U.S. DEPARTMENT OF EDUCATION

Inspector General's Semiannual Report to Congress, No. 58

October 1, 2008 - March 31, 2009

U.S. Department of Education
Office of Inspector General

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U.S. Department of Education
Office of Inspector General
550 12th St. S.W.
Washington,, DC 20024

MESSAGE FROM THE INSPECTOR GENERAL

As the Acting Inspector General of the U.S. Department of Education (Department) Office of Inspector General (OIG), I am pleased to provide this semiannual report on the activities and accomplishments of this office from October 1, 2008, through March 31, 2009. The audits, investigations, and related reports highlighted in this report illustrate our ongoing commitment to promoting accountability, efficiency, and effectiveness in Federal education operations and programs.

Over the last 6 months, OIG issued 21 audit and audit-related reports. We identified more than $49 million in questioned costs, nearly $704,000 in unsupported costs, and $13 million in funds that could have been put to better use. We also completed a number of investigations involving individuals who abused their positions of trust for personal gain. Over the last 6 months, we closed 64 investigations and secured more than $20 million in fines, restitutions, recoveries, forfeitures/seizures, and savings.

As you will read in the pages of this report, our work identified a need for improved accountability in the programs and operations we reviewed. As members of Congress, you understand the value of accountability in Federal programs, as it is a key component in our nation's largest Federal education laws and in the *American Recovery and Reinvestment Act of 2009* (ARRA). The Administration, Congress, and the public are looking to the Inspectors General to lead the way in preventing, identifying, and fighting waste, fraud, and abuse of ARRA funds. With 55 state and territorial educational agencies, more than 16,000 school districts, and countless schools, colleges, and universities across the country potentially eligible to receive ARRA funds, this indeed will be a challenge, but one I feel this office is well-positioned to tackle. Since 2002, we have conducted more than 200 reviews of state educational agencies, local educational agencies, and individual schools. This work has given our staff invaluable insight into the operations and challenges of these entities and the expertise needed to examine those operations thoroughly and efficiently, as the ARRA demands.

We also remain focused on another critical area of concern: the Federal student financial assistance programs. With passage of the *Ensuring Continued Access to Student Loans Act* (ECASLA) last year, the Department was given authority to purchase loans from lenders. During this reporting period, we continued to work with the Department's Federal Student Aid office on ECASLA-related issues, providing audit guidance, assistance, and advice to help ensure compliance with the law's requirements so that America's students can realize their dreams of a higher education.

Because of the magnitude of our ARRA and ECASLA efforts, we have suspended a number of non-statutory audits and reviews. While our plate is quite full, we remain committed to our mission and to working with the Department to ensure that its operations and programs provide the best service to the American public.

Thank you for your continued support of our efforts. We look forward to working with the 111th Congress in furthering our goals and achieving our mission.

Mary Mitchelson
Acting Inspector General

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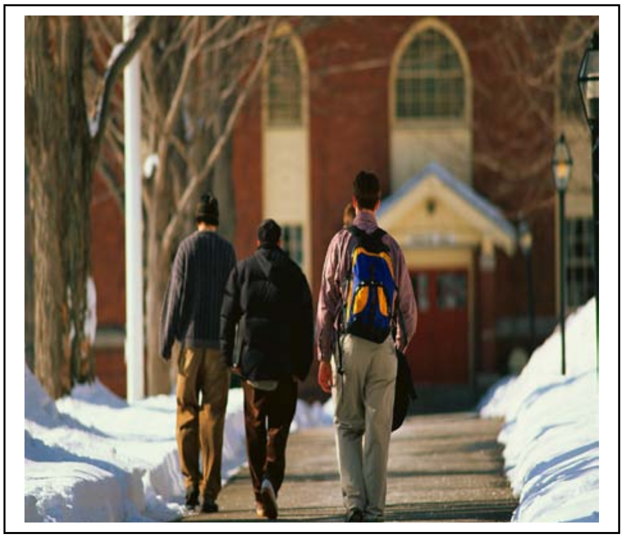
Overview

We are pleased to provide this Semiannual Report on the activities and accomplishments of the U.S. Department of Education (Department) Office of Inspector General (OIG) from October 1, 2008, through March 31, 2009. The audits, investigations, and other activities highlighted in this report illustrate our ongoing commitment to promoting accountability, efficiency, and effectiveness in Federal education programs and operations.



Accountability is essential to success, particularly when it comes to education. The U.S. Congress understands the value of accountability in Federal programs, as it has long been a key component in our nation's largest Federal education laws, such as the *Elementary and Secondary Education Act of 1965*, as amended (ESEA), and the *Higher Education Act of 1965,* as amended (HEA), and most recently in the *American Recovery and Reinvestment Act of 2009* (ARRA). In the ARRA, the States, the Department, its grantees, and its subgrantees will be held accountable for results by the American public perhaps more vigilantly than ever before. Accountability is often a challenge for the Department, its grantees, and its subgrantees, as evidenced by the OIG's audits over the last 6 months, which demonstrated a need for improved accountability in the programs and operations we reviewed.

In the first section of our report, we discuss the work we conducted during this reporting period related to the ARRA. The ARRA places a heavy emphasis not only on accountability, but on transparency as well, and in doing so, increases the responsibilities of those Inspector General offices whose agencies are impacted by the ARRA. OIG will receive $14 million through Fiscal Year (FY) 2012 to monitor ARRA funds distributed by the Department and expended by its grantees and subgrantees. Our efforts are well underway, and we present an overview of our activities in this section of the report.

Internal mechanisms to conduct effective oversight and monitoring of Federal funds, and demanding accountability from every grantee, subgrantee, and others participating in Federal elementary, secondary, and postsecondary education programs help ensure compliance with Federal laws and regulations. Work concluded during this reporting period showed a need for improved accountability by the state educational agencies (SEA), the local educational agencies (LEA), and other grantees we reviewed. This includes two audits involving cash management by an SEA and an LEA, with the LEA returning more than $25 million to the

Department from interest earned on unused Federal funds—funds that should have been used or returned to the Federal government in a timely manner, as required by Federal regulations. You will find more details on these two reports, as well as other reports involving SEAs and LEAs issued over the last 6 months, in the second section of our report. This section also includes summaries of our more significant investigations involving theft or misuse of Federal education funds by individuals in a position of trust to educate our children.

Last year, Congress passed the *Ensuring Continued Access to Student Loans Act* (ECASLA)—a law aimed at helping students to obtain student loans in the volatile credit market. It provided the Department with authority to purchase loans from lenders. During this reporting period, OIG continued to work with Federal Student Aid (FSA), the Department office responsible for administering the student financial assistance programs, on ECASLA-related issues, including implementing mechanisms for increased accountability, because work concluded over the last 6 months showed a need for improved accountability by FSA and participants in the student loan programs. This includes our audit of FSA as a Performance-Based Organization, where we determined that FSA was not meeting all of the statutory requirements associated with this designation, and our audit of the Fifth Third Bank, a lender in the Federal Family Education Loan program (FFEL), where we found that the Bank, in several of its agreements with other entities, violated the lender inducement provision of the HEA. FSA must ensure accountability in its own operations, as well as those of the entities involved in its programs, to help protect Federal student financial aid dollars from waste and mismanagement. In the third section of our report you will find more on these audits, as well as summaries of our more significant cases of fraud in student financial assistance programs.

In the fourth section of this report are highlights of the audits and reviews we completed on the Department's financial management and internal operations. In 2008, the Department and FSA received a clean audit opinion on their financial statements for the seventh year in a row. While this accomplishment is noteworthy, our work revealed a need for improvements in areas related to financial reporting and information technology (IT) security. In addition, we completed work on a congressionally directed effort regarding OIG recommendations not yet implemented by the Department. With regard to Section 845 of the *National Defense Authorization Act for Fiscal Year 2008*, which requires each OIG to include information in its Semiannual Reports to Congress on final contract-related audit reports that contain significant findings, OIG did not issue such reports over the last 6 months.

OIG constantly strives to improve its operations through our work with the Inspector General community and through our work with the independent auditors tasked with conducting single audits of entities that receive significant Federal education funds each year. This information is in the fifth section of this report.

In the sixth and final section, we provide a compilation of tables of the audits, other reports, and investigations we concluded during this reporting period, as required by the *Inspector General Act of 1978,* as amended. Copies of the reports discussed in this Semiannual Report are on the OIG Website at http://www.ed.gov/about/offices/list/oig/index.html?src=oc. Interested individuals may receive email notification when a new report is issued by completing the information requested at: http://www.ed.gov/about/offices/list/oig/areports.html.

For more information on the work or activities discussed in this report, please contact the OIG Congressional Liaison at (202) 245-7023, or visit our Website at http://www.ed.gov/about/offices/list/oig/index.html?src=oc.

American Recovery and Reinvestment Act Efforts

The ARRA was signed into law by President Barack Obama on February 17, 2009, and includes approximately $100 billion for Federal education programs and operations in an effort to help mitigate the effect of recent reductions in local revenues and state support for education. This includes programs within the ESEA; HEA; the *Individuals with Disabilities Education Act*, as amended (IDEA); and the *Rehabilitation Act of 1973* (Rehabilitation Act). The ARRA places a heavy emphasis on accountability and transparency, and in doing so, increases the responsibilities of those Inspector General offices whose agencies are impacted by the ARRA. OIG will receive $14 million through FY 2012 to monitor education-related ARRA funds. With 55 state and territorial educational agencies, more than 16,000 school districts, and countless schools, colleges, and universities potentially eligible to receive ARRA education-related funds, OIG intends to manage its limited resources judiciously to help prevent and identify waste, fraud, and abuse of ARRA funds. Our efforts are well underway.

Since passage of the ARRA, we have been meeting with Department leaders and our counterparts in Federal agencies to set in motion efforts to ensure that ARRA dollars reach the intended recipients and achieve the intended results. In addition, through the Council of the Inspectors General on Integrity and Efficiency, OIG provided input to the Office of Management and Budget (OMB) for their consideration in preparing the initial implementation guidance for ARRA fund recipients (agencies, states, localities).

OIG staff is participating in an advisory role on a number of Department and OMB ARRA work groups. We have provided the Department with an evaluation of prior audit and inspection findings and unimplemented recommendations related to the ARRA programs, as well as a compendium of applicable fraud investigation results to assist the Department in identifying risk. We have also forwarded tools for subrecipient monitoring and grant fraud awareness developed by intergovernmental teams and are developing training/outreach materials. These materials will assist the Department and grantees in identifying risk and fraud and in implementing controls and mechanisms for the timely reporting of misuse of ARRA-related funds to OIG.

The Government Accountability Office (GAO) was given a range of responsibilities in the ARRA to examine the use of ARRA funds by states and grantees. OIG staff is working very closely with our GAO counterparts in developing audit plans and guidance, and in creating a roadmap to ensure that we coordinate and conduct all education-related assignments effectively and efficiently and avoid any duplication of effort.

The law also gives OIG an increased role in overseeing all ARRA funds, as it assigns our Inspector General to the Recovery Act Accountability and Transparency Board. The Board will coordinate and conduct oversight of ARRA funds, produce quarterly and annual reports on the use of funds for public review, and hold public hearings regarding waste, fraud, and abuse of ARRA-related funds. The Board will also create "flash reports" aimed at alerting the President and Congress to immediate concerns regarding management and funding problems. The Board is also tasked with managing the Recovery.gov website—a means of keeping the general public informed of where ARRA funds are going, how the funds are being spent, and whether the funds are achieving the intended results.

The ARRA expanded whistleblower protections to include state and local government employees and contractors. As a result, OIG is ramping up its investigative capabilities to prepare for this change. This includes enhancing our hotline operations to accommodate an increase in calls, conducting outreach to states and localities on how to report waste, fraud, and abuse, and increasing our law enforcement activities to aggressively pursue those who defraud Federal education programs. We also are working with the Department to develop processes to ensure all whistleblower complaints are handled efficiently and properly. In addition, we are working with our investigative colleagues in other Federal agencies to share information on best practices and make recommendations to the Recovery Act Accountability and Transparency Board in an effort to maximize the effectiveness of investigative efforts and resources.

Capitalizing on lessons learned from the timely work we conducted in 2006-2008 as required by the *Hurricane Education Recovery Act,* we will begin our on-the-ground efforts in the third quarter of this fiscal year. We will report our findings in future Semiannual Reports to Congress.

Elementary, Secondary, and Postsecondary Education Programs

The ARRA significantly increases funding for elementary, secondary, and special education programs through FY 2011. Over the last 9 years, OIG has issued nearly 200 audit products assessing SEA, LEA, and school compliance with specific provisions of the Federal education laws. This work has provided OIG with insight into the operations and challenges of SEAs and LEAs and the expertise needed to immediately examine those operations efficiently and effectively, as the ARRA demands. Our work at the SEA and LEA levels continued over this reporting period, where we examined cash management issues at an SEA and an LEA, as well as internal control issues involving contract management and oversight, and use of Federal funds by another SEA, an LEA, and a postsecondary education grantee. We present the findings of our work below, which, as you will read, show a need for improved accountability by these fund recipients. The Department must demand accountability from its grantees and subgrantees in order to ensure that vital Federal education program dollars are used as required so they reach the intended recipients and achieve the desired results. Also below are summaries of our more significant investigations involving elementary, secondary, and postsecondary education program funds.

Elementary and Secondary Education

Cash Management

The Cash Management Improvement Act of 1990 (CMIA) helps ensure efficiency, effectiveness, and equity in the exchange of Federal funds between the Federal government and the states. Among its provisions, CMIA requires Federal agencies to make timely transfers to state agencies, which in turn must minimize the time elapsing between the receipt and disbursement of Federal funds for program purposes. Similarly, the Education Department General Administrative Regulations (EDGAR) require states to conform advances of Federal grant funds to subgrantees to the same timing standards that apply to cash advances received from Federal agencies. EDGAR also requires subgrantees to remit interest earned on Federal advances promptly, and at least quarterly. OIG examined the issue of Federal interest earnings at the Los Angeles Unified School District, the second largest school district in the nation. Over the 12-year period from FY 1995 to FY 2007, the District earned millions of dollars on Federal cash advances. The District retained the interest earnings instead of remitting the earnings, as required by

EDGAR. Shortly after OIG began its audit, the District began remitting about $25 million of earned interest to the California Department of Education (CDE) for submission to the Department. OIG also reviewed the issue of cash management in California statewide and found that CDE does not have an agency-wide cash management system that minimizes the time elapsing between LEAs' receipt and disbursement of Federal education funds. As a result, LEAs do not receive Federal program funds when needed, and, for some programs, earn significant amounts of interest on Federal advances received too early. With the significant increase in funding that SEAs and LEAs will receive for Federal education programs through the ARRA, cash management has been identified as a critical issue that OIG intends to track closely across the nation over the next several years.

California: California Department of Education

In FY 2007-2008, CDE received Federal education grant awards totaling more than $4 billion, the bulk of which it disbursed to its LEAs. We conducted an audit to determine whether the CDE’s method for disbursing funds to LEAs complied with Federal cash management requirements. Our audit found that CDE had not implemented cash management procedures for the largest Federal education program it administers, including disbursing $1.6 billion to more than 1,100 LEAs for the ESEA Title I program. We also found that CDE routinely disbursed Title I funds to LEAs without determining whether the LEAs needed program cash at the time of disbursement. We determined that CDE’s process of reviewing expenditure data to assess LEA funding needs did not take into account LEA cash balances that were available to pay program costs, and it did not assess LEAs’ actual or projected cash disbursements for individual programs. In addition, CDE’s overall cash management procedures were inconsistent in design and application: individual CDE program offices developed their own procedures, funding thresholds, and reporting timeframes, with little coordination across programs. The lack of a systemic approach for CDE’s disbursement of Federal program funds caused confusion and increased the administrative burden for its subgrantees, including LEAs, because personnel had to track multiple reporting requirements across programs. We also found that LEAs had little or no information as to when CDE would disburse Federal cash for a particular program. Based on our findings, we recommended that the Department encourage CDE to consider centralizing its funding processes under the authority of a single organizational unit to ensure that cash management procedures are consistently and effectively implemented across all Federal programs. Additionally, we recommended that CDE strengthen its controls to ensure that LEAs accurately calculate

and promptly remit interest earned on Federal cash advances. CDE generally concurred with our findings and described the corrective actions taken or planned to address each recommendation. Click here for a copy of our report:
http://www.ed.gov/about/offices/list/oig/auditreports/fy2009/a09h0020.pdf

Los Angeles Unified School District

Our audit sought to determine whether the District used a methodology for calculating the interest earned on Federal cash advances that complied with all applicable requirements and whether it had policies and procedures in place to ensure that future interest earned on Federal cash advances was accurately computed and remitted on a quarterly basis. To evaluate the District's procedures, we reviewed its calculation and remittance of earned interest on cash advances for FY 2004 through FY 2007. Our audit revealed

that the District did not identify the actual amount of interest earned on cash balances. Although it developed a methodology for estimating the amount of interest earned, the reliability of the estimate was not readily determinable due to the design and application of the methodology. In addition, when determining the amount of earned interest to be remitted to CDE and other grantor agencies, the District improperly reduced the amount to compensate for the temporary use of other cash resources to operate Federal programs by more than $1.48 million. We also found that the District's current internal controls may not be adequate to ensure that amounts identified as due to the Federal Government are promptly remitted to CDE and other grantors. Our review identified more than $817,700 of earned interest that the District's accounting analysts identified but was not included in remittance documentation. As a result of our findings, we made a number of recommendations including that the Department require the District to remit $1.48 million that was improperly excluded from analysts' calculations of earned interest due and identify and remit all other earned interest improperly excluded for FY 1995 through FY 2007 and later, which we estimate to be about $2.58 million. The District partially concurred with our findings and concurred or partially concurred with our recommendations. Click here for a copy of the report:
http://www.ed.gov/about/offices/list/oig/auditreports/fy2009/a09h0019.pdf

Illinois: Harvey Public Schools District 152

The Harvey Public Schools District 152 is located south of downtown Chicago and operates 6 elementary schools, 1 middle school, 1 pre-kindergarten class, and 1 training center, with an enrollment of more than 3,500 students. We conducted an audit to determine whether the District used a series of Federal funds in accordance with applicable laws, regulations, and grant provisions. Programs reviewed were: ESEA Title I, Part A–Improving Basic Programs; ESEA Title I, Part B–Reading First; ESEA Title II–Preparing, Training, and Recruiting High Quality Teachers and Principals; and IDEA Part B–Assistance for Education of All Children with Disabilities. Our audit covered the 2005-2006 grant year during which time the District received nearly $2.4 million for these programs, which it received from the Illinois State Board of Education. Our audit found that the District did not always use the funds for only costs that were allowable and in accordance with applicable laws, regulations, and grant provisions. Specifically, it charged more than $277,000 in personnel and non-personnel costs to the Federal programs without adequate documentation; charged the IDEA, Part B program more than $6,000 for costs that were not allocable to the program; maintained ESEA Title I, Part A program funds in excess of its program expenses; and did not perform timely physical inventories of equipment purchased with Federal funds. As a result of these findings, we made a number of recommendations including that the Department ask the Illinois State Board of Education to direct the District to provide documentation to adequately support the allowability of more than $277,000 in unsupported Federal expenditures or return that amount to the Department. The State Board did not agree with all of our findings and agreed in part with our recommendations.   Click here for a copy of the report: http://www.ed.gov/about/offices/list/oig/auditreports/fy2009/a05h0025.pdf

Puerto Rico: Puerto Rico Department of Education

We concluded an audit that sought to determine whether the Puerto Rico Department of Education (PRDE) administered ESEA Title I services provided to private school students, teachers, and parents through contracts awarded to three vendors in compliance with Title I requirements. We reviewed a number of areas to see if the PRDE monitored the contractors for compliance; ensured that the costs claimed by the contractors were allowable and followed contract requirements; properly allocated Title I funds for services to eligible private school students; properly accounted for Title I funds used to purchase property and equipment; and consulted with private school officials to determine the needs of eligible children and the services to be provided. The time period reviewed was 2006-2007, during which PRDE awarded more than $27 million in professional services contracts to the three vendors. Our audit found that PRDE did not adequately administer these services because it did not properly monitor the vendors for compliance before paying them nearly $18 million, and as a result, paid

for costs that were excessive, unallowable, or not supported with adequate and reliable documentation. The PRDE also allocated more than $430,800 in Title I funds for services in excess of the entitlement and did not account for more than $8,000 in Title I property and equipment purchased by the vendors. As a result of our findings, we made a number of recommendations, including that the Department require PRDE to review the vendors' supporting documentation to ensure compliance with Title I requirements for payments made without proper contract monitoring and return to the Department any excessive charges or allowable costs. PRDE did not concur with our findings or recommendations. Click here for a copy of the report:
http://www.ed.gov/about/offices/list/oig/auditreports/fy2009/a04h0017.pdf

Postsecondary Education

National Technical Institute for the Deaf

During this reporting period, we issued an audit that sought to determine whether the National Technical Institute for the Deaf had adequate controls in place to account for Federal education funds (excluding HEA Title IV student financial assistance funds) and whether related expenses were reasonable, allocable, and allowable for FY 2007. During this time period, the school received more than $56 million for the programs we reviewed. Overall, we determined that the school had adequate internal controls in place and that its related expenses were reasonable, allocable, and allowable for the time period reviewed. We found, however, that it did not maintain separate books, records, or documents for more than $55 million in operating expenses that were charged to Federal funds. The Rochester Institute of Technology (RIT), the school's host institution, provided its general ledger records, which listed more than $63 million in operating expenses charged to the National Technical Institute for the Deaf. RIT established separate accounts for the school's operating expenditures with accounts for allowable Federal transactions in accordance with applicable laws. According to RIT officials, the Institute's Federal funds were exhausted before the end of the fiscal year, but it continued to charge Federal transactions prior to closing the accounts at the end of the fiscal year using non-Federal funds totaling more than $8.4 million. Based on this finding, we suggested that RIT establish appropriate accounting records for the funds appropriated to the National Technical Institute for the Deaf and to close out the records when all Federal funds are exhausted. Officials with the RIT and the National Technical Institute for the Deaf agreed with our conclusion and suggestions and agreed to change its process. Click here for a copy of the report:
http://www.ed.gov/about/offices/list/oig/auditreports/fy2009/a02i0040.pdf

Investigations

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

School Officials

Arkansas: Pine Bluff School District

A former employee with the Pine Bluff School District was sentenced in Jefferson County Circuit Court to 80 years in prison and was ordered to pay more than $700,000 in restitution for theft of Federal funds. The plea is a result of our investigation, conducted jointly with the Pine Bluff Police Department and the Arkansas Division of Legislative Audit, which found that the former employee stole more than $700,000 from the District over 7 years. The former employee created a fictitious company, submitted invoices and purchase orders, and then received checks on behalf of that company for services never rendered. She deposited the checks into a bank account she controlled for her personal use.

Florida: Florida A&M University

The former Director of the Institute on Urban Policy and Commerce at Florida A&M University was sentenced in U.S. District Court, Northern District of Florida, to 46 months in prison, 3 years of supervised release, and was ordered to pay more than $212,000 in restitution for embezzlement. Our investigation with the Federal Bureau of Investigation (FBI) revealed that the former Director and another individual stole and converted to their own use monies from a 21st Century education grant. The conspirators used the funds to pay employees of the Institute for overtime, bonuses, and other compensation without those individuals having performed any work on the grants. The participating employees were required to kick-back a portion of the monies they received, which the former Director and her co-conspirator used for their personal benefit.

New Jersey: Stevens Institute of Technology

A former Associate Vice President of the Stevens Institute of Technology was sentenced in U.S. District Court, District of New Jersey, to 24 months in prison, followed by 3 years of supervised release, and was ordered to pay $264,000 in restitution for conspiracy and theft. Our investigation revealed that the former official conspired with an alleged school consultant, who is currently a fugitive, to steal education funds by paying the consultant to create a computer database to track former students of the Upward Bound program. The former official submitted invoices and purchase requisitions to improperly authorize $264,000 to the consultant for the database, causing the school to issue approximately 45 separate checks to the consultant over a 17-month period. No database was created or delivered to the school.

Oklahoma: Marble City Schools

The former Superintendent of the Marble City Schools was sentenced in U.S. District Court, Eastern District of Oklahoma, to 24 months in prison, 24 months of supervised release, and was ordered to pay a $4,000 fine for embezzling government funds. Our investigation, conducted jointly with the FBI, the Internal Revenue Service Criminal Investigations Division (IRS-CID), and the Wagoner County District Attorney's Office, revealed that over a 9-year period, the former Superintendent embezzled nearly $1 million from the school district and used the funds for personal items. Through asset forfeiture and liquidation of assets and loans, the former Superintendent made a voluntary repayment of more than $1 million prior to his sentencing.

Pennsylvania: Raising Horizons Quest Charter School

The former Chief Executive Officer and Chief Financial Officer of the Raising Horizons Quest Charter School pled guilty in U.S. District Court, Eastern District of Pennsylvania, to charges of conspiracy and alteration of records in a Federal investigation. Our investigation revealed that the two officials attempted to conceal their misappropriation of funds by altering credit card statements prior to and in preparation of a Philadelphia School District audit. The two officials altered credit card statements by removing or changing personal expenses and inserting charges purported to be for school-related expenses.

Pennsylvania: Community College of Philadelphia

The former Director of the Adult Basic Education Program at the Community College of Philadelphia was sentenced in U.S. District Court, Eastern District of Pennsylvania, to 5 years of probation and was ordered to pay $240,000 in restitution for charges related to theft of Federal funds. The sentence was a result of our investigation with the FBI and IRS that revealed that the former Director participated with six other individuals, including officials from the Sister Clara Muhammad School private school in Philadelphia, in a scheme to receive public funds for adult basic education courses at the College that were not held, and to pay teachers who had not taught the courses. This scheme was used as one of the predicate offenses in a Racketeering Influenced Criminal Organization that sought to obtain money and property by defrauding government entities, financial institutions, businesses, and individuals through extortion and bribery.

Puerto Rico: Puerto Rico Department of Education Community Integrated Services Program

The former Director of the Puerto Rico Department of Education Community Integrated Services Program (CISP), his wife, a family friend, a CISP employee, the husband of another CISP employee, and the mother of yet another CISP employee were sentenced in U.S. District Court, District of Puerto Rico, for their roles in a $465,000 fraud scheme. Sentences ranged from 4 years in prison for the former Director to probation for the others, and a total of nearly $500,000 ordered to be paid in restitution. The sentences are a result of our investigation, conducted jointly with the FBI and the Puerto Rico Comptroller's Office, that unraveled the scheme whereby the CISP staffers awarded personal service contracts to themselves, their family members, and fictitious employees for services that were never provided. As a result of their fraudulent efforts, the individuals received approximately $465,000 in funds that were to be directed to programs offering educational and vocational trainings and opportunities in special communities and public housing projects in Puerto Rico.

Texas: Dallas Independent School District

The owner of Micro Systems, Inc., a Dallas Independent School District contractor, and the former Chief Technology Officer for the District, were sentenced in U.S. District Court, Northern District of Texas, for their roles in a bribery and money laundering scheme. The owner of the company was sentenced to 10 years in prison, 3 years of supervised release, and was ordered to forfeit nearly $1 million, which represents the proceeds of the conspiracy. The former Chief Technology Officer was sentenced to 11 years in prison and 3 years of supervised release. The sentences are a result of our joint investigation with the FBI and the Anti-Trust Division of the U.S. Department of Justice which found that the two, along with the District's former Chief Operating Officer who was previously sentenced for his role in the fraud, participated in a scheme designed to unjustly enrich themselves through District technology contracts. The former Chief Technology Officer was in charge of procuring technology contracts for the District and provided Micro Systems with inside information enabling the company to obtain two lucrative contracts with the District worth approximately $120 million.

Texas: El Paso Independent School District

A former trustee with the El Paso Independent School District School Board and a Michigan businessman pled guilty in U.S. District Court, Western District of Texas, to conspiracy charges related to a contracting and bribery scheme. Our joint investigation with the FBI revealed that the former trustee received bribes in the form of cash and other benefits in exchange for his influence and his vote in awarding a multimillion dollar contract to the businessman. The bribes included $5,000 disguised as a campaign contribution that the contractor paid to the former trustee.

Contractors

New Jersey: Circle Systems Group

The former president of Circle Systems Group, an athletic equipment and reconditioning company that served scores of schools throughout New Jersey and other states, pled guilty to participating in fraudulent business practices, including overcharging schools for services. The plea is a result of our investigation, conducted jointly with the FBI, that found that from the 1980s through 2007, the former owner submitted fake price quotes from phony competitors to schools in order to increase sales for Circle Systems Group; submitted hundreds, if not thousands, of fraudulent invoices and other paperwork to schools with the knowledge of school purchasing officials; routinely submitted fraudulently inflated invoices to schools; and retained approximately $500,000 in overpayments made by Circle Systems Group clients—high schools, colleges, and youth sports programs. Additionally, Circle Systems Group allegedly did not properly test used helmets as required and falsified test results to reduce related costs and increase company profits.

Individuals

New York: Man Agreed to Plead Guilty to Fraud Involving New York Department of Education Funds

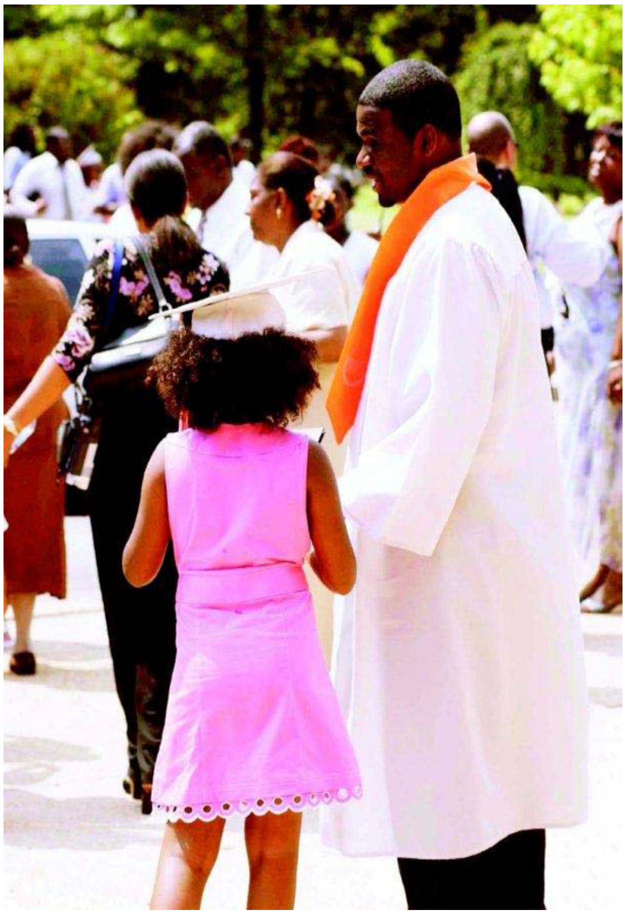
During this reporting period, a man agreed to plead guilty in U.S. District Court, Southern District of New York, to bank fraud involving New York Department of Education (NYDOE) funds. Our investigation revealed that the man used a New York City Department of Education bank account number that caused more than $600,000 in payments to be made to several of his credit card accounts and other vendors. The man, who was not an employee of the NYDOE, not only used the account to make payments on his own bills but shared the account number with friends who used the account number to make payments and withdraw funds from the account, as well.

Puerto Rico: Eight Individuals Indicted in Identity Theft and Fraud Involving School Children

Eight individuals were indicted in Puerto Rico on charges of identity theft, aggravated identity theft, and social security fraud. The indictments are a result of our investigation, conducted with a multi-agency state and Federal task force which alleges that the individuals burglarized approximately 50 schools in Puerto Rico, stealing identity-related documents of the children attending those schools and teachers and administrators working at the schools. The indicted individuals had been involved in the unlawful transfer and possession of social security cards, birth certificates, passports, as well as fake Puerto Rico drivers' licenses. In this scheme, they allegedly hoped to sell the information stolen from the Puerto Rico schools to buyers, including individuals in Alaska, California, and Texas.

Student Financial Assistance Programs

Last year, Congress passed the ECASLA—legislation aimed at helping students to obtain student loans in the volatile credit market. It provided the Department with authority to purchase loans from lenders and was highlighted in our last Semiannual Report to Congress. This remains a top priority for OIG in FY 2010, as student financial assistance issues are of top concern to the President, Congress, and most importantly, the American public. During this reporting period, OIG continued to work with FSA on ECASLA-related issues, providing audit guidance, assistance, and advice in matters to help ensure compliance with the law's requirements. To provide accountability for the first three programs established under ECASLA, we issued two attestation engagement guides: a guide for the Loan Participation Program and Loan Purchase Commitment Program for 2008-2009 academic year loans; and another guide for the Short Term Purchase Program for 2007-2008 academic year loans. These attestation engagements are conducted by independent public accountants and lead to conclusions about the reliability of assertions made by FFEL Program lenders that student loans (or interests in such loans) they sell to the Department are eligible for sale under the ECASLA programs.



Accountability in ECASLA programs is critical, as it is for all student financial assistance programs. It is also a challenge for FSA, as OIG work that was concluded over the last 6 months revealed a need for improved accountability by both FSA and participants in the student loan programs. Summaries of this work are provided below. With more than 6,000 postsecondary institutions, more than 3,000 lenders, 35 guaranty agencies, $82 billion in awards, and an outstanding loan portfolio of more than $500 billion in FY 2008, FSA must ensure that it and all entities involved in its programs are held accountable in adhering to statutory and regulatory requirements. In addition, OIG investigative staff continued to identify and pursue cases of fraud in student financial assistance programs. Summaries of our higher-profile investigative cases involving student financial aid fraud by school officials, contractors, service providers and students are highlighted below.

Federal Student Aid Operations

Federal Student Aid's Performance as a Performance-Based Organization

In 1998, Congress amended the HEA to create a PBO to manage and administer the student financial assistance programs authorized under Title IV of the HEA. FSA was designated as the PBO, and with that designation came specific, measurable goals and objectives: improve service to students and other participants in the student financial assistance programs; reduce the cost of administering the programs; increase the accountability of responsible officials; provide greater flexibility in management of operational functions; integrate information systems; implement an open, common, integrated delivery system; and develop and maintain a system that contains complete, accurate, and timely data to insure program integrity. FSA was also required to produce reports to inform Congress and the public of its progress in achieving those goals and objectives, including a 5-year performance plan with specific goals and objectives, and an annual report that describes the results in achieving those goals and objectives. During this reporting period, we concluded an audit that sought to determine whether FSA was meeting its responsibilities as a PBO in three key areas: planning and reporting; systems integration; and cost reduction. We found that FSA was not completely fulfilling its responsibilities in these areas.

First, FSA's planning and reporting processes were not always effective or efficient. FSA did not issue its first 5-year performance plan until 2004—6 years after it became a PBO, and none of the strategic objectives included in the plan were measurable or quantifiable. Our review of its FY 2006-2010 plan noted some improvements over its previous 5-year plan that would enable FSA to measure its success in achieving identified goals. For its annual reports, we found that the reports did not always meet the requirements of the law, specifically they did not clearly indicate to what extent the PBO met the 5-year plan goals and objectives; did not provide required performance results; did not include evaluation ratings of the performance of the PBO's senior management staff, including the amounts of the bonus compensation awarded to these individuals; and did not include recommendations for legislative and regulatory changes. We also noted that the annual report format changed each year, making it difficult to assess progress from one year to the next, and that the statements made in the reports tended to be broad in nature, making it difficult to determine exactly where FSA was in achieving its goals. Although not required by statute, FSA developed an annual performance plan that provided a more detailed discussion of procedures it would take to complete the goals identified in its 5-year plan, which feeds into the annual report and the 5-year plan. We found, however, a weak correlation between the documents and accomplishments mentioned in the reports did not always correlate to stated quantitative success measures or goals. As a result, FSA has not clearly informed

Congress, the Secretary, or the public about its progress toward achieving its purposes as a PBO.

Second, in reviewing its systems integration—an important purpose for FSA's creation as a PBO—our audit revealed that FSA had not made significant progress in completing activities designed to integrate its student financial assistance systems. We found that the development of two out of three major systems integration initiatives, which FSA planned to complete by 2008, were canceled for reasons that included poor contractor performance and a lack of contractor accountability, contractor difficulties in managing subcontractors which led to a lack of coordinated effort and a failure to understand the complexities of the assignment, and an overall failure of its integration efforts. As a result, FSA has been unable to realize the expected benefits of systems integration.

Third, we found that FSA's progress towards the reduction of program administration costs is uncertain. FSA did not establish measurable strategic goals in the area of cost reduction until its first 5-year plan, with measures to be reported in FY 2008. We also found that anticipated cost savings from three of four major system initiatives identified in FY 2004-2006 Annual Reports were not expected until FY 2008 and beyond. Those results were not available during our audit. In addition, FSA does not plan to report on individual progress toward anticipated cost reduction by initiative, limiting the ability to determine whether planned savings were actually achieved. Further, we found that the scope of work for two of the four system initiatives was significantly reduced, and separate acquisitions of unknown cost are planned to complete these initiatives. The transition of the third initiative has been delayed, causing FSA to incur unexpected costs. Because of the limitations noted, it is difficult to determine FSA's progress in reducing its costs. As a result, Congress, the Secretary, and the public cannot determine whether FSA has reduced its program costs since becoming a PBO in 1998. Based on our findings, we made 14 recommendations aimed at correcting the weaknesses identified. FSA agreed with many of our comments and provided an action plan to address each of our recommendations. Click here for a copy of the report, along with the Department's comments and corrective action plan: http://www.ed.gov/about/offices/list/oig/auditreports/fy2009/a19h0008.pdf

Title IV Program Participants

Program Reviews Conducted Following OIG Inspection Identify More Than $33 Million in Potential Recoveries

In September 2007, we issued an inspection report titled, *Review of Federal Student Aid's Monitoring of Guaranty Agency Compliance with the Establishment of the Federal Fund and the Operating Fund* that evaluated the adequacy of FSA's support for its conclusions concerning the establishment of the Federal Fund and the Operating Fund at 27 guaranty agencies not audited by the OIG. The inspection was a follow-up to a 2003 audit that recommended FSA perform additional work at guaranty agencies not audited by the OIG. The inspection found that the work performed by FSA on the 27 guaranty agencies not audited by OIG provided no assurance that the Federal and Operating Funds were established in compliance with the HEA. As part of its corrective action for our 2007 inspection report, during this reporting period, FSA completed program reviews at 22 guaranty agencies. These program reviews identified more than $33 million in potential recoveries to the Federal Fund.

Fifth Third Bank

Fifth Third Bank is an eligible lender in the FFEL program. As an eligible lender, Fifth Third Bank was able into enter into trust arrangements with other entities in order to allow those other entities to originate or purchase student loans. Under these agreements, Fifth Third Bank is referred to as an Eligible Lender Trustee (ELT). Under the HEA, a lender could be disqualified from participation in the FFEL programs if it offers points, premiums, payments, or other inducements to any educational institution or individual in order to secure applications for loans. In January, we issued an audit to determine whether Fifth Third Bank, as the ELT in agreements with other entities, adhered to the prohibitions on inducements specified in the HEA. We also assessed Fifth Third Bank's monitoring activities for ensuring that entities with which it had ELT agreements, adhered to applicable requirements of the FFEL program. Our audit covered Fifth Third Bank's ELT agreements with other entities that originated or held FFELs under the associated lender identification numbers from July 1, 2006, to June 30, 2007. At that time, Fifth Third Bank had 15 ELT agreements with other entities. Between July 1, 2004, and August 30, 2007, more than $13 billion in FFEL loans were originated under Fifth Third Bank's ELT agreements.

The audit found that Fifth Third Bank, as the ELT in agreements with other entities, violated the lender inducement provision of the HEA. Specifically, Fifth Third Bank and Student Loan Xpress, Inc. (SLX) had jointly entered into separate ELT agreements with three entities: MSA Solution, Inc. (MSA), Pacific Loan Processing, Inc. (PLP), and Law School Financial (LSF). The ELT agreements specified that SLX (a named party to the trust) would pay a premium (inducement) to the other entity named in the trust (i.e., MSA, PLP, LSF) for loans originated under the ELT agreement based on the loan principal. In addition to this violation of HEA's prohibition, we also found that Fifth Third Bank needed to improve its policies and procedures for monitoring its ELT agreements. Fifth Third Bank did not have written policies and procedures for evaluating the entities and monitoring their activities, nor did it maintain adequate documentation of its evaluation and monitoring efforts.

Based on our findings, we recommended that FSA terminate Fifth Third Bank's participation in the FFEL program under the three ELT agreements and take other

appropriate action to address Fifth Third Bank's violation of the inducement provision, which could range from assessing a fine to terminating the Federal reinsurance on the more than $3 billion of FFELs originated under the agreements. We also recommended that Fifth Third Bank be required to implement written procedures or maintain other records on the initial evaluations and the continual monitoring of entities with which it has ELT agreements, and maintain the records in a central location. In addition, we recommended that FSA cease entering into new FFEL participation agreements with Fifth Third Bank for ELT agreements until Fifth Third Bank has implemented corrective action. Fifth Third Bank disagreed with our findings and recommendations. FSA and Fifth Third Bank entered into a settlement agreement to resolve the audit. Under the terms of the agreement Fifth Third Bank repaid $5 million and an additional $82,500 in fines, as well as other required corrective actions by Fifth Third Bank. Click here for a copy of the report:
http://www.ed.gov/about/offices/list/oig/auditreports/fy2009/a09h0017.pdf

Touro College

We conducted an audit at Touro College to determine whether the school complied with the HEA and regulations governing institutional and program eligibility. Touro College is a private, not-for-profit institution of higher and professional education located in New York, and operates 31 additional locations in New York, 4 locations in California and Nevada, 1 location in Florida, and 4 additional locations in Israel, Germany, and Russia. Touro also operates an online distance education program. In 1999, FSA granted a provisional Program Participation Agreement (PPA) to Touro College after an FSA program review found several deficiencies. When the provisional PPA expired in 2001, FSA placed Touro in a "month-to-month" extension of its provisional certification status, which was in effect until April 20, 2008. During our audit period, while under a month-to-month extension of its provisional certification status, Touro received nearly $336 million in Title IV funds.

Our audit found that Touro College did not fully comply with Title IV institutional and program eligibility requirements. Specifically, it disbursed more than $36 million in Title IV funds to 4,310 students who attended 9 ineligible additional locations that FSA had not approved as eligible to participate in the Title IV programs; and disbursed more than $17 million to 1,927 students who attended Touro University International (TUI), which the school reported to FSA as an additional location. FSA, however, did not consider TUI an additional location because its students did not physically attend classes at the address listed for the campus; and for award years 2002-2003 through 2004-2005, the school did not keep adequate records to account for Title IV funds disbursements to only eligible additional locations. Based on our findings, we made several recommendations, including that Touro College determine the exact amount of Title IV funds disbursed to students attending ineligible locations and return the amount improperly awarded, which we estimated to be more than $36 million. Touro College did not concur with all of our findings or recommendations. Click here for a copy of the report: http://www.ed.gov/about/offices/list/oig/auditreports/fy2009/a02h0008.pdf

Walden University

The Department's Central Processing System (CPS) receives and processes student financial assistance applications and correction information and initiates the process of determining the applicant's eligibility for aid. CPS generates and sends reports to the student applicant and the postsecondary institutions that are listed on the student's Free Application for Federal Student Aid (FAFSA). The reports contain comment codes that point out possible missing or inconsistent data that could indicate that a student is ineligible to receive student Federal assistance. For example, data could indicate ineligibility based on student aid overpayments, non-citizenship, and non-registration for Selective Service, drug convictions, or loan limits. Institutions are required to resolve these comment codes before disbursing Federal student financial assistance. Institutions must develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid. During this reporting period, we conducted an audit to determine whether Walden University resolved comment codes in compliance with regulations and Department guidance for the 2005-2006 award year.

Walden University is a private, for-profit, distance learning institution headquartered in Minneapolis, Minnesota, that provides 100 percent of its courses online to more than 24,000 students. During the 2005-2006 award year, Walden disbursed more than $229 million in Title IV funds. Our audit found that Walden University did not always resolve comment codes returned to the school during the processing of student FAFSAs in compliance with regulations and the Department's guidance. Specifically, it did not adequately resolve all comment codes generated by CPS after unsuccessful database matches with other Federal agencies and did not adequately resolve comment codes generated after a match with the National Student Loan Data System indicated that students were approaching or had exceeded aggregate loan limits. As a result, the school disbursed nearly $1.2 million in unallowable Title IV funds. These funds were unallowable because the

University did not resolve all comment codes as required to document students' eligibility.

Based on our findings, we made a number of recommendations, including that Walden University return to lenders and the Department the outstanding amounts it improperly paid to ineligible students and review its files for the 2004-2005 and 2006-2007 award years to determine whether other improper payments were made and return any amount identified. The school agreed in part and disagreed in part with our findings and recommendations. Click here for a copy of the report: http://www.ed.gov/about/offices/list/oig/auditreports/fy2009/a05h0018.pdf

Investigations

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

School Officials

California: California Business Institute

The former owner and a former financial aid officer of California Business Institute (CBI) and the former owner of the Mesa Institute were sentenced in U.S. District Court, Central District of California, for their roles in a multimillion dollar fraud scheme. The former owner of CBI was sentenced to 3 years of probation; the former CBI financial aid officer was sentenced to 5 years of probation; and the former owner of the Mesa Institute was sentenced to 3 years of probation. All three were ordered to pay $2.9 million in restitution, both jointly and severable. The sentences are a result of our investigation, which revealed that the officials entered into an agreement whereby CBI, a school eligible to participate in Title IV programs, allowed student financial assistance applications from the Mesa Institute, a school ineligible to participate in Title IV programs, to be processed through CBI. As a result, Mesa collected more than $700,000 for ineligible students. The scheme also involved a third school, United Education Computer College, which collected more than $2.1 million for ineligible students.

New York: Empire Education Group

A former New York City-based admissions representative of the Empire Education Group pled guilty in U.S. District Court, Southern District of New

York, to charges of embezzlement. The plea is a result of our investigation which found that the former employee assisted students in obtaining fraudulent General Equivalency Diplomas and high school diplomas in order to register for classes at Empire Beauty School in New York City, in exchange for money. As a result of her fraudulent efforts, the students received approximately $173,000 in Federal financial aid to which they were not entitled.

New York: Touro College

The former Computer Center Director for Touro College pled guilty in the Supreme Court of the State of New York to charges related to his role in a fraudulent transcript scheme. The former official admitted to fraudulently changing student grades, providing transcripts to students who never attended the school, and forging a letter of recommendation for another individual in exchange for money. Another individual pled guilty to falsifying business records and commercial bribery relating to, among other things, obtaining an academic transcript that falsely indicated he had a degree from Touro College in physical therapy, which he used in an attempt to obtain a state certificate as a licensed physical therapist. The man referred two other individuals to a Touro official for college transcripts and later received a portion of the bribe. A third individual was sentenced to 5 days of community service for attempting to obtain a Touro transcript that would falsely reflect that she participated in Touro's Nursing program. To date, 15 individuals have been indicted, of which 7 have been sentenced for their roles in this scheme. These actions are a result of our investigation with the New York Police Department and the Manhattan District Attorney's Office.

Pennsylvania: CSC Institute

The former owner of the CSC Institute was sentenced in U.S. District Court, Eastern District of Pennsylvania, to 21 months in prison, 3 years of supervised release, and was ordered to pay more than $3.4 million in restitution for student aid fraud. The sentence is a result of our investigation which revealed that from 1998 through February 2005, the former owner and his wife (a former co-owner of CSC who was previously sentenced) engaged in a scheme to defraud the Department of student financial assistance funds through the use of falsified attendance records,

student tests, and student ledger cards in order to receive Pell Grants. The individual fraudulently submitted these documents to the Department and

CSC Institute's independent financial/compliance auditor and accreditation agency in order to continue and cover up the scheme. As a result of the fraud, CSC Institute received approximately $13 million in Pell Grant funds to which it was not entitled, of which the former co-owner and her co-conspirator personally received approximately $3.4 million.

Pennsylvania: Harrison Career Institute

The former President, Director of Internal Audit, and Director of Financial Aid at the Harrison Career Institute pled guilty in U.S. District Court, Eastern District of Pennsylvania, to charges related to conspiracy to commit student financial aid fraud. From 2000 through 2003, the school's independent auditor found instances of noncompliance by the school, specifically findings of late refunds for award years 2000, 2001, and 2002. The Department advised school officials that repeat findings of noncompliance could lead to adverse administrative actions, including fines, or a limit, suspension, or termination of the school's eligibility to receive Federal student financial aid funds. Our investigation determined that from 2001 to 2005, the officials fabricated false Department records and tax documents and falsified student records without the students' knowledge and consent in order to make them appear eligible for Federal financial aid and to make the student files appear to be in compliance with Federal regulations when they were not. This was done to prevent the school's independent auditor and the Department's Program Review staff from detecting widespread deficiencies in the school's student Federal financial aid processes.

Tennessee: EZP's College of Barbering

The former operator of EZP's College of Barbering (EZP) pled guilty in U.S. District Court, Eastern District of Tennessee, to charges of identity theft and student aid fraud. Our investigation found that from 2006-2007, the former operator falsely obtained loans in the names of EZP students without their permission. He submitted false applications for student loans using the names of EZP students and used the social security numbers of students to obtain loans in their names. As a result of his fraudulent efforts, the operator received more than $100,000, which he used for his own use and benefit.

Contractors

Florida: H.W. Ketchum Collection Agency

The former owner of the H.W. Ketchum Collection Agency was sentenced in U.S. District Court, Middle District of Florida, to 1 year and 1 day in prison, 3 years of supervised release, and was ordered to pay more than $115,300 in restitution for theft. The sentence is a result of our investigative efforts, conducted jointly with the FBI, after Mississippi State University officials reported that they suspected that the company was not reporting and remitting delinquent Perkins loan funds collected on behalf of the school. Our investigation revealed that the former owner collected more than $359,000 in defaulted loan funds between 2006 and 2007 but remitted only approximately $230,300 to the school after assessing approximately $14,000 in fees and converting more than $115,300 for her personal use.

Service Providers

Missouri: National College Funding

The owner of National College Funding, which prepared tax returns and helped parents obtain college funding for their children, was sentenced in U.S. District Court, Western District of Missouri, to 5 years of probation, 6 months in a halfway house, 6 months of home confinement and was ordered to pay $6,500 in restitution for charges related to student aid fraud. The sentence is a result of our investigation which found that the owner prepared and submitted fraudulent Federal income tax returns to the IRS on behalf of his clients. The returns contained false material items that resulted in the clients' Adjusted Gross Income (AGI) being substantially reduced. In many cases, the lower AGI allowed the owner's clients to receive Pell Grants for their children for which they would not have otherwise qualified. From 1999-2003 the former owner submitted approximately 622 FAFSAs for processing. His clients received more than $447,000 in Pell Grant funds during that time.

Individuals

California Student Sentenced for Identity Theft and Fraud

A former student was sentenced in U.S. District Court, Central District of California, to 12 months and 1 day in prison, 3 years of probation, and was ordered to pay more than $40,000 in restitution for fraud and student financial aid fraud. Our investigation revealed that the former student applied for and received several different social security numbers, which he used to apply for loans to attend several colleges in the Southern California area. As a result of his fraudulent efforts, he received more than $78,000 to which he was not entitled.

Illinois Man Sentenced for Foreign School Fraud

A man was sentenced in U.S. District Court, Northern District of Illinois, to 21 months in prison, 3 years of supervised release, and was ordered to pay more than $205,000 in restitution for devising and participating in a scheme to obtain guaranteed Federal student loans for his and another individual's purported attendance at foreign schools in Canada and Sweden. Neither individual attended the schools. Our investigation found that the man created false financial aid documents and fraudulent certification forms and submitted those forms in order to receive Federal financial aid funds to which the two were not entitled.

Ohio Woman Sentenced for Fraud

A woman was sentenced in U.S. District Court, Northern District of Ohio, to 18 months in prison, 3 years of supervised released, and was ordered to pay nearly $109,000 in restitution for student financial aid fraud. The sentence is a result of our investigation that revealed that the woman applied for admission to Lakeland Community College on behalf of friends and family, then fraudulently applied for student financial assistance on behalf of these individuals, who for the most part, had no intention of attending the school. When these individuals did not show up for classes, the school refunded the unused loan amounts to them by check, which they in turn shared with the woman. As a result of her fraudulent efforts, the woman received approximately $109,000 in student financial assistance, most of which she used for her own personal use.

South Carolina Woman Featured on *America's Most Wanted* Sentenced for Fraud

A woman was sentenced in U.S. District Court, District of South Carolina, to 51 months in prison, 3 years of supervised release, and was ordered to pay nearly $126,000 in restitution for student financial aid fraud. The woman received notoriety after she assumed the identity of a South Carolina girl who has been missing since 1999. This matter was featured in numerous national news programs including *America's Most Wanted*. Our investigation revealed that from 2004 to 2006, the woman applied for and received more than $100,000 in student loans in the name of the missing girl. Authorities do not believe that the woman had anything to do with the missing girl's disappearance.

Settlements

New Jersey: Merit Technical Institute

The U.S. Attorney's Office in New Jersey reached a $100,000 settlement with the former owner and operator of the Merit Technical Institute. The settlement is a result of our investigation which revealed that the former owner fraudulently received more than $209,000 in FFEL funds on behalf of students who were enrolled in courses that were ineligible for FFEL funding. To conceal the fraud, the owner submitted false documents, including transcripts and attendance reports to give the false impression that the students were enrolled in eligible programs. In 2006, the former owner was sentenced to prison for embezzling approximately $392,000 in Department and U.S. Department of Labor funds.

Texas: Westwood Colleges

The U.S. Attorney's Office for the Northern District of Texas reached a $7 million settlement with Alta Colleges, Inc. d/b/a Westwood Colleges. The settlement is a result of our investigation which revealed that school officials made false representations regarding state licensure and placement reports, because they marketed and sold educational programs that they knew did not meet state licensing requirements in order to operate in the state and participate in a number of student financial aid programs. The wrongdoing allowed three of the school's campuses in Texas to continue to offer and receive Federal student assistance for ineligible programs.

Financial Management and Other Internal Operations

OIG's reviews of the Department's financial management and other internal operations are designed to help improve the overall operation of this mission-focused agency. Over the last 6 months, OIG provided oversight of the performance of the 008 financial statement audits where the Department and FSA received clean audit opinions. The audits, however, did reveal that a renewed focus is warranted regarding credit reform estimates and financial reporting and noted repeated control weaknesses within IT security and systems. In addition, OIG completed work on a congressional request related to internal operations. You will find more on these reviews below.

Financial Management

Financial Statement Audits

In November, we transmitted the final audit reports covering the Department's and FSA's FY 2008 comparative financial statements and the Department's FY 2008 special-purpose financial statements. Ernst & Young, LLP, Certified Public Accountants (E&Y), conducted the audits, and we performed oversight and monitoring procedures considered necessary to provide negative assurance that E&Y conducted the audits in accordance with standards. The Department and FSA each earned an unqualified or "clean" opinion on their respective comparative financial statements. The audits covering the Department's and FSA's comparative financial statements, however, identified two significant deficiencies. First, the audits found that the controls over credit reform estimation and financial reporting could be strengthened by continuing to improve the analytical tools used for the loan program cost estimation process, ensuring that the tools reconcile with one another, continuing efforts to more fully implement cohort reporting[1] and analysis, and documenting, in detail, the consideration and ultimate resolution of scenarios under which deviation from patterns of prior cash flows may be appropriate in developing credit reform estimates. Second, the audits found that controls surrounding information systems needed enhancement. The audits found numerous control weaknesses within IT security and systems indicating, among other things, the need to address the root causes of security or

[1] A grouping of individual loans by fiscal year of origination.

control weaknesses uniformly across the organization. Both of the significant deficiencies were repeat findings from the FY 2007 audit.

The Department also earned an unqualified opinion on its special-purpose financial statements, and the auditor's report disclosed no material weaknesses in internal control over the financial reporting process for these statements and no instances of noncompliance with Treasury Financial Manual Chapter 4700 requirements.

Drug Control Funds

As required by Section 1704(d) of Title 21, U.S. Code, and in accordance with the Office of National Drug Control Policy Circular, *Drug Control Accounting,* we authenticated the Department’s accounting of FY 2008 drug control funds and related performance data by expressing a conclusion on the reliability of each assertion made in the Department’s accounting and performance reports. Based upon our review, nothing came to our attention that caused us to believe that management’s assertions contained in the Department’s detailed accounting and performance reports were not fairly stated in all material respects.

Other Internal Operations

Updated Report on OIG Recommendations Not Yet Implemented

At the request of Chairman Waxman of the U.S. House of Representatives Committee on Oversight and Government Reform, OIG completed a review of those OIG audit/inspection recommendations made between FY 2001-2008 not yet implemented by the Department. This was a follow-up to the Chairman’s 2007 request made to all IG offices seeking this information for FYs 2001-2007. The Committee’s initial request asked for substantial information on each report’s objectives, findings, and unimplemented recommendations, so OIG focused its response on internal audits of the Department for which such detailed information was available. Because the Committee’s follow-up request did not require such detailed information, we included a summary of open recommendations from both our internal and external audits.

For the time period requested, a total of 271 internal audits were issued. Of those, 34 audits were reported as resolved and 8 audits were reported as unresolved. The 42 resolved and open audits included a total of 379 recommendations, 190 of which had not yet been implemented. As requested by the Committee, we estimated that the potential monetary benefits the Department would save by implementing those 190 recommendations to be $799,500. A total of 298 external audits were issued over the time period requested. Of those, 116 audits with 659 recommendations were reported as resolved, and 59 audits with 449 recommendations were reported as open. We estimated that the potential monetary benefits the Department would save by implementing those 449 recommendations would be more than $882 million. Click here for a copy of the report:
http://www.ed.gov/about/offices/list/oig/misc/notyetimplemented20012008.pdf

Other Noteworthy Efforts

Non-Federal Audits

Quality Control Reviews

The Single Audit Act of 1984, as amended, requires entities, such as state and local governments, universities, and not-for-profit organizations that receive and expend $500,000 or more in Federal funds in one year to conduct an annual audit. These audits provide the Federal Government with assurance that recipients of Federal funds comply with laws and regulations, as well as any particular provisions that are tied with the specific funding. The recipients use an independent external source (e.g., a Certified Public Accountant) to report on such compliance.

With thousands of grantees participating in Federal education programs, single audits are a critically vital tool in ensuring these grantees are fulfilling their obligations with the Federal education funds they receive. The 0OIG Non-Federal Audit Team provides timely and valuable guidance to the numerous auditors who conduct single audits. We produce and update audit guides based on new laws and regulations. We provide input to OMB relating to the Education programs covered in the annual Single Audit Compliance Supplement, used by auditors in performing single audits. To help assess the quality of the thousands of single audits that the Department receives each year, OIG's Non-Federal Audit Team conducts quality control reviews (QCRs) by reviewing a sampling of audits each year. During this reporting period, we completed 42 QCRs of audits conducted by 37 different independent public accountants, or offices of firms with multiple offices. We concluded that 12 (29 percent) were acceptable or acceptable with minor issues, 27 (64 percent) were technically deficient, and 3 (7 percent) were substandard.

Council of the Inspectors General on Integrity and Efficiency

Financial Statement Audit Conference

On March 24, the Council of the Inspectors General on Integrity and Efficiency and GAO held the annual Financial Statement Audit Conference—a free training program for IG, GAO, and independent public accountants (IPAs) tasked with conducting and coordinating annual financial statement audits. The training covered current issues related to the annual financial statement audits and standards, as well as new issues, such as oversight of ARRA program funding, revisions to the Federal Information Security Controls Audit Manual, and updated information from the Federal Accounting Standards Advisory Board. OIG Financial Statement Audit Director Greg Spencer chaired the conference planning committee and OIG Non-Federal Audit Team Director Hugh Monaghan was a featured speaker on the implications of the ARRA on audits of Federal agencies, recipients, and subrecipients. More than 350 individuals from the Federal and IPA auditing communities attended the conference.

Reporting Requirements of the Inspector General Act, as Amended		
Section	**Requirement**	**Table Number**
5(a)(1) and 5 (a)(2)	**Significant Problems, Abuses, and Deficiencies** Activities and Accomplishments	NA
5(a)(3)	**Uncompleted Corrective Actions** Recommendations Described in Previous Semiannual Reports to Congress on which Corrective Action Has Not Been Completed	1
5(a)(4)	**Matters Referred to Prosecutive Authorities** Statistical Profile	7
5(a)(5) and 6(b)(2)	**Summary of Instances where Information was Refused or Not Provided**	NA
5(a)(6)	**Listing of Reports** OIG Audit Reports on Department Programs and Activities Other OIG Reports on Department Programs and Activities	2 3
5(a)(7)	**Summary of Significant Audits** Activities and Accomplishments	NA
5(a)(8)	**OIG Issued Audit Reports with Questioned Costs** OIG Issued Audit Reports with Questioned Costs	4
5(a)(9)	**OIG Issued Audit Reports with Recommendations for Better Use of Funds** OIG Issued Audit Reports with Recommendations for Better Use of Funds	5
5(a)(10)	**Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period** Unresolved Reports Issued Prior to October 1, 2008	6
5(a)(11)	**Significant Revised Management Decisions**	NA
5(a)(12)	**Significant Management Decisions with which OIG Disagreed**	NA
5(a)(13)	**Unmet Intermediate Target Dates Established by the Department Under the *Federal Financial Management Improvement Act of 1996***	NA

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

Section 5(a)(3) of the IG Act, as amended, requires a listing of each report resolved before the commencement of the reporting period for which management has not completed corrective action.

Report Number	Report Title (Prior Semiannual Report (SAR) Number and Page)	Date Issued	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target Date (Per Corrective Action Plan)
					Open	Completed	
FSA							
A09G0012	Department's Oversight of the FAFSA Verification Process (SAR 55, page 27)	8/23/2007	10/10/2007		1	3	9/30/2009
A11H0001	FY 2007 System Security Review of the COD System *(Office of the Chief Information Officer also designated as an action official)* (SAR 55, page 28)	9/27/2007	11/20/2007		1	67	12/31/2009
A17H0004	Final Audit Reports Financial Statement Audits for FY 2007 and FY 2006 for FSA and the Department *(Office of the Chief Financial Officer also designated as an action official)* (SAR 56, page 25)	11/15/2007	1/14/2008		1	4	6/30/2009
Office of the Chief Financial Officer (OCFO)							
A19F0025	Controls Over Excessive Cash Drawdowns by Grantee (SAR 54, page 30)	12/18/2006	9/28/2007		2	7	12/31/2009
Office of the Chief Information Officer (OCIO)							
A11F0002	Review of the Department's Incident Handling Program and EDNet Security Controls *(OCIO designated as lead action official and OCFO and FSA as the other action officials).* (SAR 52, page 28)	10/6/2005	11/16/2005		6	3	6/30/2009
A11F0006	Audit of the Department's IT Contingency Planning Program – Asset Classification (SAR 52, page 28)	1/31/2006	5/25/2006		4	0	9/15/2009

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Date Resolved	Total Monetary Findings	Number of Recommendations Open	Number of Recommendations Completed	Latest Target Date (Per Corrective Action Plan)
A11G0002	System Security Review of the Education Data Center FY 2006 (SAR 53, page 25)	9/28/2006	4/9/2007		5	9	6/30/2009
A11G0004	Department's Online Privacy Policy and Protection of Sensitive Information Review *(Office of the Under Secretary (OUS) also designated as an action official)* (SAR 53, page 25)	9/29/2006	11/17/2006		1	1	6/30/2009
A19F0009	Telecommunications Billing Accuracy (SAR 52, page 28)	2/1/2006	3/22/2006		0	7	*
Office of the Deputy Secretary (ODS)							
A09E0014	Departmental Actions to Ensure Charter Schools' Access to Title I and IDEA Part B Funds *(Office of Elementary and Secondary Education and Office of Special and Rehabilitative Services (OSERS) also designated as action officials)* (SAR 50, page 22)	10/26/2004	1/10/2005		0	6	*
Office of Elementary and Secondary Education (OESE)							
A07F0014	Department's Activities Relating to Consolidating Funds in Schoolwide Programs Provisions (SAR 52, page 29)	12/29/2005	7/10/2007		0	4	*
Office of Management (OM)							
A19G0007	Audit of the Department's FY 2005 IT Equipment Inventory *(OCFO also designated as an action official)* (SAR 54, page 32)	11/29/2006	1/8/2007		1	7	6/30/2009

** Closure of audit was not completed in AARTS by the end of reporting period (3/31/2009).*

Table 2: OIG Audit, Inspection, and Evaluation Reports on Department Programs and Activities (October 1, 2008, through March 31, 2009)

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

Report Number	Report Title	Date Issued	Questioned Costs [1]	Unsupported Costs	Number of Recomm-endations
AUDIT REPORTS					
FSA					
A02H0008	Touro College's Title IV, HEA Programs, Institutional and Program Eligibility	10/30/08	$36,026,364		5
A05H0018	Walden University's Compliance with Selected Regulations and Department Guidance	1/21/09	$1,129,970[2]	$55,503[2]	10
A09H0017	Fifth Third Bank's Eligible Lender Trustee Agreements' Compliance with Lender Provisions of the HEA and Monitoring of Entities with Which It Has Agreements	1/5/09	$5,000,000[3]		5
A17I0002	Financial Statement Audits FY 2008 and FY 2007 - FSA *(OCFO also designated as an action official)*	11/17/08			6
A19H0008	FSA's Performance as a PBO *(Report addressed to OUS)*	12/11/08			14
OCFO					
A09H0019	Los Angeles Unified School District's Procedures for Calculating and Remitting Interest Earned on Federal Cash Advances	12/2/08	$6,302,406[1]		15
A09H0020	California Department of Education Advances of Federal Funding to Local Educational Agencies	3/9/09	$728,651[1,4]		10
A17I0001	Financial Statement Audits FY 2008 and FY 2007 – U.S. Department of Education *(FSA also designated as an action official)*	11/14/08			6
A17I0003	Financial Statement Audits for FY 2008 and FY 2007 – U.S. Department of Education Special Purpose Financial Statements	11/17/08			None
OESE					
A04H0017	Puerto Rico Department of Education's Administration of Title I Services Provided to Private School Students	10/9/08	$456,625	$365,089	15
A05H0025	Harvey Public Schools District's Use of Selected Department Grant Funds *(OSERS and OCFO also designated as action officials)*	11/25/08	$33,726[1]	$283,367	9

Report Number	Report Title	Date Issued	Questioned Costs	Unsupported Costs	Number of Recomm-endations
OSERS					
A02I0040	National Technical Institute for the Deaf Federal Education Funds Expenditures	12/31/08			None
ALTERNATIVE PRODUCTS*					
OCFO					
B07I0015	Review of Proposed Final FY 2005 Indirect Cost Rates *(Attestation Report)*	2/11/09			None
Office of Planning, Evaluation, and Policy Development					
B19J0001	OIG Independent Report on the Department's Detailed Accounting of FY 2008 Drug Control Funds *(Attestation Report)*	1/30/09			None
Office of Safe and Drug Free Schools					
B19J0001	OIG Independent Report on the Department's Performance Summary Report for FY 2009 *(Attestation Report)*	1/30/09			None
Totals			**$49,677,742**	**$703,959**	**95**

Special Note: No inspection reports were issued during this SAR period.

[1] For purposes of this schedule, questioned costs may include other recommended recoveries. Please see footnotes 2 and 3 in Table 4 for additional information regarding questioned and unsupported costs.

[2] Audit Report A05H0018 identified a total of $1,185,473 ($1,129,970 questioned costs and $55,503 unsupported costs) being due to the Department. As $912,430 of the $1,185,473 was recovered from the auditee during the audit, $273,043 remains to be recovered $1,185,473- $912,430).

[3] The $5,000,000 reported for ACN A09H0017 represents the amount determined to be owing to the Department and collected during this period in response to the audit recommendations, which recommended a range of possible corrective action. The Department also recovered an additional fine assessment in the amount of $82,500.

[4] Audit Report A09H0020 identified $13,000,000 in better use of funds.

***DESCRIPTION OF ALTERNATIVE PRODUCTS**

Attestation reports convey the results of attestation engagements performed within the context of their stated scope and objective(s). Attestation engagements can cover a broad range of financial and non-financial subjects and can be part of a financial audit or a performance audit. They include the examination, review, or performance of agreed-upon procedures on a subject matter, or an assertion about a subject matter and reporting on the results.

Interim audit memoranda/letters are used to notify Department management or the audited entity of a serious and urgent condition or issue identified during an on-going audit assignment when there is a strong likelihood that waiting until the audit report's issuance would result in the loss of an opportunity to prevent or curtail significant harm to the Department's interest. It is OIG policy to include interim audit memoranda in our product count but not individually identify them in SAR Table 2, nor post them on the OIG Internet/Intranet website due to their pre-decisional and interim nature.

Table 3: Other OIG Reports on Department Programs and Activities (October 1, 2008, through March 31, 2009)

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

Report Number	Report Title	Date Issued
OCFO		
S14J0001	Final Report on the Osage County Interlocal Cooperative[1] *(Special Project Report – OELA also designated action official)*	11/14/08
S14J0002	Final Report on the Greasy Public School Dependent District[1] *(Special Project Report – OELA also designated action official)*	11/14/08
OCIO		
S11I0010	U.S. Department of Education, Office of Inspector General 2008 FISMA Submission[2] *(Special Project Report – Report was addressed to OS)*	10/1/08
OESE		
L02J0003	Protection of Personally Identifiable Information in the State Assessment Process[1] *(Alert Memorandum State and Local No. 09-02 – OPEPD also designated action official)*	2/11/09
Office of the Secretary		
L02I0037	Greater Oversight of Camden City Public School District is Needed[3] *(Alert Memorandum – State and Local No. 09-01)*	1/30/09

DESCRIPTION OF TABLE 3 PRODUCTS

[1] S14J0001 made one non-monetary recommendation.
S14J0002 made one non-monetary recommendation.
L02J0003 made two non-monetary recommendations.

[2] S11I0010 contains sensitive computer security related information and will be withheld from public disclosure under FOIA Exemption (b)(2).

[3] L02I0037 made six recommendations—three non-monetary and three monetary—identifying $82,286 of questioned costs, $236,005 of unsupported costs, and unspecified other recommended recoveries.

Alert memoranda are prepared when a serious condition is identified that requires immediate Department management action that is either outside the agreed-upon objectives of an on-going audit or inspection assignment or is identified while engaged in work not related to an on-going assignment when an audit or inspection report will not be issued. ***Alert memoranda*** are not on the OIG website and are not publicly distributed.

Special projects are work that result in the issuance of a product or report that may not follow audit, inspection, or investigation standards.

Table 4: OIG Issued Audit,[1] Inspection, and Evaluation Reports with Questioned Costs

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

		Number	Questioned[2] Costs	Unsupported [3] Costs
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted):	48[4]	$818,083,344[4]	$300,857,947[4]
B.	Which were issued during the reporting period:	7	$50,381,701	$703,959
	Subtotals (A + B):	55	$868,465,045	$301,561,906
C.	For which a management decision was made during the reporting period:	5	$16,268,685	$5,240,654
	(i) Dollar value of disallowed costs:		$16,056,257	$5,240,654
	(ii) Dollar value of costs not disallowed:		$212,428	$0
D.	For which no management decision has been made by the end of the reporting period:	50	$852,196,360	$296,321,252

Special Note: No inspection reports were issued during this SAR period.

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

[2] Questioned costs are costs that are questioned because of either an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds or a finding that, at the time of the audit, such cost is not supported by adequate documentation or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. Other recommended recoveries are funds recommended for reasons other than questioned costs. Since the IG Act does not provide for this type of monetary finding, other recommended recoveries are combined with the "questioned costs" category for reporting in the SAR. The category is usually used for findings involving recovery of outstanding funds and/or revenue earned on Federal funds. The amount also includes any interest due the Department resulting from auditees' use of funds. In addition, amounts reported for these categories are combined with unsupported costs for reporting in the SAR.

[3] Unsupported costs are costs that are questioned because, at the time of the audit, such costs were not supported by adequate documentation.

[4] Audit Report A06H0009 technically was resolved in a prior SAR period. As a result, the audit was deducted from the number column and $4,178 was deducted from the beginning figures in the Unsupported Costs column.

Table 5: OIG Issued Audit, Inspection, and Evaluation Reports with Recommendations for Better Use of Funds[1]			
Section 5(a)(9) of the IG Act, as amended, requires for each reporting period a statistical table showing the total number of audit and inspection reports and the total dollar value of recommendations that funds be put to better use by management.			
		Number	**Dollar Value**
A.	For which no management decision was made before the commencement of the reporting period (as adjusted):	1	$327,577
B.	Which were issued during the reporting period:	1	$13,000,000
	Subtotals (A + B):	2	$13,327,577
C.	For which a management decision was made during the reporting period: (i) Dollar value of recommendations that were agreed to by management: (ii) Dollar value of recommendations that were not agreed to by management:	0 0 0	$0 $0 $0
D.	For which no management decision has been made by the end of the reporting period:	2	$13,327,577
Special Note: No inspection reports were issued during this SAR period. [1]None of the audits reported in this table were performed by the Defense Contract Audit Agency.			

Table 6: Unresolved Reports Issued Prior to October 1, 2008 *Section 5(a)(10) of the IG Act, as amended, requires a listing of each report issued before the commencement of the reporting period for which no management decisions had been made by the end of the reporting period. (Status below represents comments provided by the Department, comments agreed to, or documents obtained from the Department's tracking system, AARTS.)*				
Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommendations
New Since Last Reporting Period				
FSA				
A02H0007	Technical Career Institutes, Inc.'s Administration of the Federal Pell Grant and FFEL Programs *(SAR 57, page 25)*	5/19/08	$6,458	13
	Current Status: *FSA informed us that it is currently working on the audit. AARTS shows FSA administrative stay extension was approved on 3/3/2009.*			
OCFO				
A05H0016	Saint Paul Public School's Teacher Quality Enhancement Grant *(OPE also designated as an action official) (SAR 57 , page 25)*	5/23/08	$124,646 See note 1	7
	Current Status: *AARTS shows OCFO administrative stay was approved on 3/10/2009.*			
A05I0009	Indiana State University's Compliance with Selected Provisions of Law and Regulations for the Upward Bound and Upward Bound Math-Science Programs *(OUS also designated as an action official) (SAR 57, page 25)*	7/03/08	$337,077	3
	Current Status: *OCFO informed us that it is working with the Office of General Counsel (OGC) to develop the program determination letter (PDL).*			
A06H0002	Review of Project GRAD USA's Administration of Fund for the Improvement of Education Grants *(Office of Innovation and Improvement (OII) also designated as an action official) (SAR 57, page 26)*	7/21/08	$31,384,603	11
	Current Status: *AARTS shows OCFO administrative stay was approved on 3/31/2009.*			
OESE				
A04H0011	Puerto Rico Department of Education's Administration of Contracts Awarded to Excellence in Education, Inc. and the University of Puerto Rico's Cayey Campus *(SAR 57, page 26)*	5/20/08	$189,011	10
	Current Status: *OESE informed us a PDL is currently with OGC for review.*			
A05H0010	The School District of the City of Detroit's Use of Title I, Part A Funds Under the ESEA *(SAR 57, page 26)*	7/18/08	$53,618,859	21
	Current Status: *OESE informed us that the PDL is clearing the "Internal Review Process."*			

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommen-dations
A07H0017	St. Louis Public School District's Use of Selected Department Grant Funds *(OSERS also designated as an action official) (SAR 57, page 26)*	9/29/08	$765,001	7
	Current Status: *Both OESE and OSERS informed us that the PDL is with OGC for review.*			
Reported in Previous SARs				
FSA				
A02H0005	EDUTEC's Administration of the Federal Pell Grant Program *(SAR 55, page 27)*	9/27/07	$83,000	5
	Current Status: *FSA informed us it is currently working on this audit. AARTS shows FSA administrative stay extension was approved on 12/24/2008.*			
A04B0015	Review of Cash Management and Student Financial Assistance Refund Procedures at Bennett College *(Office of Postsecondary Education (OPE) designated as collateral action official) (SAR 45, page 16)*	9/26/02	$997,313	7
	Current Status: *FSA informed us that it expects to have this audit closed by 6/30/2009. The required documents for resolution are needed in AARTS before this audit is officially resolved.*			
A04B0019	Advanced Career Training Institute's Administration of the Title IV HEA Programs *(SAR 47, page 13)*	9/25/03	$7,472,583	14
	Current Status: *FSA informed us the audit was previously closed in the Department's previous tracking system, Common Audit Resolution System. FSA will work on getting this audit closed in AARTS by 6/30/2009. The required documents for resolution are needed in AARTS before this audit is officially resolved.*			
A04E0001	Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown *(SAR 49, page 14)*	9/23/04	$2,458,347	7
	Current Status: *FSA informed us that it is still waiting on a policy decision to address and resolve this audit.*			
A05E0013	Audit of the Administration of the Student Financial Assistance Programs at the Ivy Tech State College Campus in Gary, Indiana, during the Period July 1, 2002, through June 30, 2003 *(SAR 50, page 21)*	2/25/05	$1,645,160	3
	Current Status: *FSA informed us that the audit was closed on 1/22/2007, and that it will work on getting this audit closed by 6/30/2009 in AARTS. The required documents for resolution are needed in AARTS before this audit is officially resolved.*			

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommen-dations
A05G0017	Capella University's Compliance with Selected Provisions of the HEA and Corresponding Regulations *(SAR 56, page 25)*	3/7/08	$589,892	9
	Current Status: *FSA informed us that it is currently working on this audit.*			
A05G0029	Wilberforce University's Administration of HEA, Title IV Programs *(SAR 56, page 25*)	3/21/08	$2,472,781	25
	Current Status: *FSA informed us that it is currently working on this audit. AARTS shows FSA administrative stay extension was approved on 3/23/2009.*			
A0670005	Professional Judgment at Yale University *(SAR 36, page 18)*	3/13/98	$5,469	3
	Current Status: *FSA informed us that it is still waiting on a policy decision to address and resolve this audit.*			
A0670009	Professional Judgment at University of Colorado *(SAR 37, page17)*	7/17/98	$15,082	4
	Current Status: *FSA informed us that it is still waiting on a policy decision to address and resolve this audit.*			
A06D0018	Audit of Saint Louis University's Use of Professional Judgment from June 2000 – June 2002 *(SAR 50, page 21)*	2/10/05	$1,458,584	6
	Current Status: *FSA informed us that it is still waiting on a policy decision to address and resolve this audit.*			
A06H0010	Eagle Gate College's Administration of Title IV HEA Programs *(SAR 55, page 27)*	9/28/07	$2,630	6
	Current Status: *FSA informed us that it is currently working on this audit.*			
A0723545	State of Missouri, Single Audit Two Years Ended 6/30/1991	4/1/93	$1,048,768	18
	Current Status*: OIG did not receive a response from FSA on this audit during this reporting period. FSA previously informed us that it is currently researching options to resolve this issue.*			
A0733123	State of Missouri, Single Audit Year Ended June 30, 1992.	3/7/94	$187,530	18
	Current Status*: OIG did not receive a response from FSA on this audit during this reporting period. FSA previously informed us that it is currently researching options to resolve this issue.*			
A09D0024	American River College's Compliance with Student Eligibility Requirements for Title IV HEA Programs *(SAR 50, page 21)*	12/1/04	$3,024,665	3
	Current Status: *FSA informed us that it will work on getting this audit closed in AARTS by 6/30/2009.*			

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommen-dations
N0690010	Inspection of Parks College's Compliance with Student Financial Assistance Requirements *(SAR 40, page 18)*	2/9/00	$169,390	1
	Current Status: *FSA will work on getting this audit closed in AARTS by 6/30/2009.*			
OCFO				
A03F0010	The Education Leaders Council's Drawdown and Expenditure of Federal Funds *(OII also designated as an action official) (SAR 52, page 8)*	1/31/06	$760,570	12
	Current Status: *OCFO informed us that the resolution activities continue to be suspended.*			
A05D0041	University of Illinois at Chicago's Upward Bound Project *(OPE also designated as an action official)* (*SAR 50, page 22)*	12/20/04	$223,057	8
	Current Status: *OCFO informed us that additional time is needed to continue to review and analyze data provided by the auditee.*			
A05E0002	Audit of the University of Illinois at Chicago's Student Support Services Program *(OPE also designated as an action official) (SAR 50, page 22)*	12/15/04	$260,050	6
	Current Status: *OCFO informed us that additional time is needed to continue to review and analyze data provided by the auditee.*			
A05E0018	University of Illinois at Chicago's Upward Bound Math and Science Project *(OPE also designated as an action official) (SAR 50, page 22)*	12/17/04	$274,493	7
	Current Status: *OCFO informed us that additional time is needed to continue to review and analyze data provided by the auditee.*			
A09F0010	Pittsburg Pre-School and Community Council, Inc.'s Use of Early Reading First and Migrant Education Even Start Grant Funds *(OESE also designated as an action official) (SAR 52, page 9)*	3/17/06	$910,217	21
	Current Status: *OCFO informed us that the PDL was issued on 3/19/2009. The required documents needed for resolution of this audit were not in AARTS by 3/31/2009.*			
A09H0014	San Diego Unified School District's Use of Federal Funds for Costs of Its Supplemental Early Retirement Plan *(SAR 50, page 22)*	12/18/07	$1,904,918	1
	Current Status: *OCFO informed us that the PDL was issued on 2/23/2009. The required documents needed for resolution of this audit were not in AARTS by 3/31/2009.*			

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommen-dations
OESE				
A02G0002	Audit of New York State Education Department's Reading First Program *(SAR 54, page 31)*	11/3/06	$215,832,254	8
	Current Status: *OESE informed us that this audit is pending discussions with OIG.*			
A02G0020	Elizabeth Public School District Allowability of ESEA Title I, Part A Expenditures *(SAR 56, page. 25)*	10/9/07	$1,946,925	14
	Current Status*: OESE informed us the PDL is currently with OGC for review.*			
A03G0006	The Department's Administration of Selected Aspects of the Reading First Program *(OCFO also designated as an action official) (SAR 54, page 31)*	2/22/07		3
	Current Status: *OESE informed us that its program team is addressing the on-going corrective actions.*			
A04G0012	Audit of Mississippi Department of Education's Emergency Impact Aid Program Controls and Compliance *(SAR 55, page 28)*	8/8/07	$3,192,395	4
	Current Status: *OESE informed us that its program team is working with states to reconcile the pupil data submitted for reimbursement for displaced children due to Hurricanes Katrina and Rita.*			
A04G0015	Audit of Georgia Department of Education's Emergency Impact Aid Program Controls and Compliance *(SAR 56, page 26)*	10/30/07	$9,977,242	9
	Current Status: *OESE informed us that its program team is working with the states to reconcile pupil data submitted for reimbursement for displaced children due to Hurricanes Katrina and Rita.*			
A05G0020	Audit of the Alabama State Department of Education's and Two Selected LEAs' Compliance with Temporary Emergency Impact Aid Program Requirements *(SAR 55, page 28)*	9/27/07	$4,579,375	5
	Current Status: *OESE informed us that its program team is working with the states to reconcile pupil data submitted for reimbursement for displaced children due to Hurricanes Katrina and Rita.*			
A05G0031	Columbus City School District's Compliance with Financial Accountability Requirements for Expenditures Under Selected NCLB Programs *(SAR 55, page 29)*	6/20/07	$48,158	8
	Current Status: *A PDL was issued on 3/31/2009. The required documents needed for resolution of this audit were not in AARTS by 3/31/2009.*			

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommen-dations
A05G0032	Ohio Department of Education's Administration of its Migrant Education Program *(SAR 56, page 26)*	1/8/08	$30,000	6
	Current Status: *A PDL was issued on 3/31/2009. The required documents needed for resolution of this audit were not in AARTS by 3/31/2009.*			
A05G0033	Illinois State Board of Education's Compliance with the Title I, Part A, Comparability of Services Requirements *(SAR 55, page 29)*	6/7/07	$16,809,020	8
	Current Status: *OESE informed us the PDL is currently with OGC for review.*			
A06E0008	Audit of the Title I Funds Administered by the Orleans Parish School Board for the period July1, 2001, through December 31, 2003 *(SAR 50, page 23)*	2/16/05	$73,936,273	7
	Current Status: *OESE informed us this audit is pending its program team and OGC review of OIG workpapers.*			
A06F0016	Arkansas Department of Education's Migrant Education Program *(SAR 53, page 25)*	8/22/06	$877,000	2
	Current Status: *OESE informed us that its program team is revising its determinations.*			
A06G0009	Audit of the Temporary Emergency Impact Aid for Displaced Students Requirements at the Texas Education Agency and Applicable LEAs (*SAR 55, page 29)*	9/18/07	$10,270,000	4
	Current Status: *OESE informed us that its program team is working with the states to reconcile the pupil data submitted for reimbursement for displaced children due to Hurricanes Katrina and Rita.*			
A06G0010	Louisiana Department of Education's Compliance with Temporary Emergency Impact Aid for Displaced Students Requirements *(SAR 55, page 29)*	9/21/07	$6,303,000	4
	Current Status: *OESE informed us that its program team is working with the states to reconcile the pupil data submitted for reimbursement for displaced children due to Hurricanes Katrina and Rita.*			
OPE				
A07B0011	Audit of Valencia Community College's Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement *(SAR 47, page 15)*	5/8/03	$1,822,864	5
	Current Status: *OPE informed us that OPE and OGC are exploring the statute of limitations and related issues.*			

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommen-dations
OSERS				
A02B0014	Audit of the Puerto Rico Vocational Rehabilitation Administration *(SAR 45, page 18)*	6/26/02	$15,800,000	5
	Current Status: *OSERS informed us its staff is working to resolve this matter in the next six months.*			
A02E0020	The Virgin Islands Department of Health's Administration of the Infants and Toddlers Program *(SAR 51, page 28)*	9/28/05	See Note 2	17
	Current Status*: OSERS informed us its staff is working to resolve this matter.*			
A06F0019	Results of five audits of the IDEA, Part B requirements at schools under the supervision of the Department of Interior's Bureau of Indian Affairs *(Report was addressed to the Bureau of Indian Education, Department of the Interior) (SAR 54, page 32)*	3/28/07	$328,000,000	6
	Current Status: *OSERS informed us its staff is drafting the PDL.*			
Office of the Secretary (OS)				
I13F0012	Review of Department Identified Contracts and Grants for Public Relations Services *(SAR 51, page 30)*	9/1/05	$0	6
	Current Status: *AARTS shows the recommendations as unresolved.*			
I13H0004	Inspection of Active Congressional Earmarks in FY 2005 *(SAR 55, page 31)*	9/25/07	$0	1
	Current Status: *AARTS shows the recommendation as resolved; however, it does not show the date the audit was resolved.*			
OGC				
I13H0005	Review of the Department's Public Financial Disclosure Reports for Employees Responsible for Oversight of the FFEL Program *(SAR 56, page 26)*	3/12/08	$0	2
	Current Status: *AARTS shows the recommendations as unresolved.*			
I13I0004	Inspection to Evaluate the Adequacy of the Department's Procedures in Response to Section 306 of the FY 2008 Appropriations Act – Maintenance of Integrity and Ethical Values Within the Department *(Congressional Request, OGC designated as the action official by OS) (SAR 57, page 27)*	4/21/08	$0	2
	Current Status: *AARTS shows the recommendations as unresolved.*			
	Total		$801,814,660	382

Note 1 - For Audit Report A05H0016, included in this $124,646 figure is $100,675 of questioned cost and $23,971 of monetary recoveries made during audit.
Note 2 - We identified $327,577 in one-time better use of funds in Audit Report A02E0020.

Table 7: Statistical Profile: October 1, 2008, to March 31, 2009	Six-Month Period Ending 3/31/2009
OIG Audit Reports Issued	12
Questioned Costs	$49,677,742
Unsupported Costs	$703,959
Recommendations for Better Use of Funds	$13,000,000
Other OIG Products Issued *(2 Attestation Reports, 3 Special Projects, 2 Alert Memoranda, and 1 Interim Alert Memorandum)*	9
OIG Audit Reports Resolved By Program Managers	14
Questioned Costs Sustained	$10,815,603
Unsupported Costs Sustained	$5,240,654
Additional Disallowances Identified by Program Managers	$2,985,443
Management Commitment to the Better Use of Funds	$0
Investigative Case Activity	
Cases Opened	70
Cases Closed	64
Cases Active at the End of the Reporting Period	403
Prosecutorial Decisions - Accepted - Declined	136 59 77
Investigative Results	
Indictments/Informations	61
Convictions/Pleas	69
Fines Ordered	$13,764
Restitution Payments Ordered	$8,035,356
Civil Settlements/Judgments (number)	5
Civil Settlements/Judgments (amount)	$7,162,227
Recoveries	$175,360
Forfeitures/Seizures	$1,928,024
Savings	$2,762,219[1]

[1] This figure does not include $4,726,668 in savings that was not reported in SAR 57. Our investigative efforts in connection with a student loan consolidation company resulted in the reduction of the Department's Federal student loan special allowance fees and interest costs which we estimate could be as much as $1,512,596 through June 31, 2008. The investigation also resulted in a reduction of the Department's National Student Loan Data System usage costs, which provided an additional cost savings in the amount of $3,214,072 as of August 31, 2008. The request, review, and analysis of voluminous data prevented this savings amount from being reported in SAR 57.

U.S. Department of Education
Arne Duncan
Secretary

Office of Inspector General
Mary Mitchelson
Acting Inspector General

May 2009

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