

# U.S. Department of Education



## Inspector General's Semiannual Report to Congress #51 April 1, 2005-September 30, 2005

**U.S. Department of Education**



**Inspector General's  
Semiannual Report to Congress: No. 51**

*April 1, 2005 - September 30, 2005*



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

October 31, 2005

Dear Madam Secretary:

I am pleased to submit to you, in accordance with the Inspector General Act of 1978 (Public Law 95-452, as amended, section 5(b)), this semiannual report on the activities of the Office of Inspector General for the six-month period ending September 30, 2005.

This report highlights our most significant work from the last six months, reflecting our strong commitment and valuable role in assisting the Department in improving its programs and operations and ensuring their integrity. We look forward to continuing to work with you towards these goals.

The Inspector General Act requires you to transmit this report within 30 days to the appropriate Congressional committees and subcommittees, together with a report containing any comments you wish to make. Your report should also include the statistical tables specified in section 5(b)(2) and (3) of the Inspector General Act, and a statement with respect to audit reports on which management decisions have been made, but final action has not been taken, as specified in section (5)(b)(4) of the Inspector General Act.

Sincerely,

John P. Higgins, Jr.

Enclosure

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202-1510

*Our mission is to ensure equal access to education and to promote educational excellence throughout the nation.*

# CONTENTS

## MESSAGE TO CONGRESS

<b>I. OVERVIEW .....</b>	<b>1</b>
<b>II. PROGRAM ACCOUNTABILITY-STUDENT FINANCIAL ASSISTANCE .....</b>	<b>2</b>
Guaranty Agency Loan Disbursements for Students Attending Foreign Schools .....	2
University of Phoenix .....	2
University of the Virgin Islands .....	3
eZ-Audit Process .....	3
Management Decision with which We Disagree .....	3
Congressional Hearings on Student Financial Assistance Programs .....	4
OIG Recommendations for HEA Reauthorization .....	5
Identifying and Investigating Fraud and Abuse in the Student Financial Assistance Arena .....	5
Fraud By School Officials .....	5
Fraud By Employees of Companies Involved In Federal Student Aid Programs .....	7
Identity Theft/Misuse Of Social Security Numbers .....	7
Other Recipient Fraud .....	8
<b>III. PROGRAM ACCOUNTABILITY - STATE AND LOCAL ASSISTANCE .....</b>	<b>9</b>
No Child Left Behind .....	9
Unsafe School Choice Option .....	9
School Choice and Supplemental Educational Services .....	9
Consolidating Funds .....	10
Individuals with Disabilities Education Act .....	10
Expenditures by Grantees .....	10
New York City Department of Education .....	10
Wyandanch Union Free School District (Long, Island, New York) .....	11
Louisiana Department of Education .....	11
Unsolicited Grants .....	11
High-Risk Grantees .....	12
Guam .....	12
Virgin Islands .....	12
Identifying and Investigating Corruption .....	13
<b>IV: INTERNAL OPERATIONS AND FINANCIAL MANAGEMENT ACCOUNTABILITY ...</b>	<b>14</b>
Public Relations Contracts .....	14
Ketchum, Inc. ....	14
Contracts and Grants for Public Relations Services .....	15
Information Technology Security .....	15
Data Reliability .....	16
Prompt Payment Act .....	16
Purchase Cards .....	17
Internal Audit Follow-Up .....	17
Department's Contractor 6C Security Clearance Procedures .....	18
Inspection of Access to the National Student Loan Data System .....	18

Identifying and Investigating Internal Abuse .....	18
<b>V: OTHER ACTIVITIES AND ACCOMPLISHMENTS .....</b>	<b>19</b>
Hurricane Disaster Relief.....	19
OIG Expands Cybercrime Activities .....	19
Nonfederal Audits .....	19
President's Council on Integrity and Efficiency .....	19
National Single Audit Sampling Project .....	20
Study on Costs and Benefits of Obtaining an Opinion on Internal Control .....	20
Peer Review Guide .....	20
PCIE Information Technology Roundtable .....	20
<b>Reporting Requirements of the Inspector General Act, as amended .....</b>	<b>21</b>
<b>Table 1:</b> Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed .....	21
<b>Table 2:</b> ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2005 to September 30, 2005) .....	23
<b>Table 3:</b> Other ED/OIG Reports on Education Department Programs and Activities (April 1, 2005 to September 30, 2005) .....	27
<b>Table 4:</b> Inspector General Issued Audit Reports with Questioned Costs .....	28
<b>Table 5:</b> Inspector General Issued Audit Reports with Recommendations for Better Use of Funds .....	29
<b>Table 6:</b> Unresolved Reports Issued Prior to April 1, 2005 .....	29
<b>Table 7:</b> Investigation Services Cumulative Actions (April 1, 2005 to September 30, 2005) .....	36
<b>Table 8:</b> Statistical Profile: April 1, 2005 to September 30, 2005 .....	41

## INSPECTOR GENERAL'S MESSAGE TO CONGRESS

We are pleased to provide this semiannual report on the activities and accomplishments of the Office of Inspector General (OIG), U.S. Department of Education (Department) from April 1, 2005 through September 30, 2005.

The Department celebrated its 25th anniversary this year, an important milestone that also marks OIG's 25th year of service to the Department. For a quarter of a century, OIG has promoted the efficiency, effectiveness, and integrity of the Department's programs and operations. We have worked with the Department to identify and help prevent fraud, waste, abuse and mismanagement. We have consistently conducted independent and objective audits, investigations, inspections and, based on our findings, made recommendations to the Department to address the problems we find, and have investigated fraud leading to the prosecution of those who try to gain federal education funds illegally. With your continued support, we will continue to do so for years to come.

Over the last six months, OIG issued 51 audits, inspection reports and memoranda, and closed 114 investigations. As detailed in this report, we continue to leverage our very limited resources on the programs and operations that challenge the Department in its ability to exercise effective stewardship of the taxpayer dollars with which it has been entrusted. Our work over the last six months shows that the Department has much to do to achieve effective oversight, accountability and enforcement throughout its programs and operations. This is particularly true in the areas of student financial assistance, compliance by grantees in the state and local assistance arena, and internal operations. Also discussed in this report is our audit of the New Mexico Educational Assistance Foundation's use of tax-exempt obligations to finance student loans and the Department's final determination on our findings and recommendations. We disagreed with the Department's determination and provide our reasoning for doing so on page 3 of this report.

Once again, thanks to the hard work and effort by employees past and present, OIG has capably fulfilled its mission for the last 25 years. We have made a positive difference in assisting the Department in ensuring the integrity of its operations and improving its programs in order to provide the best service to the American public. And, while we take a moment to celebrate our 25th anniversary, we remain ever vigilant. We look forward to working with the 109th Congress and the Secretary in furthering our goals and achieving our mission.

***John P. Higgins, Jr.***  
***Inspector General***

# OVERVIEW



The Office of Inspector General (OIG), for the period April 1, 2005 through September 30, 2005, continued its work to promote efficiency, effectiveness and integrity in the programs and operations of the U.S. Department of Education (Department). Our efforts during this time period continue to reveal weaknesses in the Department's oversight of and accountability for its programs and operations.

Over the last 25 years, the U.S. Congress has entrusted the Department with increasing sums of taxpayer dollars to fulfill its mission. The Department's budget has grown five-fold: from approximately \$14 billion for Fiscal Year (FY) 1981, to over \$71 billion for FY 2005. The Department exercises stewardship over these taxpayer dollars and has an obligation to carry out its responsibilities with diligence. America's taxpayers and students deserve nothing less.

As detailed in this report, we continue to leverage our very limited resources on the programs and operations that challenge the Department in its ability to exercise effective stewardship of the taxpayer dollars with which it has been entrusted. These areas include the very large and complex student financial assistance programs. Audits, inspections and investigations completed in this area are highlighted in the second section of this report. This includes our audit of the New Mexico Educational Assistance Foundation's use of tax-exempt obligations to finance student loans and the Department's final determination on our findings and recommendations. We disagreed with the Department's determination and below provide our reasoning for doing so.

In the third section of this report, we provide a summary of the work we conducted in the area of state and local assistance. Our efforts reveal that the Department has much to do to fully achieve effective oversight and accountability in its elementary, secondary, special education and vocational education programs. Risk management and compliance by grantees in these areas continue to be a challenge for the Department. As we pointed out in our last Semiannual Report to Congress (*No. 50, October 1, 2004 - March 31, 2005*), these problems are demanding more of our attention and resources.

Our audits and inspections in the area of the Department's internal operations show that it must establish effective accountability for its contractors and employees. The work we concluded during this reporting period shows inadequacies in oversight, monitoring and accountability by Department management and staff. A summary of our audits and inspections in this area is covered in the fourth section of this report.

OIG constantly strives to improve its operations. We identify emerging threats to the integrity of the Department's programs and capitalize on new and evolving techniques to help address these issues. We highlight some of our additional activities and accomplishments in the fifth section of this report. In the sixth and final section of this report are compilation tables of the audits, inspections and investigations we concluded during this reporting period, as required by the Inspector General Act.

In closing, 2005 marks our 25<sup>th</sup> year of service. For a quarter of a century, we have successfully promoted the efficiency, effectiveness, and integrity of the Department's

programs and operations. We have worked with the Department to prevent fraud, waste, abuse and mismanagement. We have consistently conducted independent and objective audits, investigations, inspections, and based on our findings, made recommendations to the Department to address the problems we find, and investigated fraud leading to the prosecution of those who try to gain federal education funds illegally. While we take a moment to celebrate our silver anniversary, we remain ever vigilant and will continue to further our goals and achieve our mission.

## PROGRAM ACCOUNTABILITY-STUDENT FINANCIAL ASSISTANCE



The Department's student financial assistance programs are large and complex. The loan and grant programs rely on over 6,000 postsecondary institutions, more than 3,000 lenders, 35 guaranty agencies and many contractors. The size and scope of the programs have increased greatly in recent years, with total program dollars doubling in the last ten years alone. Continued developments in the modes of education delivery (*e.g.*, non-traditional terms, distance education) and virtual paperless electronic delivery of program funds bring new challenges to ensure adequate oversight to identify and manage risks. With approximately \$70 billion awarded annually through the student financial assistance programs and an outstanding loan portfolio approaching \$400 billion, the Department must ensure that all entities involved in the programs are adhering to statutory and regulatory requirements. The Office of Federal Student Aid (FSA) must provide adequate program monitoring to reduce fraud and abuse in these programs. Further, the Department's responses to OIG audits have shown that stewardship remains a challenge for the Department, as several audits concluded during this period have found that the Department has not taken sufficient actions to protect federal funds or recover funds to which entities were not entitled.

### Guaranty Agency Loan Disbursements for Students Attending Foreign Schools

With regard to students attending schools outside the United States, our objective was to determine if guaranty agencies had established policies and procedures to provide reasonable assurance that they complied with all requirements for ensuring that Federal Family Education Loan (FFEL) program funds are disbursed only to eligible borrowers for attendance at eligible schools. We concluded that guaranty agencies had not established the required policies and procedures. Our conclusion was based on audit work at United Student Aid Funds, Inc. and Great Lakes Higher Education Corporation that, combined, account for the guarantees on 79 percent of all loans to students attending foreign schools. We recommended that FSA, in conjunction with the Office of Postsecondary Education (OPE), require guaranty agencies to establish and implement policies and procedures for monitoring, on an ongoing basis, lenders' compliance with their verification policies; require the guaranty agencies to test all disbursements made to borrowers for attendance at foreign schools and cancel the loan guaranty for all ineligible loans identified; and send proper written guidance to all lenders and highlight the section on lender requirements, emphasizing that lenders must follow their guaranty agencies' policies. FSA and OPE agreed with the first two recommendations, but disagreed with the third recommendation. <http://www.ed.gov/about/offices/list/oig/auditreports/a05e0028.pdf>



## University of Phoenix



We conducted an audit of the University of Phoenix (UOP) to determine whether it had policies and procedures that provide reasonable assurance that the institution properly makes initial and subsequent disbursements to students enrolled in eligible programs under Title IV of the Higher Education Act of 1965, as amended (HEA). We determined that UOP had improperly used over \$319,000 in Title IV funds to credit student accounts for prior learning assessment fees, and had disbursed over \$22,650 to students in an ineligible general studies program. With the exception of our finding regarding the crediting of student accounts for unallowable charges, UOP concurred with our findings and recommendations. <http://www.ed.gov/about/offices/list/oig/auditreports/a09e0015.pdf>

## University of the Virgin Islands

The purpose of this audit was to determine whether the University of the Virgin Islands (UVI) administered its student financial assistance programs in compliance with Title IV of the HEA and applicable regulations. Specifically, we evaluated UVI's compliance with federal regulations governing return of Title IV funds, cash management, student credit balances and student eligibility. We found that UVI did not always calculate correctly and pay timely returns of Title IV funds. Also, UVI did not correctly manage cash, as it was improperly maintaining student credit balances. Student eligibility became an issue when UVI deleted academic records, failed to accurately or consistently track student withdrawals and did not consistently apply satisfactory academic progress standards. UVI was not financially responsible because it failed to submit required Single Audits in a timely manner. Based on the significance of these findings, we concluded that UVI did not always meet the administrative capability standards for Title IV programs. Because of UVI's failure to submit Single Audits in a timely manner, we recommended that FSA take action to allow UVI to continue participation in the Title IV programs only under the provisional certification requirements, or take appropriate legal action to fine the institution, or to limit, suspend or terminate its eligibility. UVI concurred with our findings and stated that it would work with FSA on the recommendations. <http://www.ed.gov/about/offices/list/oig/auditreports/a02e0003.pdf>

## eZ-Audit Process

In order to participate in the Title IV programs, an institution must be financially responsible. FSA evaluates financial responsibility based on audited financial statements that institutions are required to submit annually. In 2003, FSA implemented the eZ-Audit system -- a process for institutions to submit financial statements electronically. Institutions are required to enter detailed financial information into templates within eZ-Audit. OMB has allowed FSA to operate eZ-Audit as a pilot project prior to making a final decision on the Department's request for approval under the Paperwork Reduction Act of 1995, as amended.

We identified two primary conditions with the eZ-Audit system. The first was that institutions cannot accurately enter the detail line item data into the eZ-Audit financial statement templates. The second was that FSA does not use and does not evaluate the detail line item data entered by institutions. We concluded that requiring institutions to provide information that is not verified and not used can only be considered a burden on

institutions. FSA's response to our audit did not address the problem of unverifiable amounts entered into the detail line items. Unverifiable amounts occur because of the broad latitude provided for in financial reporting with regard to account classification. FSA cannot determine the correct amounts for unverifiable financial statement template line items without extensive communication with institutions. FSA's response was silent on the fact that the detail line item data entered by institutions is not used in evaluating financial responsibility. Nor did FSA address the fact that the data problems with the detail line items make it impossible to use the data for any trend analysis in the future. <http://www.ed.gov/about/offices/list/oig/auditreports/a03f0001.pdf>

### Management Decision with which We Disagree

On May 24, 2005, we issued our final audit report, *Special Allowance Payments to New Mexico Educational Assistance Foundation for Loans Funded by Tax-Exempt Obligations* (ED-OIG/A05E0017, available at <http://www.ed.gov/about/offices/list/oig/auditreports/a05e0017.pdf>). In its final audit determination for this report, issued to New Mexico Educational Assistance Foundation (NMEAF) on July 8, 2005, the Department did not support two of our three findings. We disagree with the Department's determination.

With respect to our first finding, we relied on the text of the Department's regulations to conclude that the NMEAF improperly continued to bill for special allowance payments under the 9.5 percent floor after the loans had been transferred as security for new obligations and the original obligations were retired or defeased. The Department's determination stated that, in sub-regulatory guidance it issued in 1993 and 1995, it unambiguously and authoritatively interpreted statutory language related to the 9.5 percent floor so that loans funded by tax-exempt obligations that are refinanced after October 1, 1993, continue to qualify for the 9.5 percent floor. The Department stated that it is required to apply the law and regulations in accordance with this prior interpretation.

We disagree with the Department's determination that it had previously provided an authoritative and unambiguous interpretation of statutory language related to the 9.5 percent floor. We did not find adequate support for the Department's interpretation in the prior sub-regulatory guidance, the Department could not articulate its interpretation to us before it was presented in the final audit determination, and the Department's position appears to conflict with its response to a report issued by the United States Government Accountability Office in September 2004, *Federal Family Education Loan Program: Statutory and Regulatory Changes Could Avert Billions in Unnecessary Federal Subsidy Payments* (GAO-04-1070).

In our second finding, we found that NMEAF's loan records did not indicate that all of its loans billed under the 9.5 percent floor calculation were made or purchased with funds from eligible sources, as defined in Department regulations. The Department's determination stated that it had conducted an additional analysis and determined that, based on the characteristics of NMEAF's loan portfolio and existing controls, procedures, and automated and hard copy records and reports, NMEAF's records were adequate to support its billing under the 9.5 percent floor.

We disagree with the Department's determination because none of the loan records provided by NMEAF for the loans we reviewed supported the individual eligibility of

those loans for the 9.5 percent floor. Also, according to the documentation of its review that it provided to us, the Department did not perform work to ensure that its understanding of the loan portfolio's characteristics was accurate nor to ensure that NMEAF's controls and procedures had their intended effect. As a result, the Department's conclusions are not supported by the records it reviewed or the analysis it provided to us.

Our report calculated that, for the two findings with which the Department disagreed, NMEAF may have been overpaid up to \$18.4 million of the \$18.6 million in special allowance payments it received for the five quarters ending December 31, 2002, through December 31, 2003. The outcome of the Department's determination is that NMEAF and other, similar lenders will retain and continue to receive excessive special allowance payments under the 9.5 percent floor. These payments will not result in any identified benefit to the government and do not appear to be necessary to ensure an equitable return to lenders.

### Congressional Hearings on Student Financial Assistance Programs



On May 26, Inspector General John P. Higgins, Jr. and FSA Chief Operating Officer Theresa Shaw testified before the Government Reform Committee of the U.S. House of Representatives on the management and performance of the FFEL and Direct Loan programs. Inspector General Higgins discussed OIG's joint effort with FSA to assess controls over all of the financial assistance programs, with the goal of identifying and reducing

fraud and abuse. He provided the Committee with information on this collaboration, known as the Fraud Initiative, noting how it identified 11 risk categories that represent areas within the student financial assistance programs that are the most vulnerable to fraud and abuse. He informed the Committee that work groups have been established to focus on three key areas: Free Application for Federal Student Aid (FAFSA) falsification, identity theft, and school fraud and abuse. In addition, Inspector General Higgins provided the Committee legislative changes that, if adopted, will go a long way to improve the management of, and reduce the risks in, these programs. This included our on-going call for Congress to amend the Internal Revenue Code to allow the Department to match the information provided on the FAFSA with the income data that is maintained by the Internal Revenue Service. A copy of Inspector General Higgins' testimony is available on our Web site. <http://www.ed.gov/about/offices/list/oig/audit/rpts/stmt052005.pdf>

### OIG Recommendations for HEA Reauthorization

The House Committee on Education and the Workforce, as well as the Senate Committee on Health, Education, Labor and Pensions, passed legislation reauthorizing the HEA. Prior to Committee passage, OIG encouraged both Committees to consider a number of changes to the HEA that are needed to reduce waste, fraud and abuse in the federal student aid programs. There are several issues in particular that were not included in either Committee-passed bill that our findings show should be addressed in order to correct systematic weaknesses that contribute to recurring problems in the student financial assistance programs. These are:

Make persons convicted of Title IV fraud ineligible for future Title IV funds.

Establish a statutory definition of a credit hour.

Require accrediting agencies to have quantitative standards in addition to qualitative standards for evaluating credit hours for all educational delivery models they approve.

Increase the validity of cohort default rates by: (1) changing the criteria for a loan's default, in Section 435(l) of the HEA, from 270 days of delinquency to 180 days of delinquency, and (2) excluding a student from a school's cohort default rate calculation while the student's loans are in a deferment or forbearance status. The student should be included in the school's cohort default rate calculation once his or her deferment or forbearance has ended.

We encourage both chambers to give strong consideration to these measures, as implementation of these, as well as the other OIG recommendations, would assist the Department in evaluating the quantity of education funded by the student financial assistance programs, provide additional oversight tools for identifying and managing risks, and assist in reducing fraud and abuse in the programs.

### Identifying and Investigating Fraud and Abuse in the Student Financial Assistance Arena

The following are examples of our investigative work in this area over the last six months.

#### FRAUD BY SCHOOL OFFICIALS



**Enrollment of Ineligible Students - The Training Center.** A school owner and three employees of The Training Center, located in Michigan, were sentenced for their roles in a fraud scheme. The owner was sentenced to 41 months incarceration and two years probation and ordered to pay over \$793,000 in restitution, and a \$125,000 fine, with an immediate required payment of \$425,000. The others were given sentences ranging from 6 to 18 months and ordered to pay restitution ranging from \$5,000 to \$25,000. The conspirators were convicted of falsifying or directing the falsification of records and violating regulations in order to continue accreditation and to receive approximately \$875,000 from the Department. Included among the falsified records were attendance records, G.E.D. certificates, high school diplomas, Ability to Benefit Tests and certifications of foreign high schools. In addition, records of students enrolled in or attending classes in ineligible programs - English as a Second Language (ESL) and Automated Computer Aided Design - were altered and falsified to make it appear as though the students were in an eligible program. OIG received a 2005 President's Council on Integrity and Efficiency (PCIE) award for its work in this case.

**Use of Ineligible Branch Locations - William Tyndale College.** An officer of William Tyndale College (WTC) in Michigan accepted a pre-trial diversion, while another officer was sentenced and ordered to pay \$318,000 in restitution, for conspiring to defraud the government out of more than a half-million dollars in student financial aid. The officers, along with a third officer whose trial is pending, purchased a closed Computer Learning Center school in 2001, named the school Tyndale Technical Institute, and then later renamed it Northstar. Our investigation developed evidence that the three conspired to use

WTC's Title IV eligibility to obtain federal student aid for Northstar students, making them appear as though they were enrolled at WTC.

**Pittsburgh Beauty Academy.** The President of the Pittsburgh Beauty Academy (PBA) in Pennsylvania was sentenced to one-year probation and ordered to pay restitution of over \$83,000 for his role in a financial aid fraud scheme. An OIG investigation found that between 1999 and 2001, the school did not pay refunds totaling over \$83,000. PBA owned and operated four schools in and around the Pittsburgh area for over 48 years.

**Falsification of Attendance - Hamilton Professional Schools.** One of the owners of Hamilton Professional Schools in Puerto Rico was sentenced to two years probation and ordered to pay over \$22,000 in restitution for making false statements in connection with the administration of Pell Grant funds at the school. In June, her husband, also an owner of the school, pled guilty to embezzling and converting to his own use over \$452,000 in Pell Grant funds.

**LeMoyne-Owen College.** A temporary employee at LeMoyne-Owen College (LOC) located in Tennessee, was sentenced to 27 months in prison and three years supervised release and ordered to pay over \$80,000 in restitution for her role in a conspiracy and embezzlement scheme at LOC. The temporary employee issued checks to friends and relatives, including her mother and former live-in boyfriend, who have also been charged in this investigation.

In a separate case involving another fraud scheme at LOC, a man was sentenced to one year of probation for his role in a scheme in which he and others received more than \$230,000 in illegal student refunds from LOC. The individual was ordered to pay over \$4,000 in restitution to the St. Paul Insurance Company. Although he was never a student at LOC, he received two student refund checks from a former LOC employee, who was dating his cousin at the time. So far, 21 individuals have been sentenced in this scheme.

**San Bernardino Valley College.** A former financial aid officer was sentenced to just under a year in prison for coordinating a financial aid kickback scheme at San Bernardino Valley College in California. An OIG investigation disclosed that the former officer offered Pell Grants to individuals in exchange for a kickback of cash or drugs after the grant checks were cashed. The grant recipients obtained more than \$60,000 in Pell Grant funds, but did not attend the school. To date, nine individuals have been sentenced for their roles in this scheme.

**MBTI Business Training Institute.** The former financial aid director of MBTI Business Training Institute, located in Wisconsin, was sentenced to 30 months of probation and 240 days of home confinement and ordered to pay a \$2,000 criminal fine for her role in a scheme to defraud the Department of student aid funds. A prior indictment charged the woman, as well as her co-conspirators, with failure to refund over \$550,000 in Title IV funds, illegally disbursing over \$216,000 in FFEL funds and submitting fraudulent claims for reimbursement to the Department totaling over \$571,000.



FRAUD BY  
EMPLOYEES OF  
COMPANIES  
INVOLVED IN  
FEDERAL STUDENT  
AID PROGRAMS

Three former employees of the NCO Financial Systems, Inc. (NCO) collection agency in Getzville, New York, were sentenced for their roles in a scheme to fraudulently consolidate nearly \$3.8 million in defaulted FFEL loans, and in doing so, earned bonus compensation from their employer. The former collection agents created numerous loan consolidation applications in the names of various defaulted FFEL borrowers, forged their signatures on the applications and made fictitious entries into NCO's collection history system falsely claiming contact had been made with the borrowers. The loan consolidation applications made it appear that the defaulted borrowers had entered into formal repayment agreements, when they had not agreed nor authorized the company to make any such arrangements. The agents also changed the permanent addresses of the borrowers in the NCO collection history system in an attempt to avoid detection and to further mask the fraud. After preparing and forging the loan consolidation documents, the agents submitted them to the Department, which then paid compensation to New York Higher Education Services Corporation (NYHESC), the guarantor of the defaulted FFEL accounts, which in turn, paid compensation to NCO.

IDENTITY THEFT/  
MISUSE OF SOCIAL  
SECURITY NUMBERS



Together with FSA, we continue our efforts to alert students to the threat of identity theft via our special campaign Web site, [www.ed.gov/misused](http://www.ed.gov/misused), that provides information on scams, suggestions for preventing identity theft and resources on how to report identity theft involving federal education dollars. In May, our Web site, as well as our special DVD entitled "*FSA Identity Theft: We Need Your Help*," were featured in news reports covered by the New York Times and ABC News World News Tonight. At the same time, OIG special agents continue to aggressively pursue individuals who steal FSA funds by misusing the identity of others: name, date of birth, and Social Security numbers (SSN).

A woman who orchestrated a \$400,000 student aid fraud scheme was sentenced, along with her six co-conspirators, for participating in a scheme whereby 41 identities were used to fraudulently obtain student aid funds. The participants used fraudulently obtained identities of others, those of willing partners and their own identification to obtain funds they were ineligible to receive. Some of the identities were obtained through identity theft, while others were provided by individuals who expected to receive a portion of the proceeds. The conspirators enrolled these individuals in online courses at Kirkwood Community College in Cedar Rapids, Iowa. The school disbursed excess funds by mailing checks to the defendants' addresses, and the defendants retained the majority of these funds for their personal use. The ringleader was sentenced to over 7 years in prison and 3 years of supervised release and ordered to pay over \$414,000 in restitution. Her co-conspirators -- including her mother and sisters -- received probation or prison sentences ranging from 5 to 27 months and were ordered to pay restitution ranging from \$10,000 to over \$141,000.

A national of India was sentenced to a year in prison and two years probation and ordered to pay over \$304,000 in restitution for his identity theft scheme that spanned eight years. The individual, who was in the U.S. on a student visa, assumed the identity of a U.S. citizen and used it to obtain federal and private student aid to which he was not entitled. He attended undergraduate schools in Ohio and received a medical degree from Tufts University School of Medicine in Boston in 2000. He currently awaits a decision on deportation.

A law school graduate from New York was sentenced to 30 months incarceration followed by three years of supervised release and ordered to pay over \$178,000 in restitution for

student financial aid fraud and bank fraud. The woman defaulted on her federal student loan repayment obligations in 1988, however she attended at least five other post-secondary institutions using multiple false social security numbers and falsely reported that she never defaulted on a federal student loan.



An individual was sentenced in Maryland to 24 months incarceration and three years supervised probation and ordered to pay over \$138,000 in restitution for misusing a SSN. The individual used SSNs belonging to other individuals and provided false information to the Commissioner of Social Security to obtain multiple SSNs in an effort to conceal from lenders, schools and the Department the number and status of loans and other forms of student aid he received. The individual received student financial assistance from five universities, using four different SSNs, and several variations of his name.

Sentences were issued for individuals involved in a scheme coordinated by a Chicago couple to fraudulently receive student loan funds for purported attendance at a university in the United Kingdom (U.K.). The couple created a fictitious organization that purported to enroll students from the U.S. at a university in the U.K. They hired another individual to recruit participants in the scheme, then directed or assisted the participants in filing federal student aid applications. The individuals posed as graduate students in order to receive over \$18,000 in student aid funds, \$10,000 of which they kickbacked to the couple. None of the individuals was ever enrolled in the U.K. school. All 18 individuals involved in the scheme have been sentenced.

#### OTHER RECIPIENT FRAUD

A mother and daughter were sentenced for their roles in a fraud scheme where they received over \$200,000 in student financial assistance funds by falsely claiming attendance at the University of West Los Angeles. To carry out the scheme, the two entered into agreements with the financial aid director at the school, who processed the loans and received half of the loan amounts as a fee. The mother received eight student loans, while her daughter received five student loans. The mother was sentenced to 4 months of home detention followed by 5 years of probation, and was ordered to pay \$148,000 in restitution, while the daughter was sentenced to 5 years of probation and ordered to pay over \$81,000 in restitution.

A Michigan couple was sentenced to prison terms followed by supervised release and ordered to pay more than \$2 million in restitution for their roles in a fraud scheme that involved conspiracy, bankruptcy fraud, income tax evasion, mail fraud, wire fraud and student financial assistance fraud. The couple helped lure individuals to a sham company created by a fellow conspirator, who used the company to swindle investors' money in supposed real estate investments. The co-conspirator induced the individuals to transfer their savings and retirement funds to investments with the sham company. He purchased real estate with some of the investment money, used the real estate to convince the investors that their money was fully secured, and used the money of new investors to pay "interest" to previous investors. When the interest payments stopped and the investors wanted to take control of their property holdings, the property was found to be worth a fraction of their investments. The couple failed to claim any of the income they received from the company to the IRS, and did not claim the income on their children's financial aid applications. The couple's children received approximately \$23,000 in Pell Grants, and Supplemental Educational Opportunity Grant (SEOG) and FFEL loans. Had their real income been reported, they would not have received the Pell and SEOG funds. This case

was investigated with the IRS, Federal Bureau of Investigation (FBI) and Postal Inspection Service.

## PROGRAM ACCOUNTABILITY - STATE AND LOCAL ASSISTANCE



In recent years, we have increased our resources in reviewing alleged waste, fraud and abuse in the Department's elementary, secondary, special education and vocational and adult education programs. As highlighted in our last Semiannual Report to Congress (*No. 50, October 1, 2004 - March 30, 2005*), risk management and identifying and taking corrective action to detect and prevent fraudulent activities in these areas pose a significant challenge for the Department. Audits conducted during this reporting period show that these areas continue to challenge the Department, with other areas of concern emerging, such as oversight of awardees of unsolicited grants and Congressional earmarks. And, as we continue our audits into state educational agency compliance with the diverse programs associated with the No Child Left Behind Act of 2001 (NCLB), we find an on-going need for additional guidance and monitoring to ensure compliance.

### No Child Left Behind

#### UNSAFE SCHOOL CHOICE OPTION

A review of four state educational agencies' compliance with the Unsafe School Choice Option (USCO) of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by NCLB, sought to determine whether each state's USCO policy complied with all applicable laws, regulations and Department guidance, and whether each state adequately implemented the USCO policy at the state and local levels. Audits were conducted in Georgia, Iowa, New Jersey and Texas. In Georgia, Iowa and New Jersey, we found that while each state's USCO policy generally complied with applicable laws, regulations and guidance, the states did not ensure that the policies were adequately implemented at the local level. In Texas, we found the state's USCO policy did not fully comply with all applicable laws, regulations and guidance, nor did Texas adequately ensure that the policy was implemented at the local level. Our work in California on this issue was reported in our last Semiannual Report (*No. 50*).

Georgia: <http://www.ed.gov/about/offices/list/oig/auditreports/a04e0007.pdf>

Iowa: <http://www.ed.gov/about/offices/list/oig/auditreports/a07e0027.pdf>

New Jersey: <http://www.ed.gov/about/offices/list/oig/auditreports/a03e0008.pdf>

Texas: <http://www.ed.gov/about/offices/list/oig/auditreports/a06e0028.pdf>

#### SCHOOL CHOICE AND SUPPLEMENTAL EDUCATIONAL SERVICES

We concluded audits of four state educational agencies' compliance with the School Choice and Supplemental Educational Services (SES) provisions of the ESEA, as amended by NCLB: Illinois, Michigan, Nevada and New Jersey. We sought to determine if the state agency had an adequate process in place to review local educational agency (LEA) and school compliance with the Adequate Yearly Progress (AYP), Public School Choice and SES provisions of ESEA, and if LEAs provided to students attending schools identified for improvement (failed to make AYP two consecutive years) the option of attending another public school. We also reviewed whether LEAs provided SES to students attending schools that failed to make AYP while identified for improvement, corrective action or restructuring. We found that all four states reviewed did not have an



adequate process in place to ensure that LEAs complied with all school choice and SES provisions of ESEA. In addition, LEAs in all four states had deficiencies in the school choice and SES notification letters sent to parents. Our work in Indiana on this issue was reported in our last Semiannual Report (*No. 50*).

Illinois: <http://www.ed.gov/about/offices/list/oig/auditreports/a07f0003.pdf>

Michigan: <http://www.ed.gov/about/offices/list/oig/auditreports/a05f0007.pdf>

Nevada: <http://www.ed.gov/about/offices/list/oig/auditreports/a09f0002.pdf>

New Jersey: <http://www.ed.gov/about/offices/list/oig/auditreports/a02f0006.pdf>

## CONSOLIDATING FUNDS

The ESEA, as amended by NCLB, requires that states encourage schools to consolidate federal, state and local funding for school-wide programs in order for the schools to have more flexibility in how they use those funds. We examined compliance with this provision by the Illinois State Board of Education (ISBE) and found that, while there were no state fiscal or accounting barriers, ISBE had not encouraged school-wide programs to consolidate funds from federal, state and local sources, and none of the schools we reviewed was consolidating funds. Based on our findings, we recommended that the Department require ISBE to encourage LEAs, as well as schools, to consolidate funds by providing information to them about the potential benefits of doing so, and providing guidance on how to consolidate funds. We also recommended that ISBE be required to amend its accounting and administrative manuals to encourage consolidating funds in schoolwide programs. ISBE agreed that, at the time of our review, it had not encouraged consolidating funds in school-wide programs, but stated that it had taken action since our review to address this issue. <http://www.ed.gov/about/offices/list/oig/auditreports/a07e0029.pdf>

## Individuals with Disabilities Education Act



The Individuals with Disabilities Education Act (IDEA) of 1997, Part B, as amended, requires states to expend local and state funds for special education in a year at the same or higher level as the previous year. This provision ensures that the funds are used to supplement and not supplant local, state and other federal funds. We conducted an audit at the Minnesota Department of Education (MDE) to see if MDE maintained a total state-level maintenance of effort, if it considered all agencies that contribute to the provision of the services that assist students with disabilities (including non-educational agencies), and if it monitored LEAs' maintenance of effort for FY 2003-04. We could not determine if MDE maintained a total state-level maintenance of effort or adequately monitored local maintenance of effort, as it had not considered contributions made by all agencies, as required. We encouraged the Department to require MDE to obtain training to ensure it understands all administrative aspects of the program, and then recalculate its state and local level maintenance of effort. If MDE does not meet maintenance of effort based on its recalculation, it should return funds to the Department. MDE concurred with the finding and the recommendations. <http://www.ed.gov/about/offices/list/oig/auditreports/a05f0012.pdf>

## Expenditures by Grantees

### NEW YORK CITY DEPARTMENT OF EDUCATION

Our audit to determine if Department funds disbursed for New York City Department of Education (NYCDE) telecommunications services were excessive or erroneous found that NYCDE could not support expenditures for federal funds disbursed for these services as it did not maintain an adequate archiving system to retrieve requested documents. NYCDE could not provide support for 243 transactions totaling over \$1.5 million, which represents 75 percent of the dollar amount of transactions within our sample. We also questioned the propriety of \$5.1 million charged to federal grants for telecommunications services that were not in our sample. In addition, NYCDE used approximately \$46,000 in federal funds for telecommunications purposes that were unallowable under the Department's grants. As a majority of Department grant funds flowed through New York State Department of Education (NYSDE), we recommended that the Department, through NYSDE, require NYCDE to provide sufficient documentation to support the \$1.5 million in sampled transactions and \$5.1 million in untested transactions charged to Department grants, implement internal controls for proper record keeping, return to the Department approximately \$46,000 in improper costs, establish internal controls to ensure proper allocation of telecommunications services prior to payment, and provide an analysis of all charges to Department grants as additional phone lines may have been disconnected. NYSDE concurred with the findings and recommendations. <http://www.ed.gov/about/offices/list/oig/auditreports/a02e0008.pdf>

### WYANDANCH UNION FREE SCHOOL DISTRICT (LONG ISLAND, NEW YORK)

We reviewed Wyandanch Union Free School District's (Wyandanch) ESEA Title I, Part A and Title II non-salary expenditures to ensure they were allowable in accordance with applicable laws and regulations. We found Wyandanch's records for \$6.6 million of Title I and Title II expenditures were unauditible. Wyandanch had weak controls over its accounting functions, including reconciliations, re-classifications and recording of expenditures that adversely affected Wyandanch's ability to properly administer the funds. We made a number of recommendations, including that the Department instruct NYSDE to require Wyandanch to provide proper support for the \$6.6 million in Title I and Title II expenditures for the audit period, and return any unsupported amounts to the Department. NYSDE concurred with all findings and recommendations with the exception of the finding that Wyandanch's records were unauditible. <http://www.ed.gov/about/offices/list/oig/auditreports/a02e0031.pdf>

### LOUISIANA DEPARTMENT OF EDUCATION

Prior to the devastation from Hurricanes Katrina and Rita, we concluded audits at the Louisiana Department of Education (LDE) and four LEAs in Louisiana. Our audit sought to determine whether the LDE properly monitored LEAs to ensure that they accounted for and used ESEA Title I, Part A funds in accordance with applicable laws and regulations. We found that LDE drew down just under \$505 million in Title I funds, and the four LEAs we audited requested reimbursement for over \$131 million. LDE did not provide sufficient monitoring of LEAs to ensure Title I funds were accounted for and used in accordance with applicable laws and regulations, and made reimbursement payments to the four LEAs totaling over \$70 million that we found were not properly supported. Because it did not provide adequate monitoring to all LEAs, LDE did not have adequate assurance that Title I funds were properly accounted for and used to benefit the needs of low-achieving children, especially in high-poverty schools. To correct this condition, LDE developed a risk-based audit plan following a recommendation by the Louisiana

Legislative Auditor's Office. LDE created another monitoring protocol for selecting LEAs for site visits and technical assistance, and has revised its requirements for documentation to support reimbursement claims from one of the LEAs. Based on our review of the revised requirements, we believe that the LDE is working to improve the accountability for Title I funds. In addition, recognizing the impact of the storm devastation to the Louisiana area, we recommended a Cooperative Audit Resolution and Oversight Initiative approach be adopted by the Department in resolving these audits. <http://www.ed.gov/about/offices/list/oig/auditreports/a06f0002.pdf>

### Unsolicited Grants

In June 2002, the Texas Business and Education Coalition (TBEC) made a presentation to Department officials on its Texas Scholars program. The program encourages high school students to complete rigorous courses in math, science and foreign language. It also teaches local Scholars Coalitions how to fund local programs, which in turn provide mentors to students. TBEC later submitted an undated, unsolicited proposal to the Department to operate the State Scholars Initiative on behalf of the federal government. TBEC's proposal was to create a national program using the Texas Scholars program as a model, and included the creation of the Center for State Scholars (Center) to help states systematically create self-sustaining, successful, localized versions of the State Scholars Initiative. In August 2002, the Department awarded the Center a four-year grant, totaling \$9.6 million, to be used for administrative purposes and to provide start-up funds to participating states for their scholars program. We conducted an audit to determine if the Center used grant funds in accordance with the requirements of all applicable laws, regulations, and its cooperative agreement with the Department. We also examined whether the Center had the administrative capability to administer the program nationwide. Our audit revealed that the Center did not properly account for and use over \$1 million of State Scholars Initiative funds, did not have the administrative capability to administer the grant during the first two years, and may not have had the administrative capability to continue to administer the grant moving forward. In addition, the Center did not have adequate grant funds to cover the contract obligations incurred during the first two years of the grant. We made a number of recommendations, including that the Department instruct the Center to provide sufficient documentation to support the \$1 million of State Scholars Initiative expenditures or refund the amount to the Department. The Center, which generally agreed with our findings, went out of business on September 30, 2005. <http://www.ed.gov/about/offices/list/oig/auditreports/a06f0001.pdf>

### High-Risk Grantees

We continue to identify and provide recommendations to the Department for improving fiscal and integrity issues in states designated as high-risk, as such designation denotes that federal funding faces significant vulnerability to waste, fraud and abuse.

#### GUAM

In 2003, the Department designated the Guam Department of Education (GDE) as a high-risk grantee. In April 2005, we concluded an audit to confirm whether selected personnel costs and purchases that GDE reported to the Department as expenditures for the Consolidated Grants to Insular Areas (Consolidated Grants) and Special Education Grants to States-Part B (Special Education Grants) in its Special Conditions Compliance Reports,

complied with applicable Federal laws and regulations. We found that GDE improperly charged the Consolidated Grants for costs obligated and paid for after the period for use of the funds expired. GDE also improperly charged a Special Education Grant for a purchase that was not necessary to the operation of the grant and charged the total costs of purchases for supplies and materials, capital outlay, equipment and contractual services to the grants when portions of the costs were allocable to other activities. We also found that GDE did not have required documentation for personnel costs charged to the grants and GDE's inventory records did not reflect the current location of some equipment purchases. We made a number of recommendations, including that the Department require GDE to review costs reported on the Special Condition Compliance Reports to identify costs obligated and paid for after the funding period expired and return those amounts to the Department. While GDOE generally concurred with our findings and recommendations, it did not agree with our finding that it improperly charged the Consolidated Grants and Special Education Grants for the entire costs of transactions when portions of the costs were allocable to other activities. <http://www.ed.gov/about/offices/list/oig/auditreports/a09e0027.pdf>

## VIRGIN ISLANDS

In 1998, the Department designated the Virgin Islands Department of Education as a high-risk grantee. In 2005, we concluded an audit of the Virgin Islands Department of Health's Administration of the IDEA Infants and Toddlers Program to determine the effectiveness of the third-party fiduciary contractual arrangement between the Virgin Islands Department of Health (VIDH) and a private fiduciary agent, Lutheran Social Services (LSS), to manage the territory's IDEA, Part C, (Infants and Toddlers) grants. While we found that the contractual arrangement between the VIDH and LSS has been generally effective, we also found that the 1999 through 2002 grants need reconciliation, as there was over \$200,000 in mispostings. In addition, the Virgin Islands Department of Finance imposed administrative requirements on the Infants and Toddlers Program that negatively impacted the administration of the Infants and Toddlers grants. These requirements are independent of the Infants and Toddlers contractual arrangement with LSS. Our recommendations included that the Department require VIDH to eliminate the requirements. VIDH did not comment on the audit report. <http://www.ed.gov/about/offices/list/oig/auditreports/a02e0020.pdf>

## Identifying and Investigating Corruption

Here are examples of our investigative work in this area over the past six months:

Three officials of the Prepared Table Charter School in Houston, Texas were sentenced for their roles in defrauding federal and state government agencies. The individuals received prison terms ranging from 15 months to 6 years. A federal task force consisting of the OIG, the FBI, the IRS Criminal Investigation Division, the U.S. Department of Agriculture/OIG, and the Texas Education Agency developed information that the officials misreported student attendance data, which enabled the school to receive funding to which it was not entitled. From academic year 1999/00 through academic year 2001/02, the school received over \$2.5 million in federal funds. The school also commingled its finances with a church in Houston. The school's charter was revoked in August 2002.

A Philadelphia man was sentenced to 87 months incarceration, five years supervised release and required to pay \$365,000 in restitution to four different victims, including the Community College of Philadelphia (CCP). The individual was convicted by a federal

jury of being a member of a Racketeering Influenced Criminal Organization (RICO), as well as conspiracy, extortion and bank fraud. The RICO enterprise -- of which he was the head -- was involved in numerous schemes to obtain money and property by defrauding government entities, financial institutions, businesses and individuals through extortion and bribery. The predicate offenses charged in the RICO indictment came from defrauding the Adult Basic Education program of CCP.

Two brothers were sentenced for their role in a scheme to fraudulently obtain English as a Second Language-Citizenship funding. The brothers directed and operated a non-profit, community-based organization called Templo Calvario Legalization and Education Center (TCL&E) in California, where they administered a federally funded ESL-Citizenship program. During the 1995-96 award year, TCL&E received over \$850,000 in federal funds from the California Department of Education (CDE) to teach this program. Our investigation disclosed that the brothers knowingly provided materially false and fraudulent statements and representations to support their claim to CDE. TCL&E claimed that they provided over 352,000 hours of instruction for over 3,600 students, but our investigation revealed that there were only eight part-time teachers. The brothers were sentenced to serve 12 and 18 months in prison and 36-month supervised release following their prison terms and ordered to pay \$199,000 in restitution.

Four former employees of the Massachusetts Career Development Institute (MCDI) were sentenced for their roles in a conspiracy involving "no show" and "partial show" employees. The four, including the former Executive Director and former president, received sentences ranging from 6 months in a halfway house to 21 months incarceration and were ordered to pay fines and restitution totaling \$89,000 and \$66,119. MCDI is a quasi private/public department of the City of Springfield, Massachusetts, providing educational and job training programs with funds provided by the Department of Education and other federal agencies.

A former teacher involved in extortion and theft at the Orleans Parish School District (Orleans Parish) in Louisiana, was sentenced to approximately one year of incarceration, three years' probation and 150 hours of community service and ordered to pay restitution of over \$39,000 for her role in a \$70,000 kickback scheme. A joint OIG investigation with the FBI and New Orleans Police Department revealed that the former teacher conspired with an Orleans Parish payroll clerk in a kickback scheme where teachers, secretaries and para-educators received monies they did not earn. The clerk made over \$39,000 in illegal payments to the teacher in the form of false travel reimbursements, fraudulent stipend payments and duplicate payroll checks from January 2003 to February 2004. In return for the illegal payments, the teacher kicked back 50 percent of the money to the clerk. The case initially came to light through an OIG audit that sought to determine whether Orleans Parish, through the New Orleans Public Schools, properly accounted for and used ESEA, Title I, Part A funds. To date, six individuals have been sentenced in this case. OIG won a 2005 PCIE Award for Excellence for its work in this case.

The former Executive Director of the Osage County Interlocal Cooperative in Hominy, Oklahoma was sentenced to one year imprisonment, two years of probation, and ordered to pay over \$82,000 in restitution and to continue cooperating with the Internal Revenue Service (IRS) to determine the full amount of restitution owed for her role in a student aid fraud scheme. The former Executive Director operated a home-based grant writing



business and served as an educational software sales representative, using her position to approve software sales to companies she represented. She was subsequently paid tens of thousands of dollars in commission sales, based on purchases made with grant funds from the Department. She also wrote several successful grant applications for school districts on contingent contracts, a practice prohibited by the Department.

## INTERNAL OPERATIONS AND FINANCIAL MANAGEMENT ACCOUNTABILITY

Work conducted this reporting period in the area of the Department's internal operations shows that the Department has much to do to fully achieve effective oversight of and accountability for its internal operations. The Department must increase its diligence to prevent waste, fraud and abuse in this area, particularly with contract monitoring, information technology (IT) security, data reliability, contract payments, purchase card use and its internal audit follow-up processes.

### Public Relations Contracts

At the request of House Committee on Education and the Workforce Ranking Member George Miller (D-California), we conducted two reviews of the Department's public relations contracts. The first examined the Department's award and administration of its contract with Ketchum, Inc. (Ketchum), a public relations firm hired to publicize the NCLB, and the second reviewed the Department's contracts involving media services to determine if any resulted in covert propaganda.

#### KETCHUM, INC.

We reviewed the Department's initial award to Ketchum and the subsequent work requests involving the Graham Williams Group (GWG) to see if they were in compliance with the Federal Acquisition Regulations and other pertinent contract law. We also reviewed the effectiveness of the oversight function with respect to the Ketchum contract and the GWG work requests. Overall, we noted no violations of pertinent contract law and found no evidence of any ethical violations in the formation of the Ketchum contract and GWG work requests. We did, however, find that Department officials made poor management decisions, including the failure to provide critical information to decision-makers, and exercised poor judgment and oversight. As a result, the Department paid for work that most likely did not reach its intended audience and paid for deliverables that were never received. The advertisements that were produced under the work requests appear to be of poor quality, and the Department has no assurance that the ads received the airtime for which it paid. The documentation we reviewed appears to indicate that payment was attributed solely to the production of ads and airtime. However, because other activities relating to commentary were included in the various Statements of Work and activity reports, and because the invoices received and paid by the Department were vague, the appearance is that the Department may have been paying for more than just the advertising. The Department concurred with our recommendations. <http://www.ed.gov/about/offices/list/oig/aireports/a19f0007.pdf>

CONTRACTS AND  
GRANTS FOR PUBLIC  
RELATIONS  
SERVICES

We conducted an inspection of 20 Department-identified contracts and 15 grants, all involving media services to determine if any resulted in covert propaganda, and concluded that none of the grants resulted in covert propaganda under the guidance of the Office of Legal Counsel of the U.S. Department of Justice and the Government Accountability Office. However, we did find that three grants resulted in the production of op-eds that should have included necessary disclaimer language. The Department must now determine the amount of improper expenditures associated with the publication of these op-eds and initiate a recovery action for the unallowable use of funds. Six other grants produced informational materials that also did not disclose the role of the Department. If the Department determines that disclaimers should have been included, additional recovery actions may need to be initiated. While we were unable to conclude, based on the materials available for our review, that any of the contracts resulted in covert propaganda, one contract requires follow-up by the Department. We have also recommended that the Department take additional action to ensure that contract and grant personnel understand the prohibition on the use of appropriated funds for publicity or propaganda and when disclosure of the Department's role is required and that this information is included in contracts, as needed, and clearly communicated to grantees. <http://www.ed.gov/about/offices/list/oig/aireports/i13f0012.pdf>

### Information Technology Security

In our last Semiannual Report to Congress (*No. 50*), we reported that the Department must make improvements to ensure its systems security to protect its property and meet federal government standards. Work concluded during this reporting period revealed some incremental improvements and some repeat findings in areas tested in previous years, as well as weaknesses in the Department's incident handling program. We performed independent audits and tested the effectiveness of the Department's information security plans, programs and practices as they relate to the implementation of the Federal Information Security Management Act (FISMA) for fiscal year 2005. The audits assessed the agency's overall compliance with the security provisions of FISMA and related information security standards identified within Office of Management and Budget (OMB) guidelines, as well as evaluated the security performance of the Department's systems through testing of general and technical information system security controls.



The three information technology (IT) security audits performed in fiscal year 2005 identified security weaknesses that the Department must address to maintain the security certification and accreditation of its systems. We determined that certain management, operational and technical security controls need improvement to adequately protect the confidentiality, integrity and availability of systems and data located at two Department data centers. In addition, we found that remote data centers are not identifying and reporting all computer security incidents to the Department's Computer Incident Response Capability (EDCIRC); and outsourced data center contractors have conflicting responsibilities to manage network infrastructure and to detect, respond, and report computer security incidents to EDCIRC and the OIG as required by FISMA. The Department generally concurred with most of our findings. Our FISMA/IT security audits fall under exemption (b)(2) of the Freedom of Information Act and, for security purposes and to maintain the integrity of the Department's critical data, are not uploaded onto the Web site or shared outside of official channels.

## Data Reliability

Data reliability is both a compliance issue and a performance issue. For example, NCLB ties funding directly to student achievement and accountability, thus requiring states to report on performance in many areas. The utility of this reporting, and ultimately funding decisions, depends on the collection of reliable data. Without reliable data, the Department cannot make effective decisions on its programs, or know if the funds it disburses are indeed reaching the intended recipients. In 2004, it launched the Performance-Based Data Management Initiative (PBDMI) to streamline existing data collection efforts and information management processes. It has established an Education Data Exchange Network to provide state educational agencies and the federal government the capacity to transfer and analyze information about education programs.

We conducted an audit to determine if significant implementation and project management risks have been effectively mitigated to ensure that the PBDMI will meet its investment goals of consolidating current data collection activities in a way that improves data quality and reduces the reporting burden for national education partners. We also examined whether system development methodologies are ensuring that system functionality requirements have been adequately defined and whether the Department's Enterprise Architecture (EA) has been consistently updated to support the technical requirements and business processes of PBDMI. Our audit identified issues with certain system implementation and project management controls which will require additional attention to ensure that PBDMI will meet intended project goals. We also identified deficiencies in the Department's EA that may hinder the success of PBDMI. The Department generally concurred with our findings and recommendations. <http://www.ed.gov/about/offices/list/oig/auditreports/a11e0003.pdf>

## Prompt Payment Act

In 1982, the U.S. Congress enacted the Prompt Payment Act (Act) to require federal agencies to pay their bills on a timely basis, pay interest penalties when payments are made late and take discounts only when payments are made by the discount date. During this reporting period, we concluded an audit to determine the Department's compliance with the Act and the adequacy of its internal controls to ensure its compliance. Our audit revealed, for the period January 1, 2004 through September 30, 2004, that the Department did not comply with the Act and did not have adequate internal controls to ensure compliance with the Act. We found incorrect receipt dates were used to calculate invoice payment due dates, adjustments to the payment process are needed to comply with the Act and Department policy, and annual quality control procedures need to be developed and reviews need to be conducted. As a result, we project that about 3,100 invoice payments during the review period had underpaid interest. In addition, we estimate that the total amount of interest underpayments during the review period was no less than \$175,135 and no more than \$353,055. To correct the weaknesses identified, we made a number of recommendations, including that the Department develop a special use report to ensure that invoices needing prior period adjustments have time to be properly processed and paid in accordance with the Act. We suggested that the Department prepare a written reminder to procurement staff regarding the requirements for properly annotating the date of receipt of invoices, and what dates should be used as receipt dates in its systems, cease combining current and overdue invoices, and strengthen controls over the invoice approval process to



ensure timely request of payment. The Department generally concurred with our findings and recommendations. <http://www.ed.gov/about/offices/list/oig/auditreports/a17e0008.pdf>

### Purchase Cards

In 2000, OIG reviewed the use and processes associated with purchase cards. At that time, we noted several deficiencies in the Department's purchase card program and provided recommendations to help safeguard against potential misuse or waste and ensure that purchase card transactions serve program needs. During this reporting period, we conducted a follow-up, Department-wide audit, with all but four offices completed. While we found that the Department had made some progress, there are still weaknesses throughout the Department that must be addressed. Overall, we found that the offices did not always obtain and maintain adequate documentation to support purchases and did not always provide documentation to support that authorization was obtained for items requiring special approvals or clearance. Without adequate supporting documentation, the offices do not have assurance that purchases were appropriate and were made in accordance with Federal regulations and Department policy and procedures. We also found that staff was not always familiar with Department policy, and Department officials did not always ensure that cardholders submitted complete supporting documentation prior to approving the statements for payment. Approving purchases without adequate supporting documentation could result in payment for goods and services that were not received and increases the Department's vulnerability to potential misuse or waste of government resources. The offices have generally concurred with our findings and recommendations. Reports for the reviews we have completed can be found at <http://www.ed.gov/about/offices/list/oig/whatsnew.html>

### Internal Audit Follow-Up

We examined the Department's internal audit follow-up process in four principal offices: FSA, OPE, the Office of the Chief Information Office (OCIO), and the Office of the Chief Financial Officer (OCFO.) We issued final reports on all but the OCFO office during this reporting period. Our audit sought to evaluate the Department's controls to ensure that agreed upon corrective actions have been taken and verify whether adequate documentation was maintained to support that corrective action items have been implemented as stated in the Department's corrective action plans. With the three offices we completed, our review found that while the offices generally maintained files with documentation regarding audit follow-up activity, the audit follow-up process did not support the completion of all corrective action items. In addition, the process did not always support completion of corrective action items on the date reported in the Department's Audit Accountability and Resolution Tracking System (AARTS). We learned that although staff were aware of the Department's documentation requirements for audit resolution files and generally believed that completion of corrective action items was adequately documented, we found that documentation did not support completion of all corrective action items reviewed. As a result, these offices do not have assurance that identified deficiencies were corrected. As such, the risk remains that related programs may not be effectively managed. The offices concurred with the findings and provided corrective actions to address each of the recommendations included in our reports.

Reports for the reviews we have completed can be found at <http://www.ed.gov/about/offices/list/oig/whatsnew.html>

### Department's Contractor 6C Security Clearance Procedures

We reviewed the security clearances of Department Network contractor employees to determine whether those employees who are required to have 6C clearances have them. We determined that not all contractor employees who have direct access to the Department's network have the security clearances assigned to their positions. We found that clearance of 12 OCIO contractor employees were pending without preliminary clearance, two contractor employees had only 5C clearances, and one contractor employee had not turned in paperwork to request a security clearance. We also identified problems with the Office of Personnel Security's system for tracking 6C clearances and the OCIO staff's inability to readily identify contractor employees and the security clearance status of each of those employees. We recommended that OCIO ensure that each contractor employee who has direct access to the Department's network and is in a position requiring a 6C security clearance have an active or preliminary clearance and that OCIO deny direct network access to any contractor employees without appropriate clearance. We have also recommended that OCIO staff should improve their methods of managing and monitoring records and that the Office of Personnel Security should modify its Security Tracking System. The Department generally concurred with two of our five recommendations. However, we had no basis for modifying our findings and recommendations.

### Inspection of Access to the National Student Loan Data System

We reviewed the National Student Loan Data System (NSLDS) Security Plan and its compliance with the Department's *Handbook OCIO-1, Handbook for Information Technology Security Policy* (ED IT Security Policy) and policy supplements. We found that the NSLDS Security Plan did not comply with the ED IT Security Policy and supplements in five areas: new hire training for contractors, recertification requirements, password controls, system log trail reviews, and account termination procedures. In addition, we found that 25 of the 99 NSLDS contractor employees did not have the security clearances required by their position sensitivity levels and the NSLDS Security Plan. We recommended that FSA amend the NSLDS Security Plan to comply with the ED IT Security Policy. We recommended that FSA revise its NSLDS Security Plan to incorporate a written timeline for contractor IT awareness training, annual recertification procedures, minimum password length and 90-day password aging timeframe, weekly system log reviews, and a formalized policy on account termination procedures for Departmental employees. We also recommended that FSA improve oversight of contractor responsibilities, ensure that contractor employees have the appropriate security clearance for their positions, and ensure that contractor employees in High Risk Level Positions without a preliminary clearance are denied access to High Risk material. The Department concurred with our findings and recommendations.

### Identifying and Investigating Internal Abuse

During this reporting period, the former Deputy Under Secretary for Safe and Drug Free Schools was sentenced to one year of probation, a \$5,000 fine and 100 hours of

community service and ordered to pay over \$8,000 in restitution, after pleading guilty to misdemeanor conflict-of-interest charges. An OIG investigation developed evidence that the former official approved travel for himself at government expense that involved at least some travel for his personal purposes. On some of these trips, the former Deputy Under Secretary conducted at least some personal business, some of which was reimbursed by the government. He also took sick leave and received his government salary for days on which he was working and being paid as a visiting judge in the state of Texas. He also failed to record the monies he received as salary from the state of Texas on his U.S. government financial disclosure forms.

## OTHER ACTIVITIES AND ACCOMPLISHMENTS

### Hurricane Disaster Relief

Like many employees throughout the federal government, OIG staff have contributed money, clothing, food, backpacks, school supplies, other items and, most importantly, their time to help with hurricane relief and recovery efforts. Three OIG staffers have already been deployed to the area, with others likely to follow shortly. We are very proud of these staffers' selflessness and determination to help our fellow Americans rebuild their lives, their homes and their communities.

### OIG Expands Cybercrime Activities



OIG took its operational IT capability to a higher level in 2004 by creating Information Technology Audit and Computer Crime Investigations (ITACCI) - the first-of-its-kind "one-stop shopping" department for all IT-related issues including the review of enterprise architecture management, FISMA activity and investigating network intrusions, as well as traditional computer crime investigations. With the current focus on expanding electronic government, it is even more critical that the Department's systems are effectively

implemented, managed, safe and secure, and that all cyber-related issues are properly identified and addressed.

During this reporting period, we opened our state-of-the-art computer lab, and now have the capability of providing in-house expert forensic media analysis, data mining and advanced statistical techniques. In addition, the lab serves as a testing ground for our IT auditor security assessment tools in a controlled environment. We are the first in the IG community to launch an effort of this kind. OIG staff has already provided tours to officials and investigators with other federal agencies, discussing our forensics and network intrusion response capabilities, as well as opportunities for collaboration on issues related to information security, forensic technology and forensic lab architecture.

### Nonfederal Audits

Participants in Department programs are required to submit annual audits performed by independent public accountants (IPAs). We perform quality control reviews (QCRs) of

these audits to assess their quality. We completed 47 QCRs of audits conducted by 42 different IPAs, or offices of firms with multiple offices. We concluded that 7 (15 percent) were acceptable, 31 (66 percent) were technically deficient, and 9 (19 percent) were substandard. We made a referral of one IPA to the American Institute of Certified Public Accountants for possible disciplinary action. This one referral was made for substandard work and was based on a QCR reported in a prior semiannual report.



## President's Council on Integrity and Efficiency

### PCIE Audit Committee

Inspector General Higgins continues to chair the Audit Committee of the President's Council on Integrity and Efficiency (PCIE). Highlights this reporting period include:

#### NATIONAL SINGLE AUDIT SAMPLING PROJECT

We continue to lead an intergovernmental project to accurately assess the quality of all audits conducted under the Single Audit Act (Public Law 104-156) statistical sampling. During this reporting period, the core work of the project continued, as we conducted QCRs of selected audits. These QCRs are to be completed in the next period.

#### STUDY ON COSTS AND BENEFITS OF OBTAINING AN OPINION ON INTERNAL CONTROL

The Department of Homeland Security Financial Accountability Act, P.L. 108-330, directs the Chief Financial Officers Council and the PCIE to conduct a joint study on the potential costs and benefits of requiring the Chief Financial Officers (CFOs) Act agencies to obtain audit opinions on internal control over financial reporting. Our staff led the effort, which recommends that all CFO Act agencies should not be required to conduct such an audit at this time. Rather, agencies should be given the opportunity to implement the revised OMB Circular A-123, *Management's Responsibility for Internal Control* and obtain an internal control audit only where particular circumstances warrant such an audit.

#### PEER REVIEW GUIDE

In April 2005, the Audit Committee finalized the *Guide For Conducting External Peer Reviews Of The Audit Operations Of Offices Of Inspector General*, which provides guidance for PCIE and Executive Council on Integrity and Efficiency (ECIE) members. The objective of the PCIE/ECIE external peer review program is to determine whether the reviewed audit organization's internal quality control system was adequate and complied with to provide reasonable assurance that applicable auditing standards, policies, and procedures were met. The program is intended to be positive and constructive and should be carried out in that spirit. The guide has been updated to reflect the June 2003 revisions to the Government Auditing Standards.

### PCIE Information Technology Roundtable

As the sponsor of the PCIE IT Roundtable, OIG is responsible for coordinating inter-agency meetings to share knowledge, procedures and techniques to aid in facilitating effective IT audits, evaluations and inspections. During this reporting period, the IT Roundtable discussed numerous issues facing the cyberworld, including systems banners and reasonable expectation of privacy issues, as well as the Computer Matching Act and trace evidence collection procedures for Windows systems that have been compromised by an unauthorized intruder.

## Reporting Requirements of the Inspector General Act, as amended

Section	Requirement	Table Number	Page Number
<b>5(a)(1) and 5(a)(2)</b>	<b>Significant Problems, Abuses, and Deficiencies</b>		
	Activities and Accomplishments		21
<b>5(a)(3)</b>	<b>Uncompleted Corrective Actions</b>		
	Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	1	23
<b>5(a)(4)</b>	<b>Matters Referred to Prosecutive Authorities</b>		
	Investigation Services Cumulative Actions (April 1, 2005 to September 30, 2005)	7	38
	Statistical Profile	8	43
<b>5(a)(5) and 6(b)(2)</b>	<b>Summary of Instances Where Information Was Refused or Not Provided</b>		
<b>5(a)(6)</b>	<b>Listing of Reports</b>		
	ED/OIG Audit Services Reports on Department Programs and Activities	2	25
	Other OIG Reports on Department Programs and Activities	3	29
<b>5(a)(7)</b>	<b>Summary of Significant Audits</b>		
	Activities and Accomplishments		1
<b>5(a)(8)</b>	<b>Audit Reports Containing Questioned Costs</b>		
	Inspector General Issued Audit Reports with Questioned Costs	4	30
<b>5(a)(9)</b>	<b>Audit Reports Containing Recommendations That Funds Be Put to Better Use</b>		
	Inspector General Issued Audit Reports with Recommendations for Better Use of Funds	5	31
<b>5(a)(10)</b>	<b>Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period</b>		
	Unresolved Reports Issued Prior to April 1, 2005	6	31
<b>5(a)(11)</b>	<b>Significant Revised Management Decisions</b>		
<b>5(a)(12)</b>	<b>Significant Management Decisions with Which OIG Disagreed</b>		4
<b>5(a)(13)</b>	<b>Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996</b>		

**Table 1: Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed**

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	Closed	

Section 5(a)(3) of the Inspector General 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. The reports listed below are OIG internal and nationwide audit reports.

**Table 1: Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed (Cont.)**

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	Closed	
<b>NEW AUDITS SINCE LAST REPORTING PERIOD</b>							
<b>Federal Student Aid (FSA)</b>							
A11-D0002	Audit of the Implementation of Electronic Signatures for Select Federal Student Aid (FSA) Transactions (OM/OCIO also designated as action Official) (SAR 48, pg. 17)	3/31/04	6/9/04		1	7	12/31/05
<b>Office of the Chief Financial Officer (OCFO)</b>							
<a href="#">A02-D0015</a>	Audit of the 2001 Virtual Data Center Transformation Task Order (Task Order) (SAR 49, pg. 14)	8/10/04	9/29/04		1	2	9/30/11
<a href="#">A04-D0015</a>	Review of the monitoring of grant award lapsed funds by the Office of the Chief Financial Officer (OCFO), the Office of Elementary and Secondary Education (OESE), the Office of Special Educational and Rehabilitative Services (OSERS), and the Office of Vocational and Adult Education (OVAE) during fiscal years (FY) 1998, 1999, and 2000 (SAR 49, pg. 14)	8/2/04	9/30/04		1	0	10/31/05
<a href="#">A07D0005</a>	Audit of the U.S. Department of Education's (Department's) oversight of grantees subject to the restricted indirect cost rate (RICR) provisions in 34 C.F.R. Parts 75 & 76 (see note 2) (SAR 49, pg. 14)	4/1/04	6/30/04		3	2	12/30/05
<a href="#">A17-D0001</a>	Audit to determine if the United States Department of Education (Department) contract payments were being made from the proper appropriated funds for the period January 22, 2002, through December 31, 2002 (SAR 48, pg. 16)	10/6/03	4/8/04	\$28 (see note 3)	2	7	12/30/05
<b>Office of Vocational and Adult Education (OVAE)</b>							
<a href="#">A03-D0013</a>	Audit of Perkins III Performance Data at OVAE (SAR 49, pg. 16)	5/24/04	9/9/04		2	6	4/30/06
<b>AUDITS REPORTED IN PREVIOUS SEMIANNUAL REPORTS</b>							
<b>Federal Student Aid (FSA)</b>							
A05-A0025	Great Lakes Higher Education Guaranty Corporation's (Great Lakes Guaranty) Administration of the Federal Family Education Loan (FFEL) Program Federal and Operating Funds (SAR 42, pg. 22)	3/30/01	1/31/02		3	4	12/30/05

**Table 1: Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed (Cont.)**

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	Closed	
<a href="#">A05-D0001</a>	Audit of Educational Credit Management Corporation's (ECMC) Administration of the Federal Family Education Loan (FFEL) Program Federal and Operating Fund for the period April 1, 2000 through March 31, 2001 (SAR 46, pages 7 & 8)	3/20/03	2/27/04	\$103,000,000 (See note 1)	5	2	3/30/06
<a href="#">A05-D0010</a>	Oversight Issues Related to Guaranty Agencies' Administration of the Federal Family Education Loan Program Federal and Operating Funds (SAR 47, pg. 2)	7/31/03	2/25/04		2	3	9/30/06
<b>Office of the Chief Financial Officer (OCFO)</b>							
A03-B0018	Audit of the U.S. Department of Education's Discretionary Grants Monitoring Process (SAR 44, pg. 3)	10/24/01	3/26/02		1	1	3/30/06
<b>Office of Postsecondary Education (OPE)</b>							
<a href="#">A09-C0014</a>	Office of Postsecondary Education, Accrediting Agency Evaluation Unit's Review of Selected Accrediting Agency Standards and Procedures (SAR 47, pg. 2)	7/23/03	10/31/03		0	13	*
* Closure of audit was not completed by the Department by the end of reporting period (9/30/2005). Note 1 - U. S. Department of Education recovered the excess reserve funds on 2/10/2004 in the amount of \$103,000,000.00. Note 2 - We identified \$4,600,000 in Better Use of Funds (1-Time) for audit control number A07-D0005. Note 3 - U.S. Department of Education has recovered funds in the amount of \$28.00.							

**Table 2: ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2005 to September 30, 2005)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
Section 5(a)(6) of the Inspector General Act as amended requires a listing of each report completed by OIG during the reporting period.					
<b>AUDIT REPORTS</b>					
<b>Federal Student Aid (FSA)</b>					
<a href="#">A02-E0003</a>	The University of the Virgin Islands' Administration of Title IV Student Financial Assistance Programs Needs Improvement	4/8/05	\$81,857	\$20,220	25
<a href="#">A03F0001</a>	School Eligibility Channel's (SEC) Initial Review and Quality Control Review Process for Electronic Submissions of Institutions' Financial Statements Through the Department's eZ-Audit System	9/20/05			4
<a href="#">A05E0017</a>	Special Allowance Payments to New Mexico Educational Assistance Foundation for Loans Funded by Tax-Exempt Obligations	5/24/05	\$18,415,862		7



**Table 2: ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2005 to September 30, 2005) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<a href="#">A05-E0028</a>	Guaranty agencies' oversight of Federal Family Education Loan (FFEL) Program Loans Disbursed Directly to Borrowers for Attendance at Foreign Schools during the period January 1, 2004, through September 30, 2004 (OPE also designated as action official)	8/9/05			3
<a href="#">A09E0015</a>	University of Phoenix's Processing of Student Financial Aid Disbursements for the Higher Education Act, Title IV Programs	8/24/05	\$341,994		7
A11-F0003	Security Review of the Rockville Computer Center - Fiscal Year 2005	9/29/05			16
A11-F0004	Security Review of the Virtual Data Center - Fiscal Year 2005	9/29/05			11
<a href="#">A19F0001</a>	Audit Followup Process for Office of Inspector General Internal Audits in Federal Student Aid	9/8/05			4
<b>Institute of Education Sciences (IES)</b>					
<a href="#">A19F0021</a>	Controls Over Purchase Card Use in the Institute of Education Sciences	9/14/05			3
<b>Office of the Chief Financial Officer (OCFO)</b>					
<a href="#">A02-E0008</a>	U.S. Department of Education Funds Disbursed for New York City Department of Education Telecommunication Services	6/14/05	\$45,696	\$6,711,128	8
<a href="#">A09-E0027</a>	Guam Department of Education's Reported Costs for Consolidated Grants to Insular Areas and the Special Education Grants to States-Part B ( <i>OESE and OSERS also designated as action officials</i> )	4/18/05	\$130,198	\$9,978	14
<a href="#">A09F0011</a>	Sanders Unified School District No. 18's Administration of 21 <sup>st</sup> Century Community Learning Centers Grant No. S287A010956 ( <i>OESE also designated as action official</i> )	8/4/05	\$347,519		2
<a href="#">A17-E0008</a>	Department of Education's Compliance with the Prompt Payment Act	9/28/05			8
<a href="#">A19F0013</a>	Controls Over Purchase Card Use in the Office of the Chief Financial Officer	9/14/05			3
<b>Office of the Chief Information Officer (OCIO)</b>					
<a href="#">A19F0003</a>	Audit Followup Process for Office of Inspector General Internal Audits in the Office of the Chief Information Officer	9/21/05			3
<b>Office for Civil Rights (OCR)</b>					
<a href="#">A19F0019</a>	Controls Over Purchase Card Use in the Office for Civil Rights	9/14/05			4
<b>Office of English Language Acquisition (OELA)</b>					
<a href="#">A19F0008</a>	Controls Over Purchase Card Use in the Office of English Language Acquisition, Language Enhancement, and Academic Achievement for Limited English Proficient Students	7/14/05			5



**Table 2: ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2005 to September 30, 2005) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<b>Office of Elementary and Secondary Education (OESE)</b>					
<a href="#">A02-E0031</a>	Wyandanch Union Free School District's (Wyandanch) Elementary and Secondary Education Act (ESEA) Title I, Part A (Title I) and Title II <sup>1</sup> Non-Salary Expenditures for the period July 1, 1999 through June 30, 2004	9/14/05	\$165,326**	\$6,637,561	8
<a href="#">A02-F0006</a>	New Jersey Department of Education's (NJDOE) compliance with Title I, Part A (Title I), of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act of 2001, Public School Choice and Supplemental Educational Services (SES) provisions for the 2004-2005 school year that began July 1, 2004 ( <i>OII also designated as action official</i> )	9/14/05			4
<a href="#">A05F0007</a>	The Michigan Department of Education's Compliance with the Public School Choice and Supplemental Educational Services Provisions of the No Child Left Behind Act of 2001( <i>OII also designated as action official</i> )	8/2/05	\$18,532		4
<a href="#">A06-E0018</a>	Title I funds administered by the East Baton Rouge Parish School District (East Baton Rouge Parish) for the period July 1, 2001, through December 31, 2003	6/8/05	\$28,187	\$120,059**	4
<a href="#">A06-F0002</a>	Louisiana Department of Education (LDE), and Four Selected Local Educational Agencies (LEAs) for the period July 1, 2001, through December 31, 2003	8/4/05			2
<a href="#">A07E0029</a>	Illinois State Board of Education's (ISBE's) Administration of Provisions under Title I of the Elementary and Secondary Education Act of 1965 (ESEA) Relating to Consolidating Funds in Schoolwide Programs	6/9/05			2
<a href="#">A07F0003</a>	Illinois State Board of Education's Compliance with the Public School Choice and Supplemental Educational Services Provisions of the No Child Left Behind Act ( <i>OII also designated as action official</i> )	8/23/05			4
<a href="#">A09-F0002</a>	Nevada Department of Education's Compliance with the Public School Choice and Supplemental Educational Services Provisions ( <i>OII also designated as action official</i> )	7/14/05			8
<a href="#">A19F0018</a>	Controls Over Purchase Card Use in the Office of Elementary and Secondary Education	9/27/05			4
<b>Office of the General Counsel (OGC)</b>					
<a href="#">A19F0022</a>	Controls Over Purchase Card Use in the Office of General Counsel	9/27/05			3
<b>Office of Postsecondary Education (OPE)</b>					
<a href="#">A05F0011</a>	College of Lake County Community College District No. 532 (College)	4/4/05			None
<a href="#">A19F0002</a>	Audit Followup Process for Office of Inspector General Internal Audits in the Office of Postsecondary Education	9/15/05			4

**Table 2: ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2005 to September 30, 2005) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<a href="#">A19F0017</a>	Controls Over Purchase Card Use in the Office of Postsecondary Education	9/14/05			3
<b>Office of Planning, Evaluation and Policy Development (OPEDPD)</b>					
<a href="#">A11-E0003</a>	Audit of the Department's Performance Based Data Management Initiative	9/29/05			14
<b>Office of Safe and Drug-Free Schools (OSDFS)</b>					
<a href="#">A03-E0008</a>	The State of New Jersey's Compliance With The Unsafe School Choice Option Provision	8/30/05			7
<a href="#">A04E0007</a>	Georgia Department of Education's Compliance with the Unsafe Schools Choice Option Provision	6/7/05			4
<a href="#">A06-E0028</a>	Texas Department of Education's Compliance with the Unsafe School Choice Option	6/15/05			7
<a href="#">A07E0027</a>	Iowa Department of Education's Compliance with the Unsafe Schools Choice Option Provision	6/14/05			6
<a href="#">A19F0010</a>	Controls Over Purchase Card Use in the Office of Safe and Drug-Free Schools	8/11/05			3
<b>Office of Special Education and Rehabilitative Services (OSERS)</b>					
<a href="#">A02-E0020</a>	The Virgin Islands Department of Health's Administration of the Infants and Toddlers Program	9/28/05	**		17
<a href="#">A05F0012</a>	Minnesota Department of Education's Maintenance of Effort Under the Individuals with Disabilities Education Act of 1997, Part B, Program	8/16/05			3
<a href="#">A19F0005</a>	Controls Over Purchase Card Use in the Office of Special Education and Rehabilitative Services	6/28/05			4
<b>Office of Vocational and Adult Education (OVAE)</b>					
<a href="#">A06-F0001</a>	State Scholars Initiative Grant for the period October 1, 2002, through September 30, 2004 ( <i>OCFO also designated as action official</i> )	6/1/05		\$1,093,426	6
<a href="#">A19F0006</a>	Controls Over Purchase Card Use in the Office of Vocational and Adult Education (OVAE)	7/1/05			6
<b>ALTERNATIVE AUDIT SERVICES PRODUCTS</b>					
<b>Federal Student Aid (FSA)</b>					
A05F0016	Illinois Designated Account Purchase Program's (IDAPP's) Compliance with Requirements for the Federal Family Education Loan Program (FFELP) ( <i>Audit Closeout Letter</i> )	8/22/05			
<b>Office of Innovation and Improvement (OII)</b>					
A19F0012	Controls over Purchase Card Use in OII ( <i>Audit Closeout Memorandum</i> )	5/17/05			
<b>Office of Legislation and Congressional Affairs (OLCA)</b>					
A19F0011	Controls over Purchase Card Use in OLCA ( <i>Audit Closeout Memorandum</i> )	5/26/05			

**Table 2: ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2005 to September 30, 2005) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<p>* For purposes of this schedule, questioned costs include other recommended recoveries. Please see footnote under Table 4 for additional information regarding questioned and unsupported costs.</p> <p>** Audit Report A02E0031 identified recommended adjustments of \$5,913,394.            Audit Report A06E0018 reported that \$1,000 relating to a check writing error was recovered during the audit.            Audit Report A02E0020 identified a one-time better use of funds of \$327,577.</p>					
<p><b>DESCRIPTION OF ALTERNATIVE PRODUCTS</b></p> <p><b>Attestation reports</b> 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 or non-financial subjects and can be part of a financial audit or 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.</p> <p><b>Audit closeout memoranda/letters</b> are issued to provide written notification to auditees of audit closure when the decision is made to close an assignment without issuing an audit report.</p> <p><b>Interim audit memoranda/letters</b> 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.</p> <p><b>Management information reports</b> provide Department management with information derived from audits (when the issuance of an audit report is not appropriate) or special projects that may be useful in its program administration or conduct of program activities.</p> <p><b>Pre-award Attest Services</b> are provided by OIG in response to requests by Department contracting or program office staffs. These include performing field pricing support or making an assessment of an offeror's accounting system.</p> <p><b>Contract Closeout Audit Services</b> are provided by OIG to assist in the formal act of settling a contract. The process includes a determination that the contracted goods and/or services have been provided/delivered, and a determination of the total amount to be actually paid to the contractor under the contract.</p> <p><i>One interim audit memorandum was issued during SAR 51, and is not publicly distributed.</i></p>					

**Table 3: Other ED/OIG Reports on Education Department Programs and Activities (April 1, 2005 to September 30, 2005)**

Report Number	Title of Report	Date Issued
Section 5(a)(6) of the Inspector General Act as amended requires a listing of each report completed by OIG during the reporting period.		
<b>Federal Student Aid (FSA)</b>		
I13F0004	Inspection of Access to the National Student Loan Data System (NSLDS) <i>(Inspection Memorandum)</i>	8/1/05
S07F0015	Research Project on Independent Study Programs <i>(Special Project Closeout Memorandum - OPE also designated as action official)</i>	6/20/05
<b>Office of the Chief Financial Officer (OCFO)</b>		
S07F0001	Results of the Office of Inspector General (OIG) Special Project Reviewing the eServicing Model/Formula for Determining Savings <i>(Special Project Memorandum)</i>	4/26/05
<b>Office of the Secretary (OS)</b>		
A19F0007	Review of Formation Issues Regarding the Department of Education's Fiscal Year 2003 Contract with Ketchum, Inc. for Media Relations Services <i>(Inspection Report)</i>	4/15/05
I13F0012	Review of Department Identified Contracts and Grants for Public Relations Services <i>(Inspection Report)</i>	9/1/05
<b>Office of Safe and Drug-Free Schools (OSDFS)</b>		
L03F0004	District of Columbia Office of Inspector General's Report on the District of Columbia Public Schools' Incident Reporting <i>(Alert Memorandum State and Local No. 05-04)</i>	5/4/05

**Table 3: Other ED/OIG Reports on Education Department Programs and Activities (April 1, 2005 to September 30, 2005)**

Report Number	Title of Report	Date Issued
<b>Office of the Chief Information Officer (OCIO)</b>		
I13F0002	Review of the Department's Contractor 6C Security Clearance Procedures (Inspection Alert Memorandum)	4/26/05
<p><u>DESCRIPTION OF INSPECTIONS AND OTHER PRODUCTS (OIG products not conducted in accordance with generally accepted government auditing standards)</u></p> <p><b>Alert memoranda</b> are prepared when auditors identify a serious condition requiring immediate Department management action that is either outside the agreed-upon objectives of an on-going audit assignment or is identified while engaged in work not related to an on-going assignment when an audit report will not be issued.</p> <p><b>Inspections</b> are processes aimed at evaluating, reviewing, studying, and analyzing the programs and activities of the Department for the purposes of providing information to managers for decision making, for making recommendations for improvements to programs, policies or procedures, and for administrative action.</p> <p><b>Special projects</b> are work that result in the issuance of a product or report that is not conducted in full compliance with the audit, inspection, or investigation standards.</p> <p>Alert memoranda and special project memoranda/reports are not on the OIG Web site and are not publicly distributed.</p>		

**Table 4: Inspector General Issued Audit Reports with Questioned Costs<sup>4</sup>**

		Number	Questioned <sup>1</sup>	Unsupported <sup>2</sup>
Section 5(a)(8) of the Inspector General Act as amended requires for each reporting period a statistical table showing the total number of audit reports, the total dollar value of questioned and unsupported costs, and responding management decision.				
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	61	\$169,027,823 <sup>3</sup>	\$124,061,312
B.	Which were issued during the reporting period	<u>10</u>	<u>\$40,081,937</u>	<u>\$14,592,372</u>
	Subtotals (A + B)	71	\$209,109,760	\$138,653,684
C.	For which a management decision was made during the reporting period	9	\$9,245,285	\$6,534,719
	(i) Dollar value of disallowed costs		\$9,245,285	\$6,534,719
	(ii) Dollar value of costs not disallowed		\$0	\$0
D.	For which no management decision was made by the end of the reporting period	62	\$199,864,475	\$132,118,965
E.	For which no management decision was made within six months of issuance	52	\$159,782,538	\$117,526,593
<p><sup>1</sup>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 the expenditure of funds for the intended purpose is unnecessary or unreasonable. Other recommended recoveries are funds recommended for recovery for reasons other than questioned costs or unsupported costs. Since the Inspector General Act does not provide for this type of monetary finding, other recommended recoveries are combined with the "questioned costs" category for reporting in the <i>OIG's Semiannual Report to Congress</i>. 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 auditee's use of funds. Other recommended recoveries are included in the questioned cost category. In addition, amounts reported for in this category are combined with unsupported costs for reporting in the IG's Semiannual Report to Congress.</p> <p><sup>2</sup> Unsupported costs are costs that are questioned because, at the time of the audit, such costs were not supported by adequate documentation.</p> <p><sup>3</sup> Beginning balance for Questioned Costs was increased by \$3,255 for A04B0019 (recoveries made during audit) to coincide with database.</p> <p><sup>4</sup> None of the audits reported in this table were performed by the Defense Contract Audit Agency.</p>				

**Table 5: Inspector General Issued Audit Reports with Recommendations for Better Use of Funds<sup>1</sup>**

		Number	Dollar Value
Section 5(a)(9) of the Inspector General Act as amended requires for each reporting period a statistical table showing the total number of audit reports and the total dollar value of recommendations that funds be put to better use by management.			
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	6	\$238,736,149
B.	Which were issued during the reporting period	<u>1</u>	<u>327,577</u>
	Subtotals (A + B)	7	\$239,063,726
C.	For which a management decision was made during the reporting period		
	(i) Dollar value of recommendations that were agreed to by management	1	\$95,883
	(ii) Dollar value of costs that were not agreed to by management		
D.	For which no management decision was made by the end of the reporting period	6	\$238,967,843
E.	For which no management decision was made within six months of issuance	5	\$238,640,266
<sup>1</sup> None of the audits reported in this table were performed by the Defense Contract Audit Agency.			

**Table 6: Unresolved Reports Issued Prior to April 1, 2005**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
Section 5(a)(10) of the Inspector General Act as amended requires a listing of each report issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period.				
<b>New Since Last Reporting Period</b>				
<b>Federal Student Aid (FSA)</b>				
<a href="#">A04-E0003</a>	Review of Student Enrollment, Professional Judgment Actions, and Dependency Overrides at Salem College (SAR 50, pg. 21) <i>Status: FSA informed us that the audit was closed on 5/20/2005, however the required documentation for resolving this audit was not available in the Department's tracking system by 9/30/2005.</i>	11/8/04	\$26,400	3
<a href="#">A05-E0013</a>	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, pg. 21) <i>Status: FSA informed us that the audit was placed on administrative stay 7/22/2005. OCF0/Post Audit Group (PAG) provided us a copy of the approved "request for administrative stay" dated 7/22/2005.</i>	2/25/05	\$1,645,160	3
<a href="#">A06-D0018</a>	Audit of Saint Louis University's Use of Professional Judgment for the Two-Year Period from July 2000 through June 2002 (SAR 50, pg. 21) <i>Status: FSA informed us that the audit was placed on administrative stay - 8/5/2005.</i>	2/10/05	\$1,458,584	6
<a href="#">A09-D0024</a>	American River College's Compliance with Student Eligibility Requirements for Title IV Student Aid Programs (SAR 50, pg. 21) <i>Status: FSA informed us that the audit is still being reviewed by FSA San Francisco Case Team.</i>	12/1/04	\$3,024,665	3
<b>Office of the Chief Financial Officer (OCFO)</b>				
<a href="#">A05-D0041</a>	University of Illinois at Chicago's Upward Bound project (OPE also designated as action official) (SAR 50, pg. 22) <i>Status: OCFO informed us that it is reviewing information provided by auditee and awaiting additional data. Expected completion date: 3/31/2006.</i>	12/20/04	\$223,057	8

Table 6: Unresolved Reports Issued Prior to April 1, 2005 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A05-E0002	Audit of the University of Illinois at Chicago's Student Support Services program (OPE also designated as action official) (SAR 50, pg. 22) <i>Status:</i> OCFO informed us that it is reviewing information provided by auditee and awaiting additional data. Expected completion date: 3/31/2006.	12/15/04	\$260,050	6
<a href="#">A05-E0018</a>	University of Illinois at Chicago's Upward Bound Math and Science project (OPE also designated as action official) (SAR 50, pg. 22) <i>Status:</i> OCFO informed us that it is reviewing information provided by auditee and awaiting additional data. Expected completion date: 3/31/2006.	12/17/04	\$274,493	7
<b>Office of Elementary and Secondary Education</b>				
<a href="#">A02-E0019</a>	Puerto Rico Department of Education's Migrant Education Program (SAR 50, pg. 22) <i>Status:</i> Audit was placed on administrative stay - 8/18/2005. CAROI Status	3/30/05	\$43,824	5
A04-E0002	Georgia Department of Education's Administration of Title I, Part A of the Elementary and Secondary Education Act of 1965 (SAR 50, pg. 22) <i>Status:</i> OESE informed us that the audit was placed on administrative stay 9/23/2005. The administrative stay request was submitted after the anticipated resolution date of 5/8/2005.	11/8/04		8
<a href="#">A05-E0014</a>	Audit of the Indiana Department of Education's Compliance with Title I, Part A, of the Elementary and Secondary Education Act of 1965, as Amended by the No Child Left Behind Act of 2001, Public School Choice and Supplemental Educational Services provisions for the 2003-2004 school year that began July 1, 2003 (OII also designated as action official) (SAR 50, pg. 22) <i>Status:</i> OESE informed us that the Program Determination Letter (PDL) was issued on 9/26/2005, however OESE must address an issue that was brought to its attention on 9/20/2005 and 10/11/2005, and this audit should be removed from the "Unresolved Audit Report" in our next SAR.	2/18/05		2
<a href="#">A06-E0008</a>	Audit of the Title I Funds Administered by the Orleans Parish School Board for the Period July 1, 2001, through December 31, 2003 (SAR 50, pg. 23) <i>Status:</i> Audit was placed on administrative stay - 8/18/2005.	2/16/05	\$73,936,273	7
<a href="#">A06-E0012</a>	Audit of the Title I Funds Administered by the Caddo Parish School District, for the Period July 1, 2001, through December 31, 2003 (SAR 50, pg. 23) <i>Status:</i> OESE informed us that the audit was placed on administrative stay 10/7/2005. The administrative stay request was submitted after the anticipated resolution date of 6/7/2005.	12/7/04	\$488,314	1
<a href="#">A06-E0017</a>	Title I funds Administered by the Beauregard Parish School District, for the Period July 1, 2001, through December 31, 2003 (SAR 50, pg. 23) <i>Status:</i> OESE informed us that the audit was on administrative stay 10/7/2005. The administrative stay request was submitted after the anticipated resolution date of 6/16/2005.	12/16/04	\$540,443	5
<a href="#">A07-E0018</a>	Audit of the Missouri Department of Elementary and Secondary Education's Administration of Provisions Under Title I of the Elementary and Secondary Education Act of 1965 Relating to Consolidating Funds in Schoolwide Programs (SAR 50, pg. 23) <i>Status:</i> OESE informed us that the PDL was issued on 9/30/2005, however OESE must address an issue that was brought to its attention on 9/20/2005 and 10/11/2005, and this audit should be removed from the "Unresolved Audit Report" in our next SAR.	12/20/04		2

Table 6: Unresolved Reports Issued Prior to April 1, 2005 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<b>Office of Safe and Drug-Free Schools (OSDFS)</b>				
<a href="#">A09-E0025</a>	California Department of Education's Compliance with the Unsafe School Choice Option Provision (SAR 50, pg. 23) <i>Status: OSDFS informed us that staff are reviewing information concerning the audit findings and may require additional information from the auditee in order to resolve this audit.</i>	3/24/05		7
<b>Office of Special Education and Rehabilitative Services (OSERS)</b>				
<a href="#">A02-E0009</a>	Puerto Rico Department of Education's Special Education Program Services (SAR 50, pg. 23) <i>Status: No comments were provided to OIG.</i>	12/14/04	\$5,935,988	3
<b>Reported in Previous Semiannual Report</b>				
<b>Federal Student Aid (FSA)</b>				
<a href="#">A02-B0026</a>	Audit of Taylor Business Institute's Administration of Title IV Student Financial Assistance Programs (SAR 47, pg. 13) <i>Status: FSA informed us that the audit was closed 3/17/2005. The required documentation for resolution of this audit was not available in the Department's tracking system as of 9/30/2005.</i>	7/8/03	\$2,089	5
<a href="#">A04-B0015</a>	Review of Cash Management and Student Financial Assistance Refund Procedures at Bennett College (OPE designated as collateral action office for this report) (SAR 45, pg. 16) <i>Status: This audit was previously closed in CAR, the Department's prior tracking system. FSA needs to enter the requested documentation (amended ACD and final program determination letter) into the Department's current tracking system, AARTS.</i>	9/26/02	\$997,313	7
<a href="#">A04-B0019</a>	Advanced Career Training Institute's Administration of the Title IV Higher Education Act Programs (SAR 47, pg. 13) <i>Status: FSA informed us that the audit is still being reviewed by FSA Atlanta Case Team.</i>	9/25/03	\$7,472,583	14
<a href="#">A04-E0001</a>	Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown, TN (SAR 49, pg. 14) <i>Status: FSA informed us that the audit was granted an Administrative Stay on 2/28/2005, extended on 5/24/2005 and again on 9/12/2005 via memos approved by OCFO/PAG. OCFO/PAG provided us a copy of the approved "extension of administrative stay" dated 9/12/2005.</i>	9/23/04	\$2,458,347	7
<a href="#">A05-C0015</a>	Audit of American School of Technology's Administration of the Title IV, HEA Programs, Columbus, Ohio (SAR 46, pg. 12) <i>Status: FSA informed us that the audit was closed 4/7/2005. However, the required documentation (audit clearance document) for resolution of this audit must be generated in the Department's tracking system.</i>	3/21/03	\$1,311,249	13
<a href="#">A05-D0020</a>	Audit of the Administration of the Federal Pell Grant program by The Alexander Institute during the period September 28, 2000, through June 30, 2003 (SAR 48, pg. 17) <i>Status: FSA informed us that the audit is still being reviewed by the FSA Chicago Case Team.</i>	12/11/03	\$1,718,869	1
A06-70005	Professional Judgment at Yale University (SAR 36, pg. 18) <i>Status: FSA informed us that it is awaiting a policy decision to address and resolve this finding in the final audit determination letter.</i>	3/13/98	\$5,469	3



Table 6: Unresolved Reports Issued Prior to April 1, 2005 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A06-70009</a>	Professional Judgment at University of Colorado (SAR 37, pg. 17) <i>Status: FSA informed us that it is awaiting a policy decision to address and resolve this finding in the final audit determination letter.</i>	7/17/98	\$15,082	4
<a href="#">A06-A0003</a>	International Business College's Administration of Title IV Student Financial Assistance Programs (SAR 42, pg. 22) <i>Status: FSA informed us that the audit is still being reviewed by the FSA Dallas Case Team.</i>	3/28/01	\$461,035	4
<a href="#">A06-B0014</a>	Audit of United Education Institute's Compliance with the Title IV, Student Financial Assistance, Verification Requirements (SAR 43, pg. 12) <i>Status: This audit was previously closed in CAR, the Department's prior tracking system. FSA needs to enter the requested documentation (amended ACD and final program determination letter) into the Department's current tracking system, AARTS.</i>	9/6/01	\$7,285	1
A07-23545	State of Missouri, Single Audit Two Years Ended June 30, 1991 <i>Status: FSA/Financial Partners Service (FPS) is working with OGC and OIG on the resolution of the Missouri audits. FSA stated that draft responses were forwarded to OGC for review and comment and are awaiting OGC comments.</i>	4/1/93	\$1,048,768	18
A07-33123	State of Missouri, Single Audit Year Ended June 30, 1992 <i>Status: FSA/FPS is working with OGC and OIG on the resolution of the Missouri audits. FSA stated that draft responses were forwarded to OGC for review and comment and are awaiting OGC comments.</i>	3/7/94	\$187,530	18
<a href="#">A07-D0026</a>	Audit of Kaw Area Technical School (SAR 49, pg. 14) <i>Status: FSA informed us that the Audit was granted an Administrative Stay on 11/12/2004, extended on 2/17/2005 &amp; again on 4/20/2005 via memos approved by OCFO/PAG. OCFO/PAG provided us a copy of the approved "extension of administrative stay" dated 4/20/2005. FSA also stated that the audit was closed on 4/28/2005. However the required documentation is needed in the Department's tracking system.</i>	5/20/04	\$882,445	3
<a href="#">A09-70015</a>	Associated Technical College Eligibility of Institutions to Participate in Title IV Programs & Other Issues (SAR 37, pg. 16) <i>Status: FSA/SEC/CMO senior managers are thoroughly reviewing the 90/10 calculations before approving the final audit determination letter.</i>	9/9/98	\$8,600,000	7
<a href="#">N06-90010</a>	Inspection of Parks College's Compliance with Student Financial Assistance Requirements (SAR 40, pg. 18) <i>Status: FSA Dallas Case Team denied school's recertification on December 31, 1999. School closed February 5, 2000.</i>	2/9/00	\$169,390	1
<b>Office of the Chief Financial Officer (OCFO)</b>				
<a href="#">A05-D0017</a>	Audit of the University of Illinois at Chicago's Gaining Early Awareness and Readiness for Undergraduate Programs Project (OPE also designated as action official) (SAR 48, pg. 15) <i>Status: OCFO/PAG informed us that a draft program determination letter is with OGC.</i>	1/14/04	\$1,018,212	4
<a href="#">A05-D0018</a>	Audit of the Cesar Chavez Middle School's use of U.S. Department of Education funds for the Period July 1, 2001, through June 30, 2002 (2001-2002 fiscal year) (Office of Innovation and Improvement (OII) also designated as action official) (SAR 48, pg. 15) <i>Status: OCFO/PAG informed us that a draft program determination letter is with OGC.</i>	10/30/03	\$196,805	3



Table 6: Unresolved Reports Issued Prior to April 1, 2005 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A05-D0023</a>	Audit of the Aztlan Academy's use of U.S. Department of Education funds for the Period July 1, 2001, through June 30, 2002 (2002 fiscal year) ( <i>OII also designated as action official</i> ) (SAR 48, pg. 15) <b>Status:</b> OCFO/PAG informed us that a draft program determination letter is with OGC.	10/14/03	\$148,440	2
<a href="#">A05-D0029</a>	Audit of the Sonoran Desert School's use of U.S. Department of Education Funds for the Period September 1, 2001, through August 31, 2002 (project period) ( <i>OII also designated as action official</i> ) (SAR 48, pg. 16) <b>Status:</b> OCFO/PAG informed us that the audit report is on administrative stay due to the matter being in litigation.	10/31/03	\$37,452	4
<a href="#">A06-C0034</a>	Audit of the Texas Education Agency's Treatment of the Costs of Unused Accrued Vacation Leave of Retiring or Separating Employees for the Period September 1, 1999, through August 31, 2002 (SAR 47, pg. 14) <b>Status:</b> OCFO/PAG informed us it is continuing its efforts to close the audits of TEA (ACN 06-C0034) and Gonzales School District (ACN 09-D0015) in AARTS. It plans to have the audits closed in AARTS by December 31, 2005.	7/8/03	\$500,512	2
<a href="#">A06-D0023</a>	Audit of the Dallas Independent School District's (DISD) Administration of the Bilingual Education-Systemwide Improvement Grant for the period September 1, 1999 through August 31, 2003 ( <i>OELA also designated as action official</i> ) (SAR 49, pg. 14) <b>Status:</b> OCFO/PAG informed us it is preparing program determination letter involving a number of complex policy issues. Expected completion date: 3/31/2006.	8/4/04	\$1,788,853	2
<a href="#">A07-D0002</a>	Audit of the Talent Search Program at Case Western Reserve University (CWRU) (SAR 47, pg. 14) <b>Status:</b> OCFO/PAG informed us it is reviewing additional documentation from auditee. Expected completion date: 3/31/2006.	7/11/03	\$212,428	5
A09-D0015	Gonzales Unified School District's Administration of the 21 <sup>st</sup> Century Community Learning Centers Grant No. S287A000704 ( <i>OESE also designated as action official</i> ) (SAR 48, pg. 16) <b>Status:</b> OCFO/PAG informed us it is continuing its efforts to close the audits of TEA (ACN 06-C0034) and Gonzales School District (ACN 09-D0015) in AARTS. It plans to have the audits closed in AARTS by December 31, 2005.	12/19/03	\$474,005	4
<b>Office of Elementary and Secondary Education (OESE)</b>				
<a href="#">A01-90006</a>	Puerto Rico Department of Education Needs Major Improvements in Its Administration of the Even Start Program (SAR 41, pg. 22) <b>Status:</b> OESE informed us that a CAROI team is resolving the audit.	9/27/00	\$181,305	18
<a href="#">A01-A0004</a>	Puerto Rico Department of Education Did Not Administer Properly a \$9,700,000 Contract with National School Services of Puerto Rico (SAR 42, pg. 21) <b>Status:</b> OESE informed us that a CAROI team is resolving the audit.	3/28/01	\$7,841,493	14
<a href="#">A02-50200</a>	The Puerto Rico Department of Education Must Institute a Time Distribution System (SAR 36, pg. 13) <b>Status:</b> OESE informed us that a CAROI team is resolving the audit.	11/14/97		1
<a href="#">A02-B0012</a>	Puerto Rico Department of Education Did Not Administer Properly Title I Contracts with National School Services of Puerto Rico for the 1999/2000 and 2000/2001 School Years (SAR 43, pg. 11) <b>Status:</b> OESE informed us that a CAROI team is resolving the audit.	9/28/01	\$8,412,280	10
<a href="#">A02-B0025</a>	Puerto Rico Department of Education Did Not Administer Properly Three Contracts with R.V. Research and Management Group, Inc. (SAR 45, pg. 18) <b>Status:</b> OESE informed us that a CAROI team is resolving the audit.	9/12/02	\$2,146,023	10

Table 6: Unresolved Reports Issued Prior to April 1, 2005 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A02-C0017</a>	Puerto Rico Department of Education's Administration of Contracts with the League of United Latin American Citizens National Educational Service Center ( <i>OVAE also designated as action official for this report</i> ) (SAR 47, pg. 15) <b>Status:</b> OESE informed us that a CAROI team is resolving the audit.	6/10/03	\$115,390	5
<a href="#">A02-D0014</a>	Puerto Rico Department of Education's Title I Expenditures for the Period, July 1, 2002 to December 31, 2002 (See note 1 at end of table) (SAR 48, pg. 17) <b>Status:</b> OESE informed us that a CAROI team is resolving the audit.	3/30/04	\$49,536	9
<a href="#">A02-D0023</a>	Puerto Rico Department of Education's Salaries for the Period July 1, 1999 to June 30, 2003 (SAR 49, pg. 14) <b>Status:</b> OCFO/PAG informed us that the audit was reassigned to OESE on April 13, 2005.	6/2/04		6
<a href="#">A02-E0007</a>	Puerto Rico Department of Education's Administration of Contracts Awarded to Rock Solid Technologies (SAR 49, pg. 15) <b>Status:</b> OESE informed us that the audit is in CAROI.	9/8/04	\$3,354,545	2
<a href="#">A05-C0012</a>	Audit of East Cleveland City Schools' Administration of the 21 <sup>st</sup> Century Community Learning Centers Grant at Kirk Middle School for the Period June 1, 1998, through December 31, 2001 (SAR 45, pg. 18) <b>Status:</b> OESE informed us that the PDL is in OGC for review as of 2/18/2005.	9/18/02	\$349,637	9
<a href="#">A05-C0022</a>	Audit of Community Consolidated School District 62's Administration of the 21 <sup>st</sup> Century Community Learning Centers Grant for the Period June 1, 2000, through May 31, 2002 (Office of the Under Secretary (OUS) also designated as action official for this report) (SAR 46, pg. 13) <b>Status:</b> OESE informed us that the PDL was issued to auditee on 9/20/2005. However, the required documentation was uploaded into the Department's tracking system after 9/30/2005. This audit should not appear in our next SAR.	2/24/03	\$126,709	3
<a href="#">A05-C0029</a>	Audit of Minnesota's Local Educational Agencies' Allocations of Elementary and Secondary Education Act, as amended, Title I, Part A, funds to schools for the Period July 1, 2001, through June 30, 2002 (2001-2002 school year) (see note 1 at end of table) (SAR 47, pg. 15) <b>Status:</b> OESE informed us that the PDL was issued to auditee on 9/30/2005. However, the required documentation was uploaded into the Department's tracking system after 9/30/2005. This audit should not appear in our next SAR.	9/30/03		2
<a href="#">A05-D0008</a>	Audit of 20 Arizona Charter Schools' Uses of U.S. Department of Education Funds for the Period October 1, 2000, through September 30, 2001 ( <i>Office of Special Education and Rehabilitative Services (OSERS) also designated as action official</i> ) (SAR 48, pg. 17) <b>Status:</b> OESE informed us that the PDL was issued on 9/29/2005. However, the required documentation has not been uploaded into the Department's tracking system.	11/6/03	\$1,264,943	10
<a href="#">A05-D0009</a>	Audit of Cleveland Municipal School District's Set-Aside Funds for District-Wide Activities (SAR 47, pg. 15) <b>Status:</b> OESE informed us that the PDL was issued on 9/30/2005. However, the required documentation was uploaded into the Department's tracking system after 9/30/2005. This audit should not appear in our next SAR.	8/6/03	\$43,067	7
<a href="#">A05-D0021</a>	Audit of the Detroit City School District's Administration of Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended, Set-Aside programs for the period July 1, 2002, through May 31, 2003 (SAR 48, pg. 17) <b>Status:</b> OESE informed us that the PDL was issued on 9/30/2005. However, the required documentation was uploaded into the Department's tracking system after 9/30/2005. This audit should not appear in our next SAR.	11/21/03	\$278,414	10

Table 6: Unresolved Reports Issued Prior to April 1, 2005 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A05-D0038</a>	Audit of Michigan's local educational agencies' allocations of Elementary and Secondary Act of 1965, as amended, Title I, Part A, funds to schools for the period July 1, 2001, through June 30, 2002 (2001-2002 school year) (See note 1 at end of table) (SAR 49, pg. 15) <i>Status: OESE informed us that the PDL was issued on 9/30/2005. However, the required documentation (amended ACD) is still needed in the Department's tracking system.</i>	6/25/04		4
<a href="#">A09-D0014</a>	Charter Schools Access to Title I Funds in the State of New York ( <i>OII is also designated as action official for this report</i> ) (SAR 47, pg. 15) <i>Status: OESE informed us that the PDL was issued on 9/26/2005. However, the required documentation has not been uploaded into the Department's tracking system.</i>	7/28/03		6
<a href="#">A09-D0018</a>	Charter Schools' Access to Title I and IDEA, Part B Funds in the State of California (See note 1 at end of table) (SAR 48, pg. 18) <i>Status: OESE informed us the PDL is with OGC for review.</i>	3/29/04		12
<b>Office of Postsecondary Education (OPE)</b>				
<a href="#">A07-B0011</a>	Audit of Valencia Community College's Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement (SAR 47, pg. 15) <i>Status: No Change - OPE previously informed us that it provided a response to OGC's proposed resolution of the audit in September 2004. OPE stated that OGC responded with provisions to the draft program determination letter in March 2005. OPE continues to work with OGC to resolve the audit.</i>	5/8/03	\$1,822,864	5
<a href="#">A07-C0031</a>	Audit of the Talent Search Program at Luther College (SAR 46, pg. 14) <i>Status: Audit was reassigned to OPE from OCFO - 9/28/2005. OPE continues to work with OIG to resolve the audit.</i>	3/28/03	\$219,567	4
<b>Office of Safe and Drug-Free Schools (OSDFS)</b>				
<a href="#">A01-90007</a>	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Governor's Safe and Drug-Free School Program (SAR 41, pg. 22) <i>Status: No change in status - OSDFS previously informed us that the audit is being resolved as part of the CAROI settlement.</i>	9/27/00	\$82,452	17
<b>Office of Special Education and Rehabilitative Services (OSERS)</b>				
<a href="#">A02-B0014</a>	Audit of the Puerto Rico Vocational Rehabilitation Administration (SAR 45, pg. 18) <i>Status: No change in status - OSERS previously informed us that it is working with the OIG regarding the resolution of the audit.</i>	6/26/02	\$15,800,000	5
<a href="#">A02-D0020</a>	Puerto Rico Department of Education's Special Education Expenditures for the Period, July 1, 2002 to December 31, 2002 (See note 1 at end of table) SAR 48, pg. 18) <i>Status: No change in status - OSERS previously informed us that the audit is being resolved through CAROI team effort.</i>	3/30/04	\$122,901	9
<p>Note 1 - We identified \$690,232 in annual better use of funds in audit A05-C0029, \$48,835 in one-time better use of funds and \$1,580,000 in annual better use of funds in audit A05-D0038, \$151,205,677 in better use of funds in audit A02-D0014, \$5,600,000 in better use of funds in audit A09-D0018, and \$79,515,522 in better use of funds in audit A02-D0020. Status comments reflect documents received, comments agreed to, or comments provided by the Department.</p> <p>Note 2 - Status Comments reflect comments provided by the Department, comments agreed to, or documents obtained from AARTS.</p>				

**Table 7: Investigation Services Cumulative Actions  
(April 1, 2005 to September 30, 2005)**

Summary of Investigation	Subject Name	Action This Period	Fines/ Restitutions	Civil Recoveries
<b>INSTITUTIONAL FRAUD</b>				
<b><u>Failure to Make Refunds/Refund Fraud</u></b>				
Former president of MBTI Business Training Institute (MBTI) pled guilty for participating in a scheme to defraud the Department.	Donald Brun	Convicted: 6/17/2005		
Former financial aid director of MBTI sentenced for role in a scheme to defraud the Department.	Tammy Hermann	Sentenced: 9/2/05	\$2,100	
President of Pittsburgh Beauty Academy in Pennsylvania sentenced for financial aid fraud.	Arthur B. DeConciliis	Sentenced: 9/23/05	\$83,998	
<b><u>Use of Ineligible Branch Locations</u></b>				
Former vice president of WTC signed a pretrial diversion agreement, deferring prosecution of financial aid fraud.	Paul Cox	Sentenced: 5/2/05		
<b><u>Enrollment of Ineligible Students</u></b>				
School owner and employees sentenced for falsifying records and violations of regulations.	Mahmud Younis	Sentenced: 4/25/05	\$918,525	
	Walid Alsabbagh	Sentenced: 4/25/05	\$25,300	
	Jamal Mourtada	Sentenced: 4/25/05		
	Muna Jaber	Sentenced: 4/25/05	\$5,000	
Executive director of Metro Technical Institute (MTI) pled guilty to participating in a scheme to defraud the Department.	Phillip Zimmerman	Convicted: 7/6/05		
<b><u>Falsification of Attendance</u></b>				
Former owner of Hamilton Professional Schools pled guilty to financial aid fraud and embezzlement.	Jorge Garrido	Convicted: 6/15/05		
Former registrar of Hamilton Professional Schools sentenced for making false statements in connection with the administration of Pell Grant funds.	Gloria Villamil	Sentenced: 7/29/05	\$22,637	
<b><u>School Employee Theft</u></b>				
Individual sentenced for participating in an illegal student refund scheme at LOC.	Michael Tate	Sentenced: 4/26/05	\$4,142	
Individual sentenced for participating in an illegal student refund scheme at LOC.	Kelli Pollard	Sentenced: 6/16/05	\$81,036	
Former payroll clerk sentenced for theft of funds from Orleans Parish School District (OSPD) in Louisiana.	Terri Morant	Sentenced: 4/13/05	\$250,000	
Former teacher sentenced for participating in a kickback scheme at OSPD.	Tremica Knight	Sentenced: 6/23/05	\$39,888	
Individual sentenced for participating in an illegal student refund scheme at LOC.	Marlon Briggs	Sentenced: 4/15/05	\$23,180	
Individual sentenced for participating in an illegal student refund scheme at LOC.	Aaron Boone	Sentenced: 5/18/05	\$57,411	
Former Lodge Grass School District employee sentenced for theft of federal money and larceny.	Marion Calvin	Sentenced: 4/27/05	\$3,541	
Financial aid administrator sentenced for conspiracy to commit financial aid fraud.	Allison Smith	Sentenced: 6/16/05	\$250	
Ability to Benefit tester sentenced for conspiracy to commit financial aid fraud.	Michelle Hardy	Sentenced: 6/15/05	\$350	

**Table 7: Investigation Services Cumulative Actions  
(April 1, 2005 to September 30, 2005) (Cont.)**

Summary of Investigation	Subject Name	Action This Period	Fines/ Restitutions	Civil Recoveries
Former Indiana University employee sentenced for financial aid fraud.	Monique Matson	Sentenced: 6/15/05	\$50	
Financial aid officer sentenced for grand theft and drug possession with intent to distribute.	Holly Clements-Chavira	Sentenced: 6/1/05		
Prepared Table Charter School officials sentenced for defrauding federal and state government agencies.	Louvicy Wilcox	Sentenced: 9/2/05	\$200	
	Roshall Frank	Sentenced: 9/2/05	\$100	
	Anthony Mosley	Sentenced: 9/2/05	\$600	
Mother and daughter sentenced for financial aid fraud.	Linda Lee Stewart	Sentenced: 5/23/05	\$148,300	
	Stephanie Wanzo	Sentenced: 5/23/05	\$81,571	
Former Oklahoma State University, Oklahoma City campus financial aid director reached a civil settlement with the U.S. Attorney's Office.	Jennifer Wilson	Civil settlement: 6/1/05		\$6,500
Two former elementary school principals and another individual pled guilty to conspiracy and theft of state and federal funds.	Judy Radcliff	Convicted: 9/12/05		
	Joycelyn Wilson	Convicted: 9/12/05		
	Sandra Grady	Convicted: 9/12/05		
Individual pled guilty for participating in a Title I and Reading Excellence Grant embezzlement scheme.	Tammie Davis	Convicted: 9/16/05		
<b><u>Fraudulent Work Study</u></b>				
Student pled guilty to the theft of federal college work-study funds.	Johnte Gaffney	Convicted: 7/15/05		
New York City woman pled guilty to theft of government funds.	Saadia Farooqi	Convicted: 9/16/05		
Former Barton County Community College Assistant Coach pled guilty to embezzlement of student financial aid funds and mail fraud.	Matt Skillman	Convicted: 9/19/05		
<b><u>Submission of False Documents</u></b>				
Brothers sentenced for fraudulently obtaining federal ESL-Citizenship funds.	Michael Guzman	Sentenced: 4/25/05	\$199,400	
	Robert Guzman II	Sentenced: 4/25/05	\$400	
<b><u>Loan Consolidation Schemes</u></b>				
Three former collection agents sentenced for fraudulently consolidating \$3.8 million in defaulted student loans.	Martina Brown	Sentenced: 7/14/05	\$7,783	
	Melissa McKeever	Sentenced: 7/20/05	\$20,240	
	Barbara Szczublewski	Sentenced: 8/2/05	\$25,394	
<b>RECIPIENT FRAUD</b>				
<b><u>Falsification of Income</u></b>				
Husband and wife sentenced in fraud scheme.	Dennis Lukasik	Sentenced: 6/21/05	\$2,074,220	
	Deborah Lukasik	Sentenced: 6/21/05	\$6,880	
Student pays Department for fraudulently receiving Pell Grant Funds.	Liza Draper			\$10,000
Boston Police Department clerk pled guilty to mail and wire fraud related to student financial assistance applied for and disbursed on behalf of her son.	Negisti Medhanie	Convicted: 9/7/05		

**Table 7: Investigation Services Cumulative Actions  
(April 1, 2005 to September 30, 2005) (Cont.)**

Summary of Investigation	Subject Name	Action This Period	Fines/ Restitutions	Civil Recoveries
New York man pled guilty to grand larceny related to theft of student financial assistance, New York City Housing, and welfare funds.	Muhammad Baaith	Convicted: 8/5/05		
Former Northwest Airlines pilot pled guilty to three counts of financial aid fraud.	Stephen Laurenzano	Convicted: 9/20/05		
Former student pled guilty to falsifying FAFSAs for four consecutive years.	Amanda Shevlin	Convicted: 8/16/05		
<b>Identity Fraud/Misuse of a SSN</b>				
Individual pled guilty to financial aid fraud.	Fredrick Robinson	Convicted: 7/21/05		
New York woman sentenced for obtaining student financial assistance using multiple SSNs and falsely reporting that she had never defaulted on a federal student loan.	Vernita Nuey	Sentenced: 8/2/05	\$179,189	
New York woman sentenced for using another person's identity to obtain FFEL and Pell Grant funds.	Raymonda Shallowhorn	Sentenced: 6/15/05	\$9,750	
Part-time college instructor pled guilty to financial aid fraud.	Raul Schutte	Convicted: 7/19/05		
Former medical student entered into a pretrial diversion agreement in U.S. District Court.	Jose Pagan	Sentenced: 9/30/05	\$59,451	
Man sentenced for using SSNs belonging to other individuals, as well as providing false information to the Commissioner of Social Security to obtain multiple SSNs in an effort to conceal from lenders, schools and the Department the number and status of loans and other forms of student aid he received.	Daniel Nwabufoh	Sentenced: 8/11/05	\$138,634	
Individual pled guilty to financial aid fraud for using another SSN to obtain student financial assistance.	Christina Renteria	Convicted: 7/12/05		
Individual sentenced for fraudulently receiving a Pell Grant through the use of a second identity.	Vincent Pacecca	Sentenced: 6/16/05	\$10	
<b>Falsification of Identity/Identity Theft</b>				
Individual pled guilty to bankruptcy fraud and agreed to pay restitution for money and merchandise received while using a fraudulent SSN.	DeShawn Clark	Convicted: 5/11/05		
Individual sentenced for using the identity of another to apply for Direct PLUS loans and loans from private financial institutions.	Paul Jenkins	Sentenced: 9/12/05	\$15,272	
Ringleader sentenced for orchestrating a scheme in which she and her co-conspirators used 41 identities to fraudulently obtain student financial assistance.	Sharon Walker	Sentenced: 6/14/05	\$414,572	
Individual sentenced for participating in a scheme in which 41 identities were used to fraudulently obtain student financial assistance.	Bessie Johnson	Sentenced: 5/12/05	\$39,011	
Individual sentenced for participating in a scheme in which 41 identities were used to fraudulently obtain student financial assistance.	Bobby Poke Sr.	Sentenced: 4/27/05	\$142,084	
Sisters sentenced for participating in a scheme in which 41 identities were used to fraudulently obtain student financial assistance.	Evelyn Walker	Sentenced: 5/18/05	\$89,233	
	Betty Walker	Sentenced: 5/18/05	\$11,350	
Individual sentenced for participating in a scheme in which 41 identities were used to fraudulently obtain student financial assistance.	Pamela Walker	Sentenced: 6/2/05	\$10,830	



**Table 7: Investigation Services Cumulative Actions  
(April 1, 2005 to September 30, 2005) (Cont.)**

Summary of Investigation	Subject Name	Action This Period	Fines/ Restitutions	Civil Recoveries
Individual sentenced for possessing and uttering a forged check and participating in a scheme in which 41 identities were used to fraudulently obtain student financial assistance.	Dianna Colon	Sentenced: 5/10/05	\$101,373	
New York man sentenced for using the identity of the New York City Deputy Parks Commissioner as a co-signer on student loan applications and promissory notes.	Tyrone Riley	Sentenced: 7/19/05		
Tufts University medical school graduate sentenced for engaging in an identity theft scheme.	Arijit Chowdhury	Sentenced: 4/19/05	\$304,466	
New York woman sentenced for participating in an identity theft scheme.	Linda Griffin	Sentenced: 4/14/05	\$7,800	
Massachusetts woman sentenced for an identity theft scheme, and using the stolen identity to obtain Pell and Supplemental Education Opportunity Grants.	Itza Ruiz	Sentenced: 9/8/05	\$20,384	
Massachusetts man received time served for aiding and abetting his former wife in identity theft, credit card fraud and bank fraud. He was also sentenced for making false statements in documents required by federal immigration law.	Heriberto Ruiz	Sentenced: 9/8/05	\$600	
Individual sentenced for using the identity of another to receive student financial assistance.	Eric Liu	Sentenced: 5/6/05	\$24,878	
Identity theft subject admitted that she purchased the identity of another individual and used that identity to apply for and receive student financial assistance.	Greta Martinez-Gutierrez	Sentenced: 5/23/05		
Student pled guilty to education fraud for using fraudulent academic transcripts and his brother's identity to obtain student financial assistance.	Luckner Edouard	Convicted: 7/22/05		
Student sentenced for stealing another individual's identity to attend Owens Community College in Ohio and obtain financial aid refund checks.	Chandra McCullough	Sentenced: 9/19/05	\$9,983	
Rutgers University Law School student pled guilty to obtaining student financial assistance by using the identity of a U.S. citizen.	Joel Santillones	Convicted: 7/7/05		
Texas Tech University student pled guilty to misprision of a felony for participating in a kickback scheme where Pell Grant funds were awarded to ineligible students.	John Moretti	Convicted: 9/2/05		
<b><u>Falsification of Eligibility</u></b>				
Individual signed a pre-trial diversion agreement in lieu of prosecution for financial aid fraud.	Terri Shepherd	Sentenced: 4/21/05	\$12,472	
Individual sentenced for financial aid fraud.	Jamarr Viverette	Sentenced: 8/3/05	\$16,011	
Former Indiana student sentenced for financial aid fraud.	Scott Phebus	Sentenced: 7/8/05	\$3,369	
Former University of Phoenix student reached a settlement with the U.S. Department of Justice for financial aid fraud.	Charisse Barsella	Civil Settlement: 8/1/05		\$41,241
<b><u>Fraudulent Loan Discharges/Deferments</u></b>				
Individual sentenced for faking death in an attempt to discharge loans.	Jeffory Brown	Sentenced: 6/23/05	\$79,020	
<b><u>Fraudulent Work Study</u></b>				
Default judgment ordered in federal work-study fraud.	Derrick Jackson	Civil Settlement: 6/6/05		\$1,980

**Table 7: Investigation Services Cumulative Actions  
(April 1, 2005 to September 30, 2005) (Cont.)**

Summary of Investigation	Subject Name	Action This Period	Fines/ Restitutions	Civil Recoveries
<b>Foreign School Recipient Fraud</b>				
Individual pled guilty to financial aid fraud.	Dale Givens	Convicted: 5/10/05		
Husband and wife sentenced and ordered to pay restitution for leading a scheme to illegally receive student loan benefits.	Anthony Hervey	Sentenced: 4/11/05	\$89,420	
	Gloria Hervey	Sentenced: 4/11/05	\$1,530	
Individual sentenced for participating in a scheme to illegally receive student loan benefits.	Ronald Jackson	Sentenced: 6/10/05	\$840	
Individual sentenced for participating in a scheme to illegally receive student loan benefits.	Stacey Adams	Sentenced: 4/11/05	\$765	
Individual sentenced for participating in a scheme to illegally receive student loan benefits.	Twana Moss	Sentenced: 4/5/05	\$740	
Individual sentenced for participating in a scheme to illegally receive student loan benefits.	Sean Loggin	Sentenced: 6/15/05	\$4,520	
Father of foreign school aid recipient pled guilty to making false statements in order to receive financial aid intended for his daughter.	Phillip Fenner	Convicted: 6/27/05		
Individual sentenced for participating in a scheme to illegally receive student loan benefits.	Renee Harris	Sentenced: 6/27/05	\$1,765	
<b>INTERNAL INTEGRITY</b>				
Former Deputy Under Secretary for Safe and Drug Free Schools sentenced for misdemeanor conflict of interest charges.	Eric Andell	Sentenced: 7/29/05	\$13,659	
<b>OTHER PROGRAMS</b>				
Individual sentenced for heading a RICO enterprise. The predicate offenses charged in the RICO indictment came from defrauding the Adult Basic Education program of Philadelphia Community College.	Shamsud-Din Ali	Sentenced: 9/19/05	\$368,040	
Individual sentenced for participating in a scheme to receive public funds for adult basic education courses that were not held, and for which teachers were being paid without teaching courses.	Faridah Ali	Sentenced: 4/5/05	\$30,000	
New Jersey man sentenced for fraudulently coming into possession of FFEL checks and depositing the proceeds into his personal bank account.	Greg Sims	Sentenced: 7/14/05	\$4,500	
Former executive director of the Massachusetts Career Development Institute (MCDI) sentenced for participating in a conspiracy involving "no show" and "partial show" employees.	Gerald Phillips	Sentenced: 7/18/05	\$32,526	
Former president of MCDI sentenced for participating in a conspiracy involving "no show" and "partial show" employees.	Giuseppi Polimeni	Sentenced: 7/21/05	\$50,000	
Former secretary and payroll clerk of MCDI sentenced for participating in a conspiracy involving "no show" and "partial show" employees.	Jamie Dwyer	Sentenced: 6/29/05	\$17,300	
No-show employee of MCDI sentenced.	Luisa Cardaropoli	Sentenced: 6/30/05	\$55,293	
Executive director of Educational Cooperative sentenced for filing a false tax return.	Susan Frazier	Sentenced: 8/29/05	\$82,133	

Table 8: Statistical Profile: April 1, 2005 to September 30, 2005

	Six-month Period Ending 9/30/05	Fiscal Year Ending 9/30/05
<b>OIG AUDIT REPORTS ISSUED</b>	41	82
Questioned Costs	\$25,489,565	\$33,832,620
Unsupported Costs	\$14,592,372	\$101,791,208
Recommendations for Better Use of Funds	\$327,577	\$423,460
<b>OTHER OIG PRODUCTS</b>	10	36
(Inspections, Action Memoranda, Alert Memoranda, Closeout Letters, Management Information Reports, Preaward Reviews, and Special Projects)		
<b>OIG AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS</b>	21	79
Questioned Costs Sustained	\$2,710,566	\$103,407,957 <sup>a</sup>
Unsupported Costs Sustained	\$6,534,719	\$12,627,579
Additional Disallowances Identified by Program Managers	\$0	\$1,648,911
Management Commitment to the Better Use of Funds	\$95,883	\$965,734
<b>INVESTIGATIVE CASE ACTIVITY</b>		
Cases Opened	107	245
Cases Closed	114	209
Cases Active at End of Period	309	N/A
Prosecutorial Decisions	88	169
-Accepted	54	110
-Declined	35	60
<b>INVESTIGATION RESULTS</b>		
Indictments/Informations	56	127
Convictions/Pleas	57	133
Fines Ordered	\$224,950	\$239,700
Restitution Payments Ordered	\$7,136,347 <sup>1</sup>	\$8,241,663
Civil Settlements/Judgments (#)	4	13
Civil Settlements/Judgments (\$)	\$59,721	\$2,067,437
Recoveries	\$1,031,993 <sup>2</sup>	\$1,057,988
Forfeitures/Seizures		
<p>a - Questioned cost sustained for SAR 50 should have been \$100,697,391 instead of \$100,725,474. We are, in SAR 51, making correction for the \$28,083 in Questioned Cost sustained that had been over reported in SAR 50.</p> <p>Notes The investigations data for SAR 51 are compiled from two different and overlapping databases. During this period we converted from ICTS to EDITS. The referencing documents are from both systems. When the numbers were compiled, the two were cross-referenced so we do not duplicate the numbers. Figures for SAR 50 were referenced prior to publication of SAR 50.</p> <p><sup>1</sup>Includes amounts from following pre-trial diversions: \$529,886 in 05-051437 and 04-060871.</p> <p><sup>2</sup>Includes the following admin recoveries: \$1,090 (05-030073), \$1,017,500 (05-30040), \$5,602 (05-050058).</p>		

## U.S. Department of Education

Margaret Spellings  
*Secretary*

## Office of Inspector General

John P. Higgins, Jr.  
*Inspector General*

## Counsel's Office

Mary Mitchelson  
*Counsel to the Inspector General*

November 2005

This report is in the public domain. Authorization to reproduce it in whole or in part is granted. While permission to reprint this publication is not necessary, the citation should be: U.S. Department of Education, *Inspector General's Semiannual Report to Congress, No. 51*.

### To order copies of this report:

- **Write** to: ED Pubs, Education Publications Center, U.S. Department of Education, P.O. Box 1398, Jessup, MD 20794-1398;
- **Fax** your request to: (301) 470-1244;
- **E-mail** your request to: [edpubs@inet.ed.gov](mailto:edpubs@inet.ed.gov);
- **Call** in your request toll-free: 1-877-433-7827 (1-877-4-ED-PUBS). If 877 service is not yet available in your area, call 1-800-872-5327 (1-800-USA-LEARN). Those who use a telecommunications device for the deaf (TDD) or a teletypewriter (TTY) call 1-800-437-0833; or
- **Order online** at: [www.ed.gov/pubs.org](http://www.ed.gov/pubs.org)

This report is also available on the Department's Web site, at: [www.ed.gov/about/offices/list/oig](http://www.ed.gov/about/offices/list/oig).

On request, this publication is available in alternate formats, such as Braille, large print, audiotape, or computer diskette. For more information, please contact the Department's Alternate Format Center at (202) 260-9895 or (202) 205-8113.

**U.S. Department of Education**  
**Washington, D.C. 20202-1510**

---

**Official Business**

**Penalty for Private Use, \$300**

Anyone knowing of fraud, waste, or abuse involving Department of Education funds or programs should call, write, or e-mail the

### **Inspector General's Hotline**

THE TOLL-FREE NUMBER IS:  
**1-800-MIS-USED (1-800-647-8733)**

THE MAILING ADDRESS IS:  
**Inspector General's Hotline**  
**Office of Inspector General**  
**U.S. Department of Education**  
**400 Marland Avenue, SW**  
**Washington, DC 20202-1510**

THE E-MAIL ADDRESS IS:  
[oig.hotline@ed.gov](mailto:oig.hotline@ed.gov)

Your report may be made anonymously or in confidence.

**For information on identity theft prevention**  
**for students and schools,**

THE OIG'S IDENTITY THEFT HOMEPAGE IS:  
[www.ed.gov/misused](http://www.ed.gov/misused)

**U.S. DEPARTMENT OF EDUCATION**  
**OFFICE OF INSPECTOR GENERAL**  
**SEMIANNUAL REPORT TO CONGRESS**