and other criteria and systems pertaining to non-Federal audits.

During this reporting period, OIG conducted two training sessions focused on the new audit guide for proprietary schools receiving HEERF grants. The training was provided to leaders in the postsecondary career education field at meetings for the Central States Private Education Network and Career Education Colleges and Universities. The OIG also presented a session on the impacts of pandemic relief on the single audit at the Nebraska Not-For-Profit Organizations' Conference and a session on Uniform Guidance and updates to the Compliance Supplement at the Nebraska Governmental Accounting and Auditing Conference. Further, during this reporting period, OIG developed a reporting system to better track audit deficiencies identified through quality control reviews and desk reviews. This type of tracking allows the OIG to focus our resources on training and outreach activities to address common audit quality issues. The OIG used the results to update its list of frequently asked questions and to compile a list of common quality control review and desk review deficiencies, which are discussed during training sessions. The OIG will also use these results as a baseline to compare future quality control review and desk review results.

Other OIG Efforts

New Fraud Awareness Materials

During this reporting period, the OIG created new materials aimed at helping school employees from kindergarten through college, Governors' offices, and law enforcement organizations to identify and report potential fraud involving Federal education funds to the OIG. This included three infographics that highlight what education-related coronavirus fraud could look like and provides information on free resources to help identify and report to the OIG. The infographics can be found [here](#) on our website.

OIG Participating in Advisory Capacity on Department's Puerto Rico Sustainability Team

In September, the Department [announced](#) the formation of a new team focused on supporting the Puerto Rico DOE and institutions of higher education to, among things, strengthen their stewardship of Federal education funding. OIG staff will be assisting the team in an advisory capacity—both our Audit Services and our Investigative Services staff—sharing our knowledge of fraud risk areas, as well as

strengths and weaknesses that we've identified through decades of work involving the Puerto Rico DOE, and the recommendations we made to improve those weaknesses.

CIGIE Diversity, Equity, and Inclusion Work Group

Established by the Inspector General Reform Act of 2008, CIGIE works to address integrity, economy, and effectiveness issues that transcend individual Government agencies. Throughout this reporting period, the OIG continued to participate in myriad CIGIE committees and subgroups, including chairing the new CIGIE Diversity, Equity, and Inclusion Work Group formed in FY 2020, and the Information Technology Investigations Subcommittee. In April, the CIGIE issued a [press release](#) on its Diversity, Equity, and Inclusion Work Group and launched its official [website](#). A list of all CIGIE committees, subcommittees, and work groups where OIG staff serve can be found in our [Semiannual Reports to Congress](#).

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Inspector General Community

- **CIGIE.** OIG staff continue to play an active role in CIGIE efforts. Currently, Deputy Inspector General Delegated the Duties of Inspector General Sandra D. Bruce chairs the CIGIE Diversity, Equity, and Inclusion Work Group, and is a member of CIGIE's Audit Committee and the Information Technology Committee.
 - OIG staff currently serve on the following CIGIE committees, subcommittees, and work groups:
 - Information Technology Investigations Subcommittee
 - Assistant Inspector General for Investigations Subcommittee
 - Assistant Inspector General for Management Working Group
 - Council of Counsels to the Inspectors General
 - Data Analytics Working Group of the Information Technology Committee
 - CIGIE/Office of Management and Budget Grant Reform Working Group
 - Undercover Review Committee
 - Federal Hotline Working Group
 - Quality Standards for Digital Forensics Working Group
 - Disaster Assistance Working Group
 - Human Resources Directors' Roundtable
 - Enterprise Risk Management Working Group
 - Internal Affairs Working Group

- OIG Communitywide Quality Assurance Working Group
- CIGIE/Government Accountability Office Annual Financial Statement Audit Conference
- OIG staff lead or facilitate CIGIE training courses, including the following:
 - Planning, Organizing, and Writing Effective Reports
 - Introduction to Auditing
 - IG Criminal Investigator Academy
 - Essentials of Inspector General Investigations
 - Contract Fraud
 - Grant Fraud
 - Suspension and Debarment
 - Transitional Training Program
 - IG Hotline Operator Training Program
 - IG Hotline Strategies
 - Ethics
 - Legal Refresher Courses, including a class on the 4th Amendment
 - Adjunct Instructor Training Program

Government-Wide Audit-Related Groups

- **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.
- **Federal Audit Executive Council, Financial Statement Audit Committee Workgroup.** OIG staff serve on this interagency workgroup consisting of OIG auditors from numerous Federal agencies. The committee addresses government-wide financial management and financial statement audit issues through coordination with the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget. It also provides technical assistance on audit standards, policies, legislation, and guidance, and plans the CIGIE/Government Accountability Office Annual Financial Statement Audit Conference.



Required Reporting

Required Tables and Appendices

The following provides acronyms, definitions, and other information relevant to the tables that follow.

Acronyms and Abbreviations Used in the Required Tables

Department	U.S. Department of Education
FSA	Federal Student Aid
HEA	Higher Education Act of 1965, as amended
IG Act	Inspector General Act of 1978, as amended
OCIO	Office of the Chief Information Officer
OCTAE	Office of Career, Technical, and Adult Education
OESE	Office of Elementary and Secondary Education
OFO	Office of Finance and Operations
OIG	Office of Inspector General
OPE	Office of Postsecondary Education
OPEPD	Office of Planning, Evaluation and Policy Development
OS	Office of the Secretary
OSERS	Office of Special Education and Rehabilitative Services
Recs	Recommendations
SAR	Semiannual Report to Congress
Title I	Grants to local educational agencies through State educational agencies funded under Title I of the Elementary and Secondary Education Act of 1965, as amended by Every Student Succeeds Act
Title IV	Federal student aid programs funded under Title IV of the HEA

Definitions

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

Better Use of Funds. Better uses of funds are estimates of funds that could be used more efficiently. For example, recommendations that funds be put to better use could result in reductions in spending, deobligation of funds, or avoidance of unnecessary spending.

Flash Reports. Flash reports are used to quickly share information that focuses on user needs while maintaining overall quality. These reports are generally developed to highlight issues requiring immediate action from oversight officials or in response to stakeholder requests to rapidly review areas of heightened risk. The work supporting flash reports is performed in accordance with CIGIE “Quality Standards for Federal Offices of Inspector General” and the OIG’s quality control standards.

Inspection Reports. 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.

Management Information Reports. Management information reports are used to provide the Department with information and suggestions when a process other than an audit, attestation, or inspection is used to develop the report. For example, OIG staff may compile information from previous OIG audits and other activities

to identify overarching issues related to a program or operational area and use a management information report to communicate the issues and suggested actions to the Department.

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.

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

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

OIG Product Website Availability Policy

OIG final issued products are generally considered to be public documents, accessible on OIG's website 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, the OIG redacts exempt information from the product so that nonexempt information contained in the product may be made available on the OIG website.

Required Reporting

The following pages presents summary tables and tables containing statistical and other data as required by the IG Act, as amended, and other statutes.

Section	Requirement	Table Number	Page Number
-	Statistical Summary of Audit-Related Accomplishments (FY 2021)	1	64
-	Statistical Summary of Investigative-Related Accomplishments (FY 2021)	2	65
Section 5(a)(1) and 5(a)(2) of the IG Act	Significant Problems, Abuses, and Deficiencies Related to the Administration of Programs and Operations	9	78
Section 5(a)(3) of the IG Act	Significant Recommendations Described in Previous Semiannual Reports to Congress on which Corrective Action has Not Been Completed	5	71
Section 5(a)(4) of the IG Act	Matters Referred to Prosecutive Authorities (FY 2021)	2	65
5(a)(5) and 6(c)(2) of the IG Act	Summary of Instances Where Information or Assistance Was Refused or Not Provided	9	78
Section 5(a)(6) of the IG Act	Audit and Other Reports and Products Issued on Department Programs and Activities (April 1, 2021, through September 30, 2021)	3	67
Section 5(a)(8) of the IG Act	Questioned Costs Audit and Other Reports with Questioned or Unsupported Costs	6	77
Section 5(a)(9) of the IG Act	Better Use of Funds Audit and Other Reports with Recommendations for Better Use of Funds	7	77
Section 5(a)(10) of the IG Act	Unresolved Reports Unresolved Audit and Other Reports Issued Prior to Reporting Period	4	69
Section 5(a)(10)(B) of the IG Act	Reports for which No Agency Comment was Returned to the OIG within 60 Days of Issuance	9	78
Section 5(a)(10)(C) of the IG Act	Outstanding Unimplemented Recommendations with Aggregate Potential Cost Savings	4, 5	69, 71
Section 5(a)(11) of the IG Act	Significant Revised Management Decisions	9	78
Section 5(a)(12) of the IG Act	Significant Management Decisions with which the OIG Disagreed	9	78
Section 5(a)(13) of the IG Act	Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996	9	78

Section	Requirement	Table Number	Page Number
Section 5(a)(14)-(16) of the IG Act	Peer Review Results	8	78
Section 5(a)(17) of the IG Act	Investigative Reports Issued Number of Persons Referred to the U.S. Department of Justice Number of Persons Referred to State and Local Prosecuting Authorities Indictments and Criminal Informations that Resulted from Prior Referrals to Prosecuting Authorities	2 (All four requirements included)	65
Section 5(a)(18) of the IG Act	Description of the Metrics Used for Developing the Investigative Data for the Statistical Tables under 5(a)(17)	2	65
Section 5(a)(19) of the IG Act	Report on Each Investigation Conducted by the OIG Involving a Senior Government Employee (GS-15 or Above) Where the Allegations of Misconduct were Substantiated	9	78
Section 5(a)(20) of the IG Act	Description of Instances of Whistleblower Retaliation	9	78
Section 5(a)(21) of the IG Act	Description of Attempt by Agency to Interfere with OIG Independence	9	78
Section 5(a)(22)(A) of the IG Act	Description of Audits or Inspections Closed but Not Disclosed to the Public	9	78
Section 5(a)(22)(B) of the IG Act	Description of Investigations Involving Senior Government Employees (GS-15 or Above) that were Closed but Not Disclosed to the Public	9	78
Section 845 of the National Defense Authorization Act for Fiscal Year 2008	Contract-Related Audit Products with Significant Findings	9	78

Table I. Statistical Summary of Audit and Other Report Accomplishments (FY 2021)

Accomplishment	October 1, 2020– March 31, 2021	April 1, 2021– September 30, 2021	FY 2021 Total
Audit Reports Issued	7	9	16
Inspection Reports Issued	2	3	5
Other Products Issued	4	4	8
Questioned Costs (including Unsupported Costs)	\$7,621,191	\$2,169,917	\$9,791,108
Recommendations for Better Use of Funds	0	0	0
Reports Resolved by Program Managers	8	8	16
Questioned Costs Sustained (including Unsupported Costs)	\$0	\$30,444	\$30,444
Unsupported Costs Sustained	\$0	\$30,444	\$30,444
Additional Disallowances Identified by Program Managers	\$0	\$0	\$0
Management Commitment to Better Use of Funds	\$0	\$0	\$0

Table 2. Statistical Summary of Investigative Accomplishments (FY 2021)

Accomplishment	Description of the Metric	Adjusted SAR 82 October 1, 2020– March 31, 2021 ¹	SAR 83 April 1, 2021– September 30, 2021	FY 2021 Total
Investigative Cases Opened	Number of cases that were opened as full investigations or converted from a complaint or preliminary inquiry to a full investigation during the reporting period.	22	14	36
Investigative Cases Closed	Number of investigations that were closed during the reporting period.	21	28	49
Cases Active at the End of the Reporting Period	Number of investigations not closed prior to the end of the reporting period.	189	180	180 ²
Investigative Reports Issued	Number of Reports of Investigation issued during the reporting period.	22	31	53
Total Number of Persons Referred to State and Local Prosecuting Authorities	Number of individuals and organizations formally referred to state or local prosecuting authorities for prosecutorial decisions during the reporting period.	4 Criminal	3 Criminal	7 Criminal
Total Number of Persons Referred to the U.S. Department of Justice	Number of individuals and organizations formally referred to the U.S. Department of Justice for prosecutorial decisions.	5 Civil 18 Criminal	0 Civil 5 Criminal	5 Civil 23 Criminal
Indictments and Criminal Informations that Result from Prior Referrals to Prosecuting Authorities	Number of individuals who were indicted or for whom a criminal information was filed during the reporting period.	31	22	53
Convictions/Pleas	Number of criminal convictions, pleas of guilty or nolo contendere, or acceptance of pretrial diversions that occurred during the reporting period.	26	16	42
Fines Ordered	Sum of all fines ordered during the reporting period.	\$348,300	\$33,000	\$381,300
Restitution Payments Ordered	Sum of all restitution ordered during the reporting period.	\$4,424,574	\$5,288,712	\$9,713,286

¹ Adjustments to SAR 82 reflect data on investigative cases that became available following the close of the reporting period.

² Cases active at the end of the fiscal year.

Accomplishment	Description of the Metric	Adjusted SAR 82 October 1, 2020– March 31, 2021	SAR 83 April 1, 2021– September 30, 2021	FY 2021 Total
Civil Settlements/ Judgments (number)	Number of civil settlements completed, or judgments ordered during the reporting period.	10	3	13
Civil Settlements/ Judgments (amount)	Sum of all completed settlements or judgments ordered during the reporting period.	\$10,396,374	\$238,639	\$10,635,013
Recoveries	Sum of all administrative recoveries ordered by the Department or voluntary repayments made during the reporting period.	\$5,876,835	\$5,150,197	\$11,027,032
Forfeitures/ Seizures	Sum of all forfeitures/seizures ordered during the reporting period.	\$218,017	\$119,071	\$337,087
Estimated Savings	Sum of all administrative savings or cost avoidances that result in a savings to, or better use of funds for, a program or victim during the reporting period. These are calculated by using the prior 12-month period of funds obtained or requested and then projecting that amount 12 months forward.	\$53,972	\$0	\$53,972
Suspensions Referred to Department	Number of suspensions referred to the Department during the reporting period.	20	9	29
Debarments Referred to Department	Number of debarments referred to the Department during the reporting period.	7	6	13

Table 3. Audit and Other Reports and Projects Issued on Department Programs and Activities (April 1, 2021, through September 30, 2021)

Table includes Department office with responsibility for the report, questioned costs, unsupported costs, and number of recommendations per each report. Summaries and links to these reports were highlighted previously in this Semiannual Report to Congress.

Office	Report Type and Number	Report Title and Date Issued	Questioned Costs	Unsupported Costs	Number of Recs
FSA	Audit A20IL0001	National Aviation Academy of Tampa Bay's Use of Professional Judgment 9/24/2021	\$115,776	\$115,776	3
FSA	Audit A20GA0002	Federal Student Aid's FY 2020–2024 Strategic Planning Process 8/16/2021	\$0	\$0	2
FSA	Inspection I05T0010	Inspection of the Department's Activities Surrounding the Sale of Postsecondary Schools to Dream Center Education Holdings 6/29/2021	\$0	\$0	5
FSA	Inspection I20NY0010	Federal Student Aid's Suspension of Involuntary Collection in Response to the Coronavirus Pandemic 6/15/2021	\$0	\$0	3
FSA	Audit A05U0001	Federal Student Aid's Processes for Reallocating Unexpended Campus-based Title IV Funds in Accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017 5/27/2021	\$30,444	\$30,444	3
FSA	Inspection I06S0001	Federal Student Aid Controls Over the School Verification Process 5/20/2021	\$0	\$0	3
OCR	Audit A19T0002	The Office for Civil Rights' Complaint Dismissal Process 5/11/2021	\$0	\$0	6
OESE	Audit A19DC0004	The Department's Oversight of the Student Support and Academic Enrichment Program 8/30/2021	\$0	\$0	7
OESE	Flash Report F19GA00027	Puerto Rico Department of Education's Unallowable Use of Temporary Emergency Impact Aid for Displaced Students Program Funds for Payroll Activities 6/24/2021	\$0	\$0	3
OFO	Audit A18IL0012	InspireNOLA Charter Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools 9/29/2021	\$529,198	\$520,540	9

Office	Report Type and Number	Report Title and Date Issued	Questioned Costs	Unsupported Costs	Number of Recs
OFO	Special Project S21DC0020	FY 2020 OIG Risk Assessment of the Department's Purchase Card Program 9/23/2021	\$0	\$0	0
OFO	Flash Report F21NF0037	Inconsistent Grantee and Subgrantee Reporting of Education Stabilization Fund Subprograms in the Federal Audit Clearinghouse Date 8/26/2021	\$0	\$0	0
OFO	Audit A21GA0014	U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2020 5/14/2021	\$0	\$0	9
OPE	Audit A20CA0017	Remington College's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants 9/28/2021	\$784,506	\$0	8
OPE	Audit A20CA0016	Lincoln College of Technology's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants 9/24/2021	\$709,993	\$0	5
OPE	Flash Report I21SIU00841	Risk of Closed Institutions of Higher Education Receiving Higher Education Emergency Relief Fund Grants 5/14/2021	\$0	\$0	0
Total	16	-	\$2,169,917	\$666,760	66

Table 4. Unresolved Audit and Other Reports Issued Prior to the Reporting Period (*Reports issued before April 1, 2021*)

Table includes the Department office with responsibility for the report, a link to the report, the number of open significant recommendations, number of other open recommendations, the value of potential cost savings, and project report resolution date.

Office	Report Type and Number	Report Title	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings	Projected Resolution Date
OESE	Audit A05Q0003	Harvey Public School District 152: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses	0	5	\$0	3/31/2022
OESE	Audit A02P0010	Calculating and Reporting Graduation Rates in Alabama	0	6	\$0	3/31/2022
OESE	Audit A05R0001	Detroit Public Schools Community District: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses	0	10	\$0	9/30/2022
OESE	Audit A06R0004	Calculating and Reporting Graduation Rates in Utah	0	7	\$0	9/30/2022
OESE	Audit A04S0014	U.S. Virgin Islands Department of Education's Internal Controls over the Immediate Aid to Restart School Operations Program	0	5	\$0	9/30/2022
OESE	Audit A04S0013	Puerto Rico Department of Education's Internal Controls Over the Immediate Aid to Restart School Operations Program	0	6	\$0	9/30/2022
OESE	Audit A06T0001	Texas Education Agency's Administration of the Immediate Aid to Restart School Operations Program	0	5	\$34,065	9/30/2022
OESE	Audit A02T0001	Texas Education Agency's Administration of the Temporary Emergency Impact Aid for Displaced Students Program	0	10	\$12,366,942	9/30/2022
OESE	Audit A02T0006	Florida Department of Education's Administration of the Temporary Emergency Impact Aid for Displaced Students Program	0	7	\$7,621,191	9/30/2022
OESE	Audit A05S0001	The U.S. Department of Education's Processes for Reviewing and Approving State Plans Submitted Pursuant to the Elementary and Secondary Education Act of 1965, as Amended	0	3	\$0	12/31/2022

Office	Report Type and Number	Report Title	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings	Projected Resolution Date
OFO	Audit A04U0001	U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2019	2	0	\$0	OFO did not provide a projected resolution date
OSERS	Audit A03S0006	Ohio Department of Education's and Selected Virtual Charter Schools' Internal Controls Over Individualized Education Programs	0	5	\$0	12/30/2021
Total	12	-	2	69	\$20,022,198	-

Table 5. Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed

Table includes the Department office responsible for the report, link to the report, summary of the report and status of the recommendations, open significant recommendations, open other recommendations, the value of the potential cost savings, and the projected action date.

Office	Report Title Number, and Link	Summary of Report and Status of Audit/Recommendations	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings	Projected Action Date
FSA	Final Independent Auditors' Report Fiscal Years 2017 and 2016 Financial Statements Federal Student Aid A17R0002	The report identified two significant deficiencies in internal control over modeling activities and information technology controls. The report also identified one reportable noncompliance with Federal law related to delinquent student loan debt. Current Status: FSA informed us that the audit is resolved, but they are working to complete it.	1	0	\$0	10/14/2021
FSA	Federal Student Aid's Contractor Personnel Security Clearance Process A19R0003	The audit found that FSA did not effectively implement Department requirements for the contractor personnel security screening process. The audit also found that FSA has not insured that all contractor employees have appropriate security screenings and that security screenings are initiated or verified in a timely manner. Current Status: FSA informed us that the audit is resolved, but they are working to complete it.	1	0	\$0	12/31/2021
FSA	Federal Student Aid's Total and Permanent Disability Discharge Process A02Q0006	The audit found that FSA appropriately approved and rejected the applications. The audit identified design weaknesses in FSA's control activities for the total and permanent disability discharge application review process. Current Status: FSA informed us that the audit is resolved, but they are working to complete it.	0	1	\$0	10/31/2022

Office	Report Title Number, and Link	Summary of Report and Status of Audit/Recommendations	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings	Projected Action Date
FSA	Final Independent Auditors' Report Fiscal Years 2020 and 2019 Financial Statements Federal Student Aid A17U0002	The report noted one material weakness in internal control over financial reporting, three significant deficiencies in internal control over financial reporting, and one instance of reportable noncompliance with Federal law related to delinquent student loan debts. Current Status: FSA informed us that the audit is resolved, but they are working to complete it.	9	0	\$0	FSA did not provide a projected action date
FSA	Special Allowance Payments to Sallie Mae's Subsidiary, Nellie Mae, for Loans Funded by Tax-Exempt Obligations A03I0006	The audit found that although its billings for the special allowance payments under the 9.5 percent complied with laws, Sallie Mae's billing for Nellie Mae did not comply with other requirements for the 9.5 percent floor calculation. Current Status: FSA informed us that the audit is under the appeal process.	0	3	\$22,378,905	N/A
FSA	SOLEX College's Administration of Selected Aspects of the Title IV Programs A05O0007	The audit found that SOLEX College did not disburse Title IV funds only to eligible students enrolled in Title IV-eligible programs. Current Status: FSA informed us that the audit is resolved, but they are working to complete it.	0	6	\$1,795,500	N/A
OCIO	The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2018 A11S0001	The audit found that the Department and FSA were not effective in any of the five security functions—Identify, Protect, Detect, Respond, and Recover. The audit also identified findings in all eight metric domains, of which seven are repeat findings. Current Status: OCIO informed us that the audit is resolved, but all corrective actions have not been completed.	1	0	\$0	2/28/2022

Office	Report Title Number, and Link	Summary of Report and Status of Audit/Recommendations	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings	Projected Action Date
OCIO	The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2019 A11T0002	The audit found that the e Department and FSA programs were not effective in any of the five security functions—Identify, Protect, Detect, Respond, and Recover. We also identified findings in all eight metric domains. Current Status: OCIO informed us that the audit is resolved, but all corrective actions have not been completed.	1	0	\$0	2/28/2022
OCIO	The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report for Fiscal Year 2020 A11U0001	The audit found that although the Department had several notable improvements in implementing its cybersecurity initiatives, its overall IT security programs and practices were not effective in all of the five security functions. Current Status: OCIO informed us that the audit is resolved, but all corrective actions have not been completed.	7	0	\$0	9/30/2022
OCTAE	Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds A04O0004	The audit found that Puerto Rico can improve its oversight of the Adult Education program to ensure that it (1) submits complete, supported, and accurate performance data to the Department, (2) uses funds in compliance with applicable laws and regulations, and (3) obtains and reviews single audit reports of subgrantees. Current Status: OCTAE informed us that the audit is resolved, but all corrective actions have not been completed.	0	9	\$97,481	N/A
OESE	Orleans Parish School Board: Status of Corrective Actions on Previously Reported Title I Relevant Control Weaknesses A05R0002	The audit found that Orleans Parish did not design and implement procedures that provided reasonable assurance that expenditures for services provided to nonpublic school students and charged to Title I funds were allowable. Current Status: OESE informed us that the audit is in the Department's audit closure process.	0	2	\$0	N/A

Office	Report Title Number, and Link	Summary of Report and Status of Audit/Recommendations	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings	Projected Action Date
OFO	Final Independent Auditors' Report Fiscal Years 2020 and 2019 Financial Statements U.S. Department of Education A17U0001	The report noted one material weakness in internal control over financial reporting, three significant deficiencies in internal control over financial reporting, and one instance of reportable noncompliance with Federal law related to delinquent student loan debts. Current Status: OFO informed us that the audit is resolved, but all corrective actions have not been completed.	12	0	\$0	1/28/2022
OFO	The Department's Implementation of the Contractor Personnel Security Clearance Process A19P0008	The audit found that the Department has not effectively implemented requirements for the contractor personnel security screening process. The audit also found that the Office of Management did not ensure the timeliness of security screening activities; ensure contractor employee screening information maintained was accurate and reliable; or provide adequate training to program offices with regard to process requirements and responsibilities. Current Status: OFO informed us that the audit is in the Department's audit closure process.	0	0	\$0	Audit Completed* 9/30/2021
OFO	The U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2018 A04T0004	The audit found that the Department met all six compliance requirements; however, the Department reported inaccurate and incomplete information in its FY 2018 Agency Financial Report. In addition, the Department did not report the amount of improper underpayments for one Federal program. Current Status: OFO informed us that the audit is resolved, but all corrective actions have not been completed.	1	0	\$0	3/15/2022

Office	Report Title Number, and Link	Summary of Report and Status of Audit/Recommendations	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings	Projected Action Date
OFO	Final Independent Auditors' Report Fiscal Years 2017 and 2016 Financial Statements U.S. Department of Education A17R0001	The report identified two significant deficiencies in internal control over modeling activities and information technology controls. The report also identified one reportable noncompliance with Federal law related to delinquent student loan debt. Current Status: OFO informed us that the audit is resolved, but all corrective actions have not been completed.	1	0	\$0	9/30/2022
OFO	University of Illinois at Chicago's Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) Project A05D00017	The audit found that the school failed to show that it provided services to participants from its cohort. Also, the school and its partnership failed to provide their required non-Federal matching contributions for the first 3 years of the grant. Current Status: OFO informed us that the audit is resolved, but they are working to complete it.	0	4	\$1,018,212	N/A
OFO	Protection of Personally Identifiable Information in Indiana's Statewide Longitudinal Data System A06Q0001	The audit found that Indiana did not provide adequate oversight of the Management and Performance Hub during the development of the Indiana Network and Knowledge system to ensure that the system met the minimum-security requirements found in the Indiana Code and the Indiana Office of Technology Information Security Framework. Current Status: OFO informed us that the audit is in the Department's audit closure process.	0	4	\$0	N/A
OPEPD	Office of the Chief Privacy Officer's Processing of Family Educational Rights and Privacy Act Complaints A09R0008	The audit found that the Office of the Chief Privacy Officer did not have controls to ensure that it timely and effectively processed the Family Educational Rights and Privacy Act complaints. Current Status: OPEPD informed us that the audit is resolved, but all corrective actions have not been completed.	0	1	\$0	8/31/2022

Office	Report Title Number, and Link	Summary of Report and Status of Audit/Recommendations	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings	Projected Action Date
OSERS	Pennsylvania Department of Education's and Selected Virtual Charter Schools' Internal Controls Over Individualized Education Programs A02T0004	The audit found that Pennsylvania could strengthen their monitoring process to ensure local education agencies develop individualized education programs and deliver services for students with disabilities. Current Status: OSERS informed us that the audit is in the Department's audit closure process.	0	2	\$0	N/A
OUS	The Department's Recognition of the Accrediting Council for Independent Colleges and Schools as an Accrediting Agency S19T0003	The inspection found that the Department's process for assessing ACICS' compliance with Federal regulatory criteria for recognition followed applicable policies and regulations. In addition, the inspection found that the Department implemented a process for assessing ACICS' compliance with recognition criteria following a court remand in 2018 that was permitted under applicable policies and regulations as well as the court's remand order. Current Status: OUS did not provide status information for this audit during this reporting period.	1	0	\$0	OUS did not provide a projected action date.
Total	20	-	35	32	\$25,290,098	-

* Projects with all recommendations completed but project has not completed the closeout process are included in the table.

Table 6. Audit and Other Reports with Questioned or Unsupported Costs

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	3	\$20,022,198	\$19,988,133
B. Which were issued during the reporting period	5	\$2,169,917	\$666,760
Subtotals (A + B)	8	\$22,192,115	\$20,654,893
C. For which a management decision was made during the reporting period	1	\$30,444	\$30,444
(i) Dollar value of disallowed costs	1	\$30,444	\$30,444
(ii) Dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision was made by the end of the reporting period	7	\$22,161,671	\$20,624,449

Table 7. Audit and Other Reports with Recommendations for Better Use of Funds

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

Requirement	Number	Dollar Value
A. For which no management decision has been made before the commencement of the reporting period.	0	\$0
B. Which were issued during the reporting period.	0	\$0
Subtotals (A+B)	0	\$0
C. For which a management decision was made during the reporting period.	0	\$0
(i) Dollar Value of Disallowed Cost	0	\$0
(ii) Dollar value of costs not disallowed	0	\$0
D. For which no management decision was made by the end of the reporting period.	0	\$0

Table 8. Peer Review Results

Description
During this reporting period, the U.S. Postal Service OIG completed its peer review of the OIG's audit function. The OIG received a rating of pass with no outstanding recommendations for action. The U.S. Postal Service OIG report can be found here on our website.

Table 9. Other Reporting Requirements

Requirement	Results
Significant Problems, Abuses, or Deficiencies Related to the Administration of Programs and Operations	Nothing to Report
Significant Management Decisions with which the OIG Disagreed	Nothing to Report
Summary of Instances where Information or Assistance was Refused or Not Provided	Nothing to Report
Summary of Audit Reports for which No Agency Comment was Returned to the OIG within 60 Day of Issuance	Nothing to Report
Significant Revised Management Decisions	Nothing to Report
Unmet Intermediate Target Dates Established by the Department under the Federal Financial Management Improvement Act of 1996	Nothing to Report
Description of Instances of Whistleblower Retaliation	Nothing to Report
Description of Attempt by the Agency to Interfere with OIG Independence	Nothing to Report
Audits or Inspections Closed but Not Disclosed to the Public	Nothing to Report
Report on Each Investigation Conducted by the OIG Involving a Senior Government Employee (GS-15 or Above) where the Allegations of Misconduct were Substantiated	Nothing to Report
Description of Investigations Involving Senior Government Employees (GS-15 or Above) that Were Closed by Not Disclosed to the Public	Nothing to Report
Contract-Related Audit Products with Significant Findings	Nothing to Report

Acronyms and Abbreviations

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CIGIE	Council of the Inspectors General on Integrity and Efficiency
COO	Chief Operating Officer
COVID-19	coronavirus disease 2019
Department	U.S. Department of Education
EDMC	Education Management Corporation
Emergency Impact Aid	Temporary Emergency Impact Aid for Displaced Students
ERM	Enterprise Risk Management
FAC	Federal Audit Clearinghouse
FAFSA	Free Application for Federal Student Aid
FSA	Federal Student Aid
FY	fiscal year
HEA	Higher Education Act of 1965, as amended
HEERF	Higher Education Emergency Relief Fund
IHE	institution of higher education
LESC	Lincoln Educational Services Corporation
OCR	Office for Civil Rights
OIG	Office of Inspector General
OPE	Office of Postsecondary Education
OSSS	Office of Safe and Supportive Schools
PIIA	Payment Integrity Information Act of 2019
PRAC	Pandemic Response Accountability Committee
Puerto Rico DOE	Puerto Rico Department of Education
Restart	Immediate Aid to Restart School Operations Program
SSAE	Student Support and Academic Enrichment
Title IV	Title IV of the Higher Education Act of 1965, as amended

FY 2022 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 that the OIG identified for FY 2022.

- Implementing Pandemic Relief Laws
- Oversight and Monitoring
- Data Quality and Reporting
- Improper Payments
- Information Technology Security

For a copy of our Management Challenges reports, visit our web site at <http://www2.ed.gov/about/offices/list/oig/managementchallenges.html>.

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