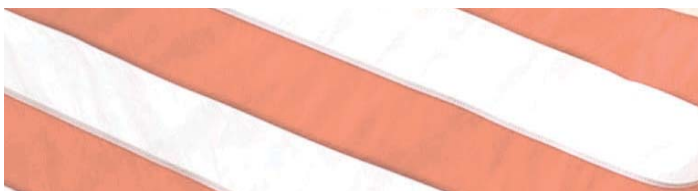
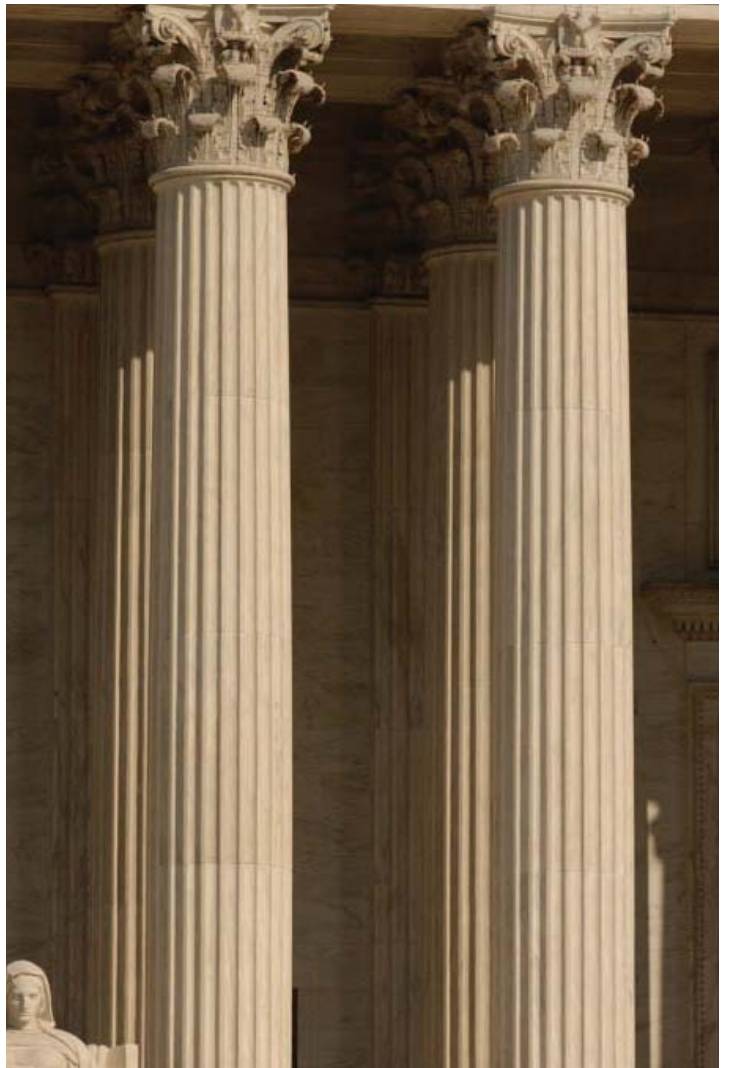




U.S. DEPARTMENT OF EDUCATION

# Inspector General's Semiannual Report to Congress, No. 52

October 1, 2005 - March 31, 2006



**U.S. Department of Education  
Office of Inspector General**



**Semiannual Report to Congress: No. 52**

*October 1, 2005 - March 31, 2006*



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

April 27, 2006

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 Department's Office of Inspector General for the six-month period ending March 31, 2006. This report highlights our most significant work from the last six months, and reflects our strong commitment to assisting the Department in improving its programs and operations.

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 specific 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*.

I look forward to working with you in furthering our goals and achieving our mission.

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.*

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# 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 October 1, 2005 to March 31, 2006. The audits, inspections, investigations, and other activities highlighted in this report illustrate our on-going commitment to promoting accountability, efficiency, and effectiveness in Federal education programs and operations. America's students and taxpayers deserve nothing less.

Over the last six months, OIG issued 60 audit, inspection and related reports, memoranda and letters. We identified over \$1.5 million in questioned costs, over \$5.6 million in unsupported costs, and over \$10 million in funds that could be put to better use. We closed 39 investigations, with over \$4.3 million in recoveries, restitution, fines, settlements, and forfeitures/seizures. You will find more information on these accomplishments highlighted in the pages of our report.

As you know, on December 30, 2005, President Bush signed the *Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006, (Public Law 109-148)*, that included the Hurricane Education Recovery Act (*HERA*). *HERA* provides \$1.6 billion for education-related relief and recovery efforts in the wake of Hurricanes Katrina and Rita. We consider stewardship of hurricane-related funds to be one of our highest priorities--a commitment that is shared throughout the Inspector General community. And our efforts to help prevent and detect waste, fraud, and abuse of these funds are under way. On the investigative side, the U.S. Attorney General has mandated zero tolerance for fraud related to hurricane funds. The President's Council on Integrity and Efficiency, of which OIG is an active member, supports the zero tolerance initiative; therefore we expect to increase in our resources in this area. In addition, we will continue to collaborate with our colleagues throughout the Inspector General community to ensure that the Federal government's efforts truly benefit those citizens who have suffered greatly during the hurricane disasters.

In order to conduct our hurricane-related activities, a good portion of the work we intended to coordinate, as detailed in our Fiscal Year 2006 Work Plan (Work Plan), has been postponed. However, we remain dedicated to accountability in all Federal education programs and operations, and will address the remaining concerns in our Work Plan as resources become available.

Thank you for your continued support of our efforts. I look forward to working with the Members of the 109th Congress and the Department in furthering our goals and achieving our mission.

*John P. Higgins, Jr.*

# OVERVIEW



The Office of Inspector General (OIG), for the period October 1, 2005, through March 31, 2006, continued its work to promote efficiency, effectiveness, and integrity in the programs and operations of the U.S. Department of Education (Department). During this reporting period, we identified and summarized the top management and performance challenges facing the Department, as well as provided an update on the Department's progress in addressing the challenges. Presented in a report to the Department entitled, *Management Challenges for Fiscal Year 2006 (Management Challenges)*, our report focused on two key areas: program accountability and operations accountability. ([Click here](#) for a copy of the report.) It discussed the need for the Department to continue to make the goal of effective stewardship a top priority by establishing effective accountability of its grantees, of its program participants, of its contractors, and of its employees. Work OIG concluded over the last six months shows continued weaknesses by the Department in these areas, which leave programs and operations vulnerable to waste, fraud, and abuse. Only by emphasizing oversight and enforcement can the Department provide effective stewardship over the hundreds of billions of dollars supporting its programs and operations.

In the first section of our report, we provide information on our hurricane-recovery efforts. On December 30, 2005, President Bush signed the *Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006, (Public Law 109-148)*, that included the Hurricane Education Recovery Act (*HERA*). *HERA* provides \$1.6 billion for education-related relief and recovery efforts in the wakes of Hurricanes Katrina and Rita. We consider stewardship of hurricane-related funds to be one of our highest priorities--a commitment that is shared throughout the Inspector General community. The President's Council on Integrity and Efficiency (PCIE), of which OIG is an active member, supports the zero tolerance initiative, therefore we expect to increase our resources in this area. Again, you will find more information on our hurricane-related work to date in this section of our report.

In the second section of this report, we provide a summary of the work concluded in the area of elementary and secondary education, special education, and post-secondary education programs over the last six months. As reported in our last *Semiannual Report to Congress (SAR), No. 51*, we have increased our resources in reviewing allegations of waste, fraud, and abuse in these areas in recent years, and continued to do so this reporting period. Our recent findings show that promoting accountability, managing risks, and identifying and taking corrective action to address and prevent fraudulent activities in state and local programs still pose a significant challenge for the Department. This is particularly true in the areas of migrant education and the monitoring of its programs and grantees, all of which are discussed in more detail in this section of the report.

For 26 years, helping the Department identify and reduce waste, fraud, and abuse in the student financial assistance programs has been a top OIG priority. As detailed in the third section of our report, these programs continue to demand our attention. The work we completed during this reporting period showed some cases in which the Office of Federal Student Aid's (FSA) monitoring and controls may have been inadequate.

The fourth section of our report highlights the audits, inspections, and reviews we completed of the Department's internal operations and financial management. While the Department's improved financial management systems are helping it to identify a number of problem areas and possible misappropriations of Federal funds, work concluded during this reporting period shows that there are still inadequacies in the Department's oversight of and accountability for its internal operations, as well as its enforcement of policies and procedures. Examples include weaknesses in the Department's information technology (IT) security and contingency planning, its process for validating telecommunications billings and inventories, and its lack of an effective internal audit followup process, which are discussed in more detail in this section of the report.

OIG constantly strives to improve its operations and is considered a leader throughout the IG community both in audit work and the emerging field of computer crime investigations. In the fifth section of this report, we highlight a number of our accomplishments in this area, including the first-ever Federal Cyber Summit and a Data-Mining Symposium. In the sixth and final section of this report, you will find a compilation of tables of the audits, inspections and investigations we concluded during this reporting period, as required by the *Inspector General Act of 1978, as amended (IG Act)*.

In closing, we will continue to work with the Department to promote accountability and prevent fraud, waste, and abuse. And we will continue to work tirelessly to help ensure that Federal education dollars reach their intended recipients. America's taxpayers and students deserve nothing less.

For more information on the work or activities discussed in this report, please contact the OIG Congressional Liaison at (202) 245-7023, e-mail us directly at [oigpublicaffairs@ed.gov](mailto:oigpublicaffairs@ed.gov), or visit our website at [www.ed.gov/offices/oig](http://www.ed.gov/offices/oig).

And remember, anyone knowing of fraud, waste, or abuse involving Department funds or programs should call or e-mail the Inspector General's Hotline. The toll-free number is 1-800-MIS-USED (1-800-647-8733). The e-mail address is [oig.hotline@ed.gov](mailto:oig.hotline@ed.gov). Your report can be made anonymously or in confidence.



## HURRICANE RECOVERY EFFORTS

The *HERA* provisions of *Public Law 109-148* authorized three new grant programs to assist school districts and schools in meeting the educational needs of students displaced by Hurricanes Katrina and Rita, and to help schools closed as a result of the hurricanes to reopen as quickly and effectively as possible. These programs are: (1) the Immediate Aid to Restart School Operations program, funded at \$750 million; (2) the Assistance for Homeless Youth program, funded at \$5 million; and (3) the Temporary Emergency Impact Aid for Displaced Students program, funded at \$645 million. In addition, *Public Law 109-148* included \$200 million for students and institutions of postsecondary education affected by the hurricanes.



In the weeks immediately following enactment of *Public Law 109-148*, OIG worked closely with the Department, providing assistance and advice in matters relating to internal controls over *HERA*-related funding. This allowed OIG an opportunity to alert the Department to potential areas of risk or concern before the first *HERA* dollars were released, and provided the Department an opportunity to implement safeguards to help prevent waste, fraud, and abuse of these funds. Our emphasis was on appropriate monitoring, as well as accurate and reliable recordkeeping and reporting by grant recipients. We also advised the Department on issue areas identified by our regional audit teams, all in an effort to help ensure these vital dollars reach the intended recipients.

As the Department only recently began disbursing hurricane-related funds, OIG did not issue any final audits of these funds during this reporting period. We have, however, initiated audits to evaluate the controls and criteria used for allocating these hurricane-related funds. As it is our long-standing policy to keep confidential the details of our ongoing work, we will mention only the public aspects of our hurricane-related audits. When our work is finalized, we will report our findings to the U.S. Congress, the Department, and the general public.

### **HERA PORTION OF SINGLE AUDIT COMPLIANCE SUPPLEMENT**

To ensure consistent audit coverage of the *HERA* programs by Nonfederal auditors conducting audits required by the *Single Audit Act Amendments of 1996*, and in accordance with Office of Management and Budget (OMB) Circular A-133, OIG staff worked with Department officials and OMB to produce a section for the *HERA* programs. It will be included in the *Single Audit Compliance Supplement*, to be published by OMB in the Spring of 2006. The *Compliance Supplement* identifies compliance requirements that must be covered in the single audits of state educational agencies (SEAs) and local educational agencies (LEAs), and includes guidance for auditing Federal programs.

## ACCOUNTABILITY IN STATE AND LOCAL PROGRAMS

As reported in our last *SAR*, No. 51, we continue to increase our resources for reviewing alleged waste, fraud, and abuse in the Department's elementary and secondary education, special education, vocational education, and adult education programs. Identifying and taking corrective action to detect and prevent fraudulent activities by SEA and LEA

employees, as well as addressing accountability and compliance issues by program participants, remains a challenge for the Department. We cited several examples in our *Management Challenges* report, and based on the audit work concluded during this reporting period, found additional cases of concern, that are discussed below.

## MIGRANT EDUCATION

### Georgia



We conducted an audit to determine the adequacy of the Georgia Department of Education's (GADOE) re-investigation of the eligibility of migrant students served by the Two Rivers Migrant Education Agency (MEA). We also examined whether Migrant Education Program (MEP) funds allocated to the Marion County Board of Education for Two Rivers MEA were expended appropriately, and the extent of GADOE's monitoring of its MEP sub-grantees. Our audit revealed that the policies, procedures and internal controls over the Two Rivers MEA MEP expenditure process were adequate and it expended its MEP funds appropriately. However, we also found that GADOE's re-investigation of the MEA was inadequate, its report to the Department was inaccurate, and the administration and oversight of GADOE's MEP needs improvement. We made a number of recommendations, including that the Department require GADOE to identify all MEP students served by the MEA whose eligibility was not determined in the investigation and determine their eligibility status, and determine if GADOE needs to refund any MEP funds as a result of the ineligible students identified. We also recommended that the Department require GADOE to design and implement a formal monitoring process to ensure compliance with program requirements. In addition, we recommended that the Department determine whether any sanctions should be brought against GADOE for inaccurate and unsupported statements made in its required report. GADOE concurred with our findings and recommendations, and stated that it has already taken steps to implement our recommendations. [Click here](#) to review our report.

### Oklahoma

Our audit of the Oklahoma State Department of Education's (OSDE) MEP to determine whether it implemented systems that accurately count the students eligible to participate in the program found that 121 of the 124 (98 percent) migrant children from the three audited school districts in our sample were ineligible. Based on the sample results, we projected that OSDE included over 1,200 ineligible migrant children from the three audited school districts in its statewide migrant child count, resulting in OSDE inappropriately expending over \$500,000 in MEP grant funds. Further, our interviews with OSDE MEP recruiters revealed that they did not understand the Federal requirements when enrolling students in the program. We made several recommendations, including that the Department require OSDE to conduct a statewide migrant child count for over \$2 million in MEP funds allocated in Fiscal Year (FY) 2003/2004, as well as for subsequent years, and return to the Department any funds expended for ineligible children. We also recommended that OSDE establish adequate controls to ensure recruiters understand and follow Federal requirements when identifying and recruiting children into the program, and implement internal controls to ensure that future migrant child counts are accurate. OSDE neither agreed nor disagreed with our findings; however, it stated that it will investigate the findings, gather additional information regarding MEP eligibility, and will work closely with the Department to prepare a corrective action plan to improve current procedures to ensure compliance with Federal requirements. [Click here](#) to review our report.

## **No CHILD LEFT BEHIND**

### **Compliance Requirements**



During this reporting period, we concluded a review of the compliance requirements within the Title I, Part A of the *Elementary and Secondary Education Act (ESEA)* as amended by the *No Child Left Behind Act (NCLB)* to provide information to assist the Department and the U.S. Congress in determining whether all compliance requirements are necessary in a reauthorized *ESEA*. Because the Department, SEAs, and LEAs conduct annual monitoring to ensure compliance with the requirements of *ESEA, Title I, Part A*, we reviewed the Department's monitoring guides, and those of randomly-selected SEAs to determine how many of the compliance requirements were included in the guides. Of the 588 SEA and LEA compliance requirements within Title I, Part A of *ESEA*, 89 (15 percent) were not specifically identified in any of the guides. We suggested that the Office of Elementary and Secondary Education (OESE), which administers Title I, review the compliance requirements to assess whether each is necessary, or can be eliminated. OESE disagreed with our finding. [Click here](#) to review our report.

### **Supplemental Educational Services**

#### ***Supplemental Educational Services (SES) Monitoring***

We concluded an audit to determine if the Delaware Department of Education (DDE) had an adequate process in place to review LEA and school compliance with adequate yearly progress (AYP), public school choice, and SES provisions of the *ESEA*. We also reviewed whether LEA's provided to students attending schools identified for improvement the option of attending another public school and whether LEAs provided SES to students attending schools that failed to make AYP while identified for improvement, corrective action, or restructuring. Our audit revealed that while DDE adequately reviewed LEA and school compliance with AYP, DDE did not have a process in place to adequately monitor LEA and school compliance with the school choice provisions, including the Unsafe School Choice Option (USCO) and SES provisions. Our audit also disclosed that none of the LEAs reviewed fully complied with the provisions on public school choice, including the USCO and SES provisions of the *ESEA* and implementing regulations. Based on our findings, we recommended that DDE document and implement internal controls pertaining to the process for reviewing LEA and school compliance with school choice, including USCO and SES provisions. DDE concurred with all but one of our findings. [Click here](#) to review our report.

#### ***LEA Contracts with SES Providers***

We recently concluded audits in four California school districts to determine whether SES contracts contained the elements specified in the *ESEA*, if the SES providers performed the services for which they received payment, and if the SES providers collected and maintained data to help the California Department of Education (CDE) evaluate the quality and effectiveness of the services offered by the provider. We looked at the Stockton Unified School District's contract with Learning Excitement Incorporated, the Los Angeles Unified School District's contract with Professional Tutors of America, the Oakland Unified School District's contract with Art, Research and Curriculum Associates, and the Salinas Union High School District's contract with Progressive Learning. Overall, we found that the districts' contracts, with the exception of those in Oakland, included elements required by applicable *ESEA* provisions and Federal regulations; however, we

found that the school districts did not develop individual student learning plans (in the case of Stockton and Salinas), and providers did not provide student progress reports within a specified timeframe (in the case of Professional Tutors of America), as required. We made a number of recommendations, and in each case, CDE did not explicitly express concurrence; however, it did describe the corrective actions taken or planned to address each of our recommendations. Click on the links below to review our reports: [Learning Excitement Incorporated](#); [Professional Tutors of America](#); [Art, Research and Curriculum Associates](#); [Progressive Learning](#)



### ***LEA Compliance with SES***

We conducted an audit to determine whether San Diego City Schools' (SDCS) individual student agreements for district-provided SES contained the elements specified in the *ESEA*, if it performed the services for which it received Federal funding, if the services were provided in a manner consistent with the agreement terms and Federal requirements, and if it collected and maintained the data for students receiving district-provided SES that will be used by the CDE to evaluate the quality and effectiveness of the services provided by the SDSCS SES program. Our audit found that SDSCS' individual student agreements did not include elements required by the applicable *ESEA* provisions and Federal regulations and SDSCS did not have agreements for all students who received SES. We were unable to determine if SDSCS provided the services in a manner consistent with student agreements and Federal requirements because it did not develop student agreements for all students and those that were developed did not contain the information needed to evaluate compliance with the requirements. We recommended that the Department require CDE to take steps to obtain confirmation from SDSCS that individual achievement plans were developed for all students receiving SES in the timeframe examined, and that the agreements contain the elements required by *ESEA*. CDE did not explicitly express concurrence with our finding, but it did describe the corrective actions it has taken or that it planned to address our recommendation. [Click here](#) to review our report.

## **Performance Data**

### ***California***

During this reporting period, we completed an audit of CDE's inclusion of migrant and students with limited English proficiency (LEP) in the statewide assessment and accountability systems. We found that LEAs did not monitor test administrators to ensure appropriate use of LEP accommodations, and that its test administration documents lacked clarity. In addition, CDE did not report data on LEP accommodations, did not provide assessment and accountability data to the LEAs in a timely manner, and the LEAs did not provide all the required information when informing parents about public school choice. We made several recommendations, including that the Department instruct CDE to take additional steps to ensure students are provided with LEP are provided reasonable accommodations on assessments, and that CDE take additional steps to ensure eligible students have access to public school choice in accordance with applicable laws and regulations. CDE did not explicitly express concurrence with our findings, but it did describe the corrective actions taken or that it planned to address. The corrective actions did not fully address two of our recommendations. [Click here](#) to review our report.



## *Texas*



We conducted an audit to determine whether TEA's required reporting of dropout and graduation rates in the 2003-2004 Consolidated State Performance Report (CSPR) were supported by reliable data and met the requirements of *ESEA*. We found that TEA met the requirements of *ESEA* by reporting dropout and graduation rates, and for the nine schools reviewed, collected generally reliable data to support the dropout rates reported in the CSPR. However, data used to compute graduation rates were not as reliable. We recommended that the Department require TEA to maintain continual data process improvements by increasing oversight of reporting and reliability, and developing and implementing improved procedures and monitoring. TEA concurred with our recommendations. [Click here](#) to review our report.

## **INDIVIDUALS WITH DISABILITIES EDUCATION ACT**

The *Individuals with Disabilities Education Act*, as amended, (*IDEA*), requires states to expend local and state funds for special education in a year at the same or higher level as in the previous year. This provision ensures that the funds are used to supplement not supplant local, state and other Federal funds. This is commonly referred to as "maintenance of effort." We conducted an audit at the Kansas State Department of Education (KSDE) to determine if it maintains a state-level maintenance of effort, and if it monitors LEA local-level maintenance of effort, as required by *IDEA*. KSDE could not demonstrate that it adequately monitored local-level maintenance of effort or maintained a total state-level maintenance of effort because its calculations were inaccurate and unsupported. KSDE did not monitor the LEAs to ensure that all required edits made by LEAs to the local-level maintenance of effort calculations were correct and complete. KSDE also could not demonstrate it maintained total state-level maintenance of effort requirements because it did not use accurate data to compute its calculation. KSDE concurred with our findings and corresponding recommendations. [Click here](#) to review our report.

## **GRANTEE ACCOUNTABILITY**

### **William Floyd Union Free School District**

During this reporting period, we concluded two audits of the William Floyd Union Free School District (William Floyd) located in New York. We found that William Floyd could not support over \$4.6 million of *ESEA* Title I salary and salary-related expenditures. Included in this amount was over \$2.5 million charged for the salaries of 22 full-time targeted assistance employees for whom William Floyd could not provide periodic employee certifications. Based on these findings, we determined that William Floyd had a significant internal control weakness that adversely affected its ability to properly administer Title I funds. In addition, we concluded that New York State Education Department (NYSED) failed to properly monitor grants distributed to William Floyd. To correct these deficiencies, we made a number of recommendations, including that the Department instruct NYSED to require William Floyd to provide support for the \$4.6 million in unsupported Title I expenditures, and return any unsupported amounts, plus applicable interest to the Department. We also recommended that the Department require NYSED to monitor grants to William Floyd to determine compliance with applicable statutes and regulations, and enforce procedures for reviewing and approving budget



amendments to grant applications. After the final report was issued, NYSED sent a response to the Department stating it generally concurred with portions of the findings. [Click here](#) to review our report.

Our second audit at William Floyd found that William Floyd could not provide adequate support for over \$79,000 of non-salary related expenses charged to Title I. In particular, William Floyd disbursed \$50,000 of purchased services without a signed contract, overcharged purchased services and travel expenses by more than \$25,000, and made journal entries valued at over \$4,000 without any supporting documentation. We also found that William Floyd used Title I funds to supplant over \$67,000 of textbook expenses. To correct these deficiencies, we recommended that the Department instruct NYSED to require William Floyd to provide proper support for over \$79,000 of expenses charged to Title I and return any unsupported amounts with applicable interest, as well as maintain records that adequately identify the source and application of Title I funds. In addition, we recommended that William Floyd return over \$67,000 of unallowable interest to the Department. NYSED and William Floyd generally concurred with two of our three findings and recommendations. [Click here](#) to review our report.

### Education Leaders Council

During this reporting period, we concluded an audit to determine if the Federal funds drawn down by Education Leaders Council (ELC) for the Following the Leaders (FTL) program were used for ELC's operations, and if expenditures allocated to the FTL program were reasonable and allowable. ELC is a non-profit organization, founded in 1995 as a school-reform group committed to leading educational change and improved academic achievement for all students. *(In December 2005, ELC changed its name to Following the Leaders. For clarity, our report refers to it by its former name, ELC.)* Our audit disclosed that for the timeframe reviewed, ELC drew down funds that could have been used to cover operating deficits in its non-FTL activities, charged indirect costs to the Federal grants even though it did not have an approved indirect cost plan (over \$90,000), and charged questioned and unsupported costs to the Federal grants (over \$230,000). We also found that ELC overdraw the grant by over \$495,000. We made a number of recommendations, including that the Department require ELC to return over \$495,000, and any other grant funds drawn down and not actually disbursed for grant costs, and provide adequate documentation for the unsupported expenditures of over \$138,000 that remain charged to the grants. ELC did not disagree with our findings and recommendations as a whole; however, it did take issue with certain aspects of the findings. [Click here](#) to review our report.

### Pittsburg Pre-School and Community Council

Pittsburg Pre-School and Community Council (PPCC) is a non-profit organization that provides programs and services to low-income and no-income families in Contra Costa County, California. These services include pre-school programs, youth services, senior services, job training, and health education. During this reporting period, we concluded an audit to determine whether PPCC properly accounted for and used grant funds provided under the Early Reading First grant, and two Migrant Education Even Start (MEES) grants, in accordance with the grant terms and applicable Federal laws and regulations. We found that PPCC improperly charged the grants for over \$98,000 of costs that were not necessary, approved, or related to grant activities. It did not have required documentation for personnel costs charged to the grants; thus, we were unable to determine whether over \$671,000 charged to the grant accounts for personnel costs was reasonable and allocable.



Similarly, PPCC did not provide adequate documentation for non-personnel costs charged to the grant accounts, thus we were unable to determine whether some \$118,000 of non-personnel costs were reasonable and allocable. In addition, PPCC drew down Federal funds for the 2004 MEES grant that were in excess of its immediate needs, and its procedures and practices did not meet Federal standards for financial management systems. Based on our findings, we recommended that the Department require PPCC to return or adjust its claims for reimbursement for improper charges and unsupported costs charged to the grants. We also recommended that PPCC take specific actions to improve the internal controls in its financial management systems. PPCC generally disagreed with our findings and recommendations. [Click here](#) to review our report.

### [New York City Department of Education](#)

In accordance with a Memorandum of Understanding between OIG, the Federal Communications Commission (FCC) and the Universal Service Administrative Company (USAC), we conducted an audit of the E-Rate-funded telecommunications charges at the New York City Department of Education (NYCDOE). Our audit sought to determine if E-Rate funds disbursed for NYCDOE telecommunication services were excessive or erroneous. During this reporting period, the final report was issued to the FCC, the agency responsible for officially releasing the audit to the NYCDOE and the general public, as well as for resolving any related issues.

## [MONITORING AND ADMINISTRATION](#)

### [State Scholars Initiative](#)

In our last *SAR, No. 51*, we discussed our audit of the Center for State Scholars (Center), in which we determined the Center did not properly account for and use over \$1 million of State Scholar Initiative funds in accordance with applicable regulations and requirements in its cooperative agreement with the Department. During this reporting period, we concluded an audit of the cooperative agreement between the Center and the Department to determine if the Department awarded the State Scholars Initiative Grant in accordance with applicable regulations and Department policy, and if the Office of Vocational and Adult Education (OVAE) provided adequate program management of the Center's grant. We found the Department did not award the grant in accordance with Department policy, and OVAE did not provide adequate program management of the grant. Specifically, we found that the Department did not follow its policy when it encouraged the Texas Business and Education Coalition to submit an unsolicited proposal, and the panel review process was not in accordance with established policy. In addition, OVAE did not provide consistent program management, and did not address financial problems expeditiously. Our recommendations included that the Department develop internal controls to ensure staff follows official guidelines and policies when processing grant applications. The Department did not agree with the findings; however, it did concur with our recommendations. [Click here](#) to review our report.

### [Consolidating Funds in Schoolwide Programs](#)

*ESEA*, as amended by *NCLB*, requires SEAs to encourage schools to consolidate Federal, State, and local funding for schoolwide programs. This allows the schools more flexibility in how they use those funds. In addition, SEAs must modify or eliminate state and fiscal barriers so these funds can be easily consolidated. We recently concluded an audit to determine what the Department has done to assist SEAs in this effort. We found that while the Department has provided some assistance to SEAs in modifying or eliminating state

fiscal and accounting barriers to consolidating funds and encouraging schools to do so in their schoolwide programs, it has not yet followed through on publishing official guidance on consolidating funds and has not reported findings it discovered during site visits at SEAs that were not encouraging consolidation. The Department stated that the delay in publishing the guidance was due to conflicting priorities. The delay however, may have contributed to SEAs' failure to encourage consolidation, and the lack of utilization of this option by LEAs. We recommended that the Department develop and issue its guidance in consultation with specific SEAs that have already developed extensive guidance on the subject. The Department indicated a qualified concurrence with this recommendation. We also recommended that the Department follow its current SEA monitoring procedures with respect to the consolidating funds responsibilities of SEAs, and include recommendations for corrective action regarding any failure on the part of SEAs to fulfill their responsibilities to encourage consolidation. The Department did not concur with the latter part of this recommendation, citing an apparent contradiction between the *NCLB* and an OMB Compliance Supplement requirement for semiannual certifications for employees who work on activities supported with consolidated Federal, State, and local funds. The Department subsequently worked to resolve the contradiction with OMB and expects to issue guidance shortly regarding options for addressing semi-annual certification in schools operating schoolwide programs. [Click here](#) to review our report.

### Adherence to Matching Requirements

During this reporting period, we concluded an audit to determine if the Department had adequate procedures to monitor grantees' adherence to matching fund requirements of applicable Department programs. A match, also referred to as cost-share, is defined as the portion of program costs contributed by a grant applicant. It is either a statutorily specified percentage of program costs that must be contributed by a grant applicant in order to be eligible, or where the applicant voluntarily shares in the cost of the program. Matching contributions must be comprised of cash or in-kind contributions, must be fully documented and accounted for in the grantee's expenditure records and report, and meet the same standards for allowable costs as the Federal share. The Department administers at least 41 discretionary and formula grants with specific requirements for matching contributions. Based on a survey of monitoring plans and further review at a number of program offices, we found that the Department did not have adequate procedures for monitoring grantees' adherence to matching requirements for the majority of these programs. The program offices did not consistently monitor the match, in part because the Department did not provide adequate guidance, training, and oversight of procedures and practices to monitor the match. The inadequate coverage of matching funds represents a significant weakness in the Department's internal controls over the grant monitoring process. We made a number of recommendations, including that the Department require staff to revise its Handbook to include specifics on monitoring matching funds requirements and ensure that staff with oversight responsibilities for grant programs with a matching component receive training on these requirements. We also recommended that principal offices update their monitoring plans to include specific measures for monitoring grantees' adherence to program matching requirements, and review all monitoring plans to ensure that specific measures for monitoring matching funds are included. The Department stated that it recognized that its policy and training related to monitoring grantees' matching requirements could be strengthened and improved. [Click here](#) to review our report.

## POSTSECONDARY PROGRAMS

### Overlapping Grant Programs

We concluded a review to determine if the Office of Postsecondary Education's (OPE) grant programs have duplicative program objectives aimed at serving like-target populations and areas, and if grant programs administered by other Department offices contain program objectives that overlap with OPE grant programs. Our review disclosed that OPE administers at least 41 discretionary and formula grants with duplicative program objectives serving like areas and populations. There also are 14 OVAE and 13 OESE grant programs that overlap, completely or in part, with OPE grant programs. All programs contained some unique characteristics; however, there were a large number with overlapping objectives that offered similar services to the same or overlapping populations. Some programs may not have overlapping primary objectives, but a secondary objective overlaps an OPE program. We believe that this overlap is counter to the Department's mission to improve coordination and management of Federal education programs. Based on our findings, we suggested that the Department continue to work with the U.S. Congress to consolidate or eliminate programs that have the same or similar program objectives, realign similar grant programs so they are administered by the same office within the Department, and that it improve coordination between OPE and other Department programs with the same or similar program objectives. The Department concurred with two of our suggestions, and recognized the benefit of the third. [Click here](#) to review our report.

### Sheldon Jackson College

Our audit at Sheldon Jackson College (SJC) sought to determine whether SJC properly accounted for and used funds provided under the Fund for the Improvement of Postsecondary Education (FIPSE). SJC was awarded two Congressionally-directed grants, totaling more than \$2.4 million. Our audit found that SJC improperly drew down FIPSE funds in excess of the immediate needs of the grant programs to provide cash for its entire payroll and other non-grant related expenses. In addition, it used a financial management system that did not properly account for the receipt and use of the FIPSE funds or meet other standards for such a system. Due to the deficiencies in SJC's financial management system, we were unable to determine whether SJC used FIPSE funds for reasonable, allocable and allowable costs of the grants. We recommended that the Department require SJC to determine the average daily balance of "borrowed" funds for the grants and reimburse the Federal government for the interest cost incurred, as well as return to the Department the FIPSE funds for which it is unable to identify expenditures and provide documentation showing that the uses of the funds were reasonable, allocable and allowable costs of the grants. SJC did not dispute our findings, and concurred with our recommendations. [Click here](#) to review our report.

### Indiana State University

We conducted an audit to determine whether Indiana State University (ISU) administered its Ronald E. McNair Postbaccalaureate Achievement Project (McNair project) in accordance with applicable law and regulations. Funded by the Department, the McNair project is one of the Federal TRIO programs that provide education support and opportunities to students from economically disadvantaged backgrounds. The McNair project's goal is to increase the number of doctoral degrees earned by students from underrepresented populations. Our audit revealed that generally, ISU's McNair project properly accounted for McNair project grant funds; however, it provided services and

equipment to ineligible students, and provided a project official a double reimbursement. We recommended that the Department require ISU to return over \$38,000, as well as develop and implement procedures to ensure that only eligible students who meet specific criteria participate in the program. ISU concurred with our findings and recommendations. [Click here](#) to review our report.

## **IDENTIFYING AND INVESTIGATING CORRUPT OFFICIALS**

Our investigations into suspected fraudulent activity by education grantees have led to the arrest and conviction of a number of high-ranking state and local education employees who have misused Federal education funds. Here are a few examples of our work over the last six months:

### **American Samoa**

Three former American Samoa government officials were sentenced for their roles in a bribery, conspiracy, and fraud scheme. The former officials—the Director of the American Samoa Department of Education, the Chief Procurement Officer, and the Program Director of the American Samoa School Lunch Program—defrauded the Department, the U.S. Territory of American Samoa, and other Federal agencies by subverting procurement processes and illegally awarding and distributing goods and services intended for the American Samoa School District. The sentences ranged from 30 months in federal prison to five years probation and 1,000 hours of community services, and combined, the individuals were ordered to pay approximately \$214,000.

### **Mississippi**

A joint investigation conducted by OIG and the Mississippi State Auditor's Office led to the arrest and conviction of four individuals involved in an embezzlement scheme designed to steal *ESEA* Title I and Reading Excellence Grant funds designated to be used to improve student reading in Mississippi's Meridian Public School District. The individuals—one former elementary school principal and three other women—embezzled funds in excess of \$170,000 for personal benefit. The former principal used her authority to submit false claims and caused others to be paid for goods and services that were never provided to the school. Their sentences ranged from 30 months imprisonment to three years probation, and combined, the individuals were ordered to pay over \$400,000 in restitution.

### **Pennsylvania**

The former Assistant Director of Education of the Sister Clara Muhammad School in Philadelphia was sentenced to 24 months incarceration, three years probation and ordered to pay \$21,600 in restitution to the Community College of Philadelphia (CCP) for defrauding the Adult Basic Education Program of the CCP. She was also ordered to forfeit her position of authority with the school. The former Assistant Director was the last of six defendants to be sentenced in this case. Our investigation with the Federal Bureau of Investigation and Internal Revenue Service revealed that the former Assistant Director and others organized a scheme to receive public funds for adult basic education courses that were not held, and that teachers were paid without teaching courses. This scheme was used as one of the predicate offenses in a Racketeering Influenced Criminal Organization that sought to obtain money and property by defrauding government entities, financial institutions, businesses, and individuals through extortion and bribery.



# ACCOUNTABILITY IN STUDENT FINANCIAL ASSISTANCE PROGRAMS



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. 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. FSA must provide adequate program monitoring to reduce waste, fraud, and abuse in these programs. Highlighted below are examples of our work in this area over six months.

## RETURN OF FUNDS FOR WITHDRAWN STUDENTS

### University of Phoenix

We conducted an audit to determine whether the University of Phoenix (UOP) has policies and procedures that provide reasonable assurance that it properly processes the return of *HEA* Title IV (Title IV) funds for withdrawn students. When a student withdraws before the end of a period for which he or she has received student financial aid, the school must determine the amount of aid the student earned as of the withdrawal date and, if the amount is less than the amount of aid received, return all or a portion of the student's aid. The school identifies the amount of aid that the student earned by using regulatory and Departmental guidance to identify the percentage of aid earned, as appropriate for the program, and then applies that percentage to the amount of aid the student received or should have received. Our review covered Return of Title IV calculations performed during the period September 1, 2002, through March 31, 2004. We expanded our review through March 31, 2005, to evaluate UOP's methodology for determining the "percentage of Title IV aid earned." We found that UOP had policies and procedures in place that provided reasonable assurance that the institution properly identified withdrawn students, appropriately determined whether a Return of Title IV calculation was required, returned Title IV funds for withdrawn students in a timely manner, and used appropriate methodologies for most aspects of calculating the return of the aid. However, we also found that UOP applied inappropriate methodologies to determine the "percentage of Title IV aid earned" for calculations performed in the timeframe we examined. As a result, UOP may have underestimated the amount of Title IV funds to be returned by over \$10 million.

We made several recommendations, one of which was to require UOP to use the appropriate requirements for determining "percentage of aid returned" to recalculate all of the returns of funds during the period we examined and to return the Title IV funds to the applicable programs or lenders. We also recommended that UOP engage an independent public accountant to attest to the accuracy of the Return of Title IV recalculations. UOP did not concur with our finding and recommendations. [Click here](#) to review our report.

## Florida Agriculture and Mechanical University



The objectives of our audit were to determine whether the Florida Agriculture and Mechanical University (FAMU) was in compliance with requirements for the return of Title IV funds, basic student eligibility, and cash management. Our review of cash management was limited to the Federal Pell Grant (Pell Grant) and William D. Ford Federal Direct Loan (Direct Loan) programs. We found that FAMU generally complied with the cash management requirements. It did not comply with the requirements for the return of Title IV funds. We identified 40 students from a total of 355 that withdrew, for whom FAMU failed to calculate a return of Title IV funds. This resulted in \$81,110 of unearned Title IV funds. Our review of basic student eligibility revealed that FAMU improperly disbursed Title IV funds in excess of amounts students were eligible to receive. FAMU also did not properly identify bank accounts that included Federal funds. We made a number of recommendations, including that FSA take action to fine FAMU for the 40 instances of failing to make a return of Title IV, and require the school to strengthen its policies and procedures to ensure that required Return of Title IV calculations are not overlooked. We also recommended that FSA require FAMU to remit the portion of the more than \$81,000 due from the University. FAMU concurred with our findings and recommendations, and stated it has taken corrective actions. [Click here](#) to review our report.

### 90-10 RULE

## Career Education Corporation

During this reporting period, we concluded audits at two Career Education Corporation (CEC) schools to ensure compliance with the 90-10 Rule, Section 102(b)(1)(F) of the *HEA*, and that the schools had sufficient, reliable accounting records to support the calculation for January 1 through December 31, 2003. Under the 90-10 Rule, at least 10 percent of the revenues of a proprietary institution of higher education must be from sources that are not derived from funds provided under Title IV of the *HEA*. Audit findings at the two CEC schools-Sanford-Brown College (SBC) and Sanford-Brown Institute-Atlanta (SBI)-were similar. Though our audits found that SBC and SBI did not derive more than 90 percent of their revenue for the FY 2003 from Title IV programs, we also found that CEC's calculations of those percentages for SBC and SBI were not in accordance with regulations. While CEC reported that SBC derived 80 percent and SBI 88 percent of its revenue from Title IV, we estimated that SBC derived 82 percent, and SBI 86.6 percent of its revenue from Title IV program sources. We recommend that FSA require CEC to establish-or finalize and implement-policies and procedures that ensure it will calculate the percentage of revenue derived from the programs in compliance with applicable laws and regulations, and recalculate the 90-10 Rule percentage for SBC's and SBI's FY 2004, and report the percentage to FSA. CEC concurred with our finding and recommendations, with the exception of one item in our SBC audit, and one item in our SBI audit. Click on the links below to review our reports: [SBC](#); [SBI](#)

## FEDERAL STUDENT AID OPERATIONS

### Death and Total and Permanent Disability Discharges

Based on the results of an audit we conducted in 1998 and 1999 (*Improving the Process for Forgiving Student Loans*, ACN A0680001), the Department revised its regulations for determining the eligibility of Federal Family Education Loan (FFEL) and Direct Loan program borrowers for discharges for death and total and permanent disability. In 2005, we concluded a follow-up audit, to evaluate the policies, procedures, and internal controls that were implemented under those regulations. Our audit did not identify any issues related to death discharges, but it did identify problems with disability discharges. Under the revised regulations, to determine a borrower's eligibility for a disability discharge, the loan is first conditionally discharged for three years, during which the borrower's earnings and loan status are monitored. This three-year period begins on the date the borrower became totally and permanently disabled as certified by a physician. We found that, in many cases (about 54 percent), borrowers' disability dates occurred more than three years before their applications for discharge were submitted. Since the Department only considers earnings and loan status during the conditional discharge period, and not after this period ends, many loans are discharged without a consideration of the borrower's current earnings and loan status.



We recommended that the Department allow for such a consideration when determining eligibility for a discharge. The Department did not disagree with our finding, but disagreed with our recommendation. In addition, we found that FSA resumed collection on 16,457 loans, that were in a conditional discharge status before the borrowers were identified as ineligible for disability discharges. Under current regulations, these ineligible borrowers were not charged interest while their loans were in a conditional discharge status. We asked the Department to reconsider this benefit. We also found that the Department did not update the National Student Loan Data System (NSLDS), as required by its procedures. The Department agreed with our finding on NSLDS, but disagreed with our finding on interest benefits. [Click here](#) to review our report.

### Initial Exceptional Performance Applications

We conducted an audit to assess the adequacy of FSA's internal control over its initial approval of lenders' or servicers' requests for Exceptional Performance (EP) designation. A lender or servicer may be designated for EP if it has a due diligence compliance rating of 97 percent or greater. Lenders and servicers designated for EP may receive 100 percent reimbursement on claims submitted for insurance. In general, without the EP designation, only 98 percent of the unpaid principal balance of a loan would be guaranteed. The audit covered applicants' requests that became effective during the period January 1, 2003, through April 30, 2005. We found that FSA did not always ensure that the annual audits submitted by lenders or servicers, with their applications for EP designation, covered a period that ended no more than 90 days before the submittal date, as required under regulations. In addition, FSA did not always maintain records that were sufficient to adequately document the EP review and approval process. Except for these two findings, FSA's internal control over the initial approval of lenders' and servicers' requests for EP designation was generally adequate. FSA concurred with our findings and recommendations. [Click here](#) to review our report.

## Pseudo Social Security Numbers

We conducted an inspection of the Department's use of Pseudo Social Security Numbers (PSSNs), as specified in Title IV of the *HEA*. A PSSN is used as a student identifier by FSA when there is a Social Security number (SSN) conflict between two borrowers. This occurs when an individual with a valid SSN is entered into the system and the SSN is in use by another individual. When this happens, a PSSN is created and the loans for the borrower who is already on the system are moved to a PSSN account.

Our inspection sought to determine whether FSA has established adequate internal controls for PSSNs and whether those controls are being followed, and if there are data accuracy problems associated with the use of PSSNs in the NSLDS. Our inspection identified weaknesses in the internal controls for PSSNs and that the controls in place were not always followed. We also identified data accuracy problems with the use of PSSNs in the NSLDS. We found that the Common Origination and Disbursements System (COD) does not have adequate control activities to address PSSN issues for the Direct Loan program, and COD system edits do not identify or reject PSSNs for all Direct PLUS Loan transactions. This weakness is mitigated by control activities in Direct Loan Servicing. We also found that the NSLDS instructions to data providers on assigning PSSNs do not provide adequate guidance for the creation and use of PSSNs, and the number assignment format is not consistently followed.



We made a number of recommendations, including that FSA ensure that data providers provide consistent and accurate data and that their policies include instructions for creating, using, and retiring PSSNs, that Parent SSNs on PLUS loans are validated, and that data providers follow the NSLDS instructions and other guidance to appropriately create, use, and retire PSSNs. The Department generally concurred with our inspection results and recommendations. [Click here](#) to review our report.

## INVESTIGATING FRAUD AND ABUSE

OIG investigative work concluded over the last six months demonstrates the continued impact of our efforts to identify and investigate those who misuse student financial assistance funds. Here are several highlights of our recent efforts:

### Fraud By School Officials

#### *Hamilton Professional Schools*

The former owner and president of Hamilton Professional Schools in Puerto Rico—a proprietary school offering training programs in practical nursing, welding, air conditioner repair, and cosmetology—was sentenced to 33 months incarceration, three years probation, and was ordered to pay restitution of \$160,000 in connection with the administration of Pell Grant funds at the school. An OIG investigation revealed that the former owner illegally obtained Pell Grant funds by misrepresenting student hours of attendance, the number of clock hours of instruction offered, the eligibility of students, and the number of student withdrawals. He was also ordered by the court to forfeit over \$118,000 in cash and real property in connection with over \$452,000 in Pell Grant funds he embezzled and converted to his own use. His wife, the former registrar of the school, was sentenced in 2005 for her role in the scheme.

## Fraud by Staff of Corporations Doing Business with FSA

### *Valley Acceptance Corporation*

A Federal judge found the former owner of the Valley Acceptance Corporation—a Phoenix-based agency that specializes in the collection of defaulted student loans—guilty of conspiracy to commit bank fraud and student loan fraud. An OIG investigation revealed that the former owner conspired with four of his employees, all of whom have been sentenced, and submitted over 500 fraudulent applications for consolidated student loans in order to generate more than \$1 million in commissions for themselves. The scheme misrepresented that the applicants were in repayment status on their prior loans so as to qualify them for new bank loans backed by the Department. During this reporting period, the last three cooperating defendants received their sentences for participating in the scheme. The first received four months incarceration, five years probation, and was ordered to pay over \$185,000 in restitution. The second received five years probation, and was ordered to pay restitution of \$282,000, subject to modification. The third received a sentence of five years probation, 200 hours of community service, and was ordered to pay restitution of over \$550,000 with the other co-defendants in the case.

## Fraud by Students/Individuals



A New York man was sentenced to five years probation and ordered to pay over \$117,000 in criminal and civil restitution for defrauding the government. An investigation conducted by OIG, the New York City Housing Authority, the New York City Human Resources Administration, and the U.S. Department of Veterans' Affairs OIG revealed that the man misrepresented or failed to disclose income derived from his employment at a Veterans Affairs Medical Center and in doing so, received over \$117,000 in assistance to which he was not entitled. Our investigation revealed that the man's failure to disclose his true income on his Free Applications for Federal Student Aid (FAFSA) resulted in his receipt of approximately \$12,000 in Pell Grants, Supplemental Education Opportunity Grants and FFEL program loans disbursed for his attendance at two campuses of the City University of New York.

An illegal alien from Ghana was sentenced to five months incarceration, one year of supervised release, and ordered to pay over \$75,000 in restitution for mail fraud and student financial aid fraud. He was previously indicted on 28 counts of mail fraud and student aid fraud after falsifying his citizenship eligibility status on his FAFSAs.

## Foreign School Fraud

A man was sentenced to 12 months and one day incarceration and ordered to pay over \$36,000 in restitution for his role in a scheme to fraudulently obtain a number of Federal student loans from two guaranty agencies and various banks throughout the country for the same loan period. An OIG investigation disclosed that the individual submitted fraudulent loan paperwork to the two guaranty agencies and various banks indicating that he was enrolled in a foreign business school and a medical school both in Costa Rica; however, he never attended the schools listed on his loan paperwork.



## Identity Theft



During this reporting period, a ringleader and six family members involved in an approximate \$1 million identity theft and financial aid fraud scam received sentences ranging from six to 57 months incarceration, and were ordered to pay between \$8,000 and over \$662,000 in restitution for student aid fraud. A joint OIG and U.S. Postal Inspection Service investigation revealed that the ringleader—a grandmother—along with seven members of her family, used the identities of more than 65 people to obtain almost \$1 million in Federal student aid at various colleges in Arizona, Colorado, Maryland, Nevada, and Texas through distance education programs.

A student was sentenced to ten months incarceration and was ordered to pay restitution in the amount of \$55,500, stemming from his scheme to fraudulently obtain Federal student aid by using fraudulent academic transcripts and his brother's identity. An OIG investigation revealed that that the student used the fraudulent transcripts and his brother's identity to gain admission to medical schools in Costa Rica. He was arrested after receiving two FFEL program loan checks totaling \$38,500.

## **FINANCIAL MANAGEMENT AND INTERNAL OPERATIONS ACCOUNTABILITY**



As discussed in our *Management Challenges* report, for nearly a quarter of a century, effective financial management of its programs and operations has been a fundamental challenge for the Department. Since 2002, the Department has made noteworthy progress in improving its financial management systems. The Department received a clean audit opinion for FY 2002, FY 2003, FY 2004, and did so again for FY 2005. While the Department's improved financial management systems are helping it to identify a number of problem areas and possible misappropriations of Federal funds, it has much to do to fully achieve effective oversight, accountability, and enforcement throughout its programs and operations.

### FINANCIAL MANAGEMENT

#### Financial Statement Audits

In November, we transmitted the final audit reports covering the Department's and FSA's FY 2005 comparative financial statements. Ernst & Young, LLP, Certified Public Accountants (E&Y), conducted the audits and we monitored them to ensure their compliance with *Government Auditing Standards (GAS)* and their timely completion. The Department and FSA each earned an unqualified opinion on their respective comparative financial statements. The Reports on Internal Control for both the Department and FSA noted reportable conditions covering credit reform estimation and financial reporting processes, and controls surrounding information systems. Neither audit noted instances of noncompliance, exclusive of the Federal Financial Management Improvement Act of 1996 (FFMIA); however, they did note that the Department's and FSA's financial management systems did not substantially comply with certain systems requirements of the FFMIA due to the control weaknesses surrounding information systems.

#### Additional Work

During this reporting period, we also transmitted final reports covering the Department's FY 2005 special-purpose financial statements and the agreed-upon procedures report

covering the Department's FY 2005 Federal intragovernmental activity and balances. E&Y performed the engagements and we monitored its efforts to ensure compliance with GAS and/or other standards, as applicable. The Department earned an unqualified opinion on its special-purpose financial statements, and the auditor's report disclosed no material weaknesses in internal control over the financial reporting process for the statements and no instances of noncompliance. The purpose of the intragovernmental activity and balances report was to compare and identify differences between the Department's reconciliation of intragovernmental transactions with its trading partners and the Department's audited financial statements for FY 2005. This report was provided to the U.S. Department of Treasury's Financial Management Service and the U.S. Government Accountability Office (GAO) as required.

## Drug Control Funds

As required by Section 1704(d) of Title 21, U.S. Code, and in accordance with the Office of National Drug Control Policy Circular *Drug Control Accounting*, we authenticated the Department's accounting of FY 2005 drug control funds by expressing a conclusion on the reliability of each assertion made in the Department's accounting. Based upon our review, nothing came to our attention that caused us to believe that the Department's accounting and assertions were not fairly stated in all material respects. [Click here](#) to review our report.

## INTERNAL OPERATIONS

### IT Security



As required by OMB Memorandum M-05-15 "2005 Reporting Instructions for the Federal Information Security Management Act (FISMA) and Agency Privacy Management," we provided to OMB our OIG FISMA evaluation report. In general, our report concurs with the Department's draft submission reviewed on October 3, 2005. However, our report did not concur with the Department's draft submission as it relates to continued weaknesses in outsourced data centers involving information security plans, programs, and practices. In addition, we reported to OMB that the Department is unable to verify whether certain Program of Action and Milestones corrective actions have been fully implemented, and the Certification and Accreditation process has not ensured significant weaknesses were addressed from prior OIG independent evaluations. Also, we did not concur with the Department's characterization of the state of its incident-handling program and reported that the program could be improved in many areas. *This audit falls 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, this audit report was not uploaded onto our Web site or shared outside of official channels.*

### IT Contingency Planning Program for Asset Classification

Proper stewardship of Federal resources is a fundamental responsibility of agency managers and staff. Because of their reliance on information systems, agencies must give special attention to IT contingency planning, a key aspect of IT asset management, to ensure that the Department can continue to meet its core mission in the event of a disruption. During this reporting period, we concluded an audit of the Department's IT contingency planning program for asset classification in order to evaluate its process for categorizing information and information systems to determine whether the categories are properly assigned to ensure continuity of operations. We determined that the Department's identification and classification activities inconsistently categorize IT assets and do not

ensure continuity of operations. In addition, current categorization activities do not fully support a value-based capital investment management approach. The Department devotes significant resources to carry out several IT asset identification and classification processes. While these processes are individually useful and important, they are not effectively integrated and there is a lack of coordinated oversight among the various classification processes. As a result, the classification processes do not consistently account for and rate Department IT assets, and considerable discrepancies exist. Based on our findings, we made a number of recommendations, including that the Department establish a fully-integrated process to identify and classify information resources, as well as establish effective oversight controls. We also recommended that the Department modify official guidance and provide training to ensure consistency in the application of such guidance. The Department concurred with our finding and recommendations. *This audit falls under exemption (b)(2) of the Freedom of Information Act, thus for security purposes and to maintain the integrity of the Department's critical data, this audit report was not uploaded onto our Web site or shared outside of official channels.*

### Telecommu- nications Billing Accuracy

Our audit to determine the effectiveness of the Department's validation of the billing accuracy of its telecommunications services found that improvements in its internal controls are necessary. Our audit disclosed that the Department has not performed a risk assessment in this area; has not established appropriate controls to prevent future fraud and misappropriation of resources; did not conduct regular inventories of telecommunications resources; and did not document procedures for validating telecommunications billings. In addition, we found that the Department did not allocate sufficient resources, contractor support, or IT to ensure staff could effectively manage this area, thus it lacks assurance that amounts paid for telecommunications services were accurate and that services provided were appropriate. As a result, accountability in this area is hindered, and the risk of theft, fraud, and misuse is increased. The Department concurred with the finding and provided a proposed corrective action plan to address each of our recommendations. [Click here](#) to review our report.

### Internal Audit Followup Process

OMB Circular A-50, entitled "*Audit Followup*" (Circular A-50) requires that each agency designate a top management official to oversee audit followup, including resolution and corrective action. It also states that the audit followup official has the responsibility for ensuring corrective actions are taken. The Department's designated followup official is the Chief Financial Officer. We conducted an audit to evaluate the Department's controls to ensure that agreed upon corrective actions have been taken in response to OIG-issued internal audit reports. Our audit examined four offices: FSA, OPE, Office of the Chief Information Officer (OCIO), and Office of the Chief Financial Officer (OCFO). In our last SAR, No. 51, we reported our findings from three of those offices (FSA, OPE, and OCIO). During this reporting period, we issued our final review of the OCFO audit followup process, and a summary of all four audits. Overall, we found that the Department's audit followup system was not always effective. The Department did not fulfill its responsibilities to ensure that it had systems in place to followup on corrective actions, monitor its compliance with Circular A-50, and ensure the overall effectiveness of its audit resolution and followup system. In total, we found audit followup activities were not effective for 16 of 23 audits reviewed. The risk remains that related programs may not be effectively managed. We made several recommendations, including that OCFO develop and implement a process to periodically report to the Department's senior management on

the adequacy of its systems for followup on internal corrective actions, and the overall effectiveness of the Department's internal audit followup system. The Department generally concurred with the finding and recommendations in our report. [Click here](#) to review our summary report, and [here](#) for the OCFO report.

## Purchase Cards



Following up on audit results discussed in our last *SAR, No. 51*, we concluded our final Department-wide audit of purchase card use in the Office of the Secretary, the Office of the Deputy Secretary, the Office of the Under Secretary, the Office of Management, the Office of Intergovernmental and Interagency Affairs, and FSA. Our audit sought to assess the current effectiveness of internal control over the purchase card program and the appropriateness of current purchase card use in each office. While we found that each of these offices made improvements from the last OIG review of purchase card activity, all of these offices need to further improve internal control over purchase card use. We found that cardholders did not always obtain or maintain adequate documentation to support purchases, and that some of the offices had not established a central filing location for purchase card statements and supporting documentation as required by Department policy. In FSA, we also found that it did not always obtain adequate approval to support purchases in accordance with Department policies and FSA's internal policy. Overall, these issues occurred because cardholders were not always familiar with the policies and procedures established by the Department, and in some cases, the approving official did not ensure that the cardholders submitted complete supporting documentation prior to approving the statements for payment. We made a number of recommendations, including that each office hold its cardholders accountable for their responsibilities in the purchase card program by establishing a process to ensure cardholders are familiar with the Department's policies and requirements for obtaining and maintaining supporting documentation. Each office generally agreed with our findings and recommendations, and provided corrective actions to address our recommendations. [Click here](#) to review our reports.

## Voluntary Leave Transfer Program

Our inspection of the Department's Voluntary Leave Transfer Program sought to determine whether the program was being conducted in compliance with the Department's Personnel Manual Instruction (PMI) 630-10, *Voluntary Leave Transfer Program - Administrative Procedures*. We found that the Department is conducting the program consistent with requirements of the PMI except in two areas: (1) it does not require the U.S. Department of the Interior (DOI), Bureau of Reclamation, Payroll Operations Division to send notification of the initial amount of available donated leave; and (2) there is minor deviation in the Leave Donation Form that it uses from the form included in the PMI. We recommended that the Department modify section 630-10 of the PMI to reflect how it provides information on available leave balances to recipients and their timekeepers, and that the PMI should be modified to include the updated Leave Donation Form. The Department agreed with our findings and recommendations, and proposed corrective action to address our recommendations. [Click here](#) to review our report.

## OTHER NOTEWORTHY ACTIVITIES

### 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 42 QCRs of audits conducted by 40 different IPAs, or offices of firms with multiple offices. We concluded that 17 (41 percent) were acceptable, 24 (57 percent) were technically deficient, and 1 (2 percent) was substandard. We have made 3 referrals of IPAs to State Boards of Accountancy for substandard work, based on QCRs reported in a prior semiannual report, and to the American Institute of Certified Public Accountants (AICPA), if they were AICPA members.

### GUIDE TO IMPROVING GRANT ACCOUNTABILITY

OIG worked with a number of Federal, State, and local agencies on a U.S. Comptroller General Domestic Working Group project, compiling promising practices for improving grant accountability. The Group produced the *Guide to Opportunities for Improving Grant Accountability (Guide)*. The *Guide* was "designed to provide government executives at the Federal, State and local levels with ideas for better managing grants."

The *Guide* focuses on specific steps taken by various agencies in an effort to share useful and innovative approaches to grant accountability. The *Guide* is available to all government agencies and interested individuals. [Click here](#) to review the *Guide*.

### PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

#### PCIE Audit Committee

Inspector General Higgins continues to chair the PCIE Audit Committee. Highlights this reporting period include:



#### *National Single Audit Sampling Project*

OIG continues to lead an intergovernmental project to accurately assess the quality of all audits conducted under the *Single Audit Act (Public Law 104-156)*. During this reporting period, the core work of the project continued, as we conducted QCRs of selected audits. We will compile the results over the next six months.

#### *Improper Payments Project*

The PCIE Audit Committee, through the Audit Committee of the Federal Audit Executive Council, solicited and coordinated submission of comments on behalf of the Federal audit community regarding OMB's improper payments guidance. OMB is updating its improper payments guidance to reflect new insights and practical lessons learned. The guidance will be incorporated into OMB Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, and will supersede OMB Memoranda M-03-7, *Programs to Identify and Recover Erroneous Payments to Contractors*, M-03-12, *Allowability of*



*Contingency Fee Contracts for Recovery Audits, and M-03-13, Improper Payments Information Act of 2002.*

### ***PCIE/GAO Financial Statement Audit Roundtable***

During this reporting period, the Audit Committee organized and hosted the third annual PCIE/GAO Roundtable in March, to discuss issues and share experiences associated with the FY 2005 financial statement audit process. Presentations at the roundtable focused on implementation and compliance with the revised OMB Circular A-123, *Management's Responsibility for Internal Control*, new audit and accounting standards, new anti-deficiency reporting requirements, and reporting the costs of pending or threatened litigation. Participants included representatives from the IG community, the certified public accountant community, GAO, OMB, Federal Accounting Standards Advisory Board, the CFO community, and Department of Justice.

### **PCIE IT Roundtable**

As the sponsor of the PCIE IT Roundtable, OIG is responsible for coordinating interagency meetings to share knowledge, procedures, and techniques to aid in facilitating effective IT audits, evaluations and inspections. The January 2006 IT Roundtable event showcased proactive data-mining techniques throughout the Federal government, with special emphases on the IG offices that have enjoyed great success in this area. Presentations covered a wide variety of topics ranging from how to get started, to the importance of developing a Continue Monitoring System. In a room filled to capacity, participants representing over 45 agencies attended and gave an overwhelmingly positive response.

In November, OIG along with the U.S. Postal Service, and the U.S. Department of Justice, hosted the Cyber Summit - a first-of-its-kind, IG-community wide event. The two-day meeting explored cyber security issues affecting audits, investigations, legal, and IT mission support throughout the IG community.

### **Work Group on Federal Financial Statements**

We are working with a number of other Federal agencies and OMB to revise OMB Bulletin 01-02 (Bulletin), *Audits of Federal Financial Statements*. The purpose of the Bulletin is to provide guidance on the financial statement audits of Federal agencies. The Bulletin implements the audit provisions of the *Chief Financial Officers (CFO) Act of 1990*, as amended, the *Government Management Reform Act of 1994*, and the *Federal Financial Management Improvement Act of 1996*. The Bulletin was last revised in July 2004 and OMB anticipates that a revised Bulletin may be issued in the spring of 2006.

### **GAO ADVISORY COUNCIL**

### **Government Auditing Standards**

In 2005, Inspector General Higgins was appointed to serve on the GAO Advisory Council on Government Auditing Standards (Advisory Council) that is comprised of experts in financial and performance auditing from all levels of government, private enterprise, public accounting, and academia. The Advisory Council provides advice and guidance to the GAO Comptroller General on *Government Auditing Standards (GAS)* to help ensure it meets the needs of the audit community and the public it serves. *GAS* provides a framework for auditors so their work leads to improved government management,

decision-making, oversight and accountability. *GAS* also provides an overall framework to ensure that auditors have the competence, integrity, objectivity, and independence in planning, conducting, and reporting on their work. In December 2005, the Advisory Council established its agenda to revise certain aspects of *GAS*. GAO intends to issue the revised *GAS* in October 2006.

## 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		1
<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	26
<b>5(a)(4)</b>	<b>Matters Referred to Prosecutive Authorities</b>		
	Statistical Profile	7	40
<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>		
	OIG Audit Services Reports on Department Programs and Activities	2	27
	Other OIG Reports on Department Programs and Activities	3	31
<b>5(a)(7)</b>	<b>Summary of Significant Audits</b>		
	Activities and Accomplishments		
<b>5(a)(8)</b>	<b>Audit Reports Containing Questioned Costs</b>		
	Inspector General Issued Audit Reports with Questioned Costs	4	32
<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	33
<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 October 1, 2005	6	32
<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>		
<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 SARs 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
					Open	Closed	
Section 5(a)(3) of the <i>IG Act</i> 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.							
<b>NEW AUDITS SINCE LAST REPORTING PERIOD</b>							
<b>FSA</b>							
<a href="#">A04D0014</a>	Case Management and Oversight's Monitoring of Postsecondary Institutions (SAR 49, pg. 3)	9/30/04	12/23/04		1	7	9/30/06
<b>OCFO</b>							
<a href="#">SI9E0015</a>	Management of the U.S. Department of Education's Certification and Accreditation Contract (SAR 50, pg. 6)	12/17/04	3/1/05		0	7	*
<b>OCIO</b>							
<a href="#">A07E0002</a>	Audit of the U.S. Department of Education's Efforts in Identifying IRM KSAs (SAR 49, pg. 10)	8/20/04	9/29/04		3	0	5/31/06
<b>Office of the Deputy Secretary (ODS)</b>							
<a href="#">A09E0014</a>	Departmental Actions to Ensure Charter Schools' Access to Title I and <i>IDEA</i> Part B Funds ( <i>OESE and OSERS also designated as action official</i> ) (SAR 50, pg. 22)	10/26/04	1/10/05		3	3	7/3/06
<b>AUDITS REPORTED IN PREVIOUS SEMIANNUAL REPORTS</b>							
<b>FSA</b>							
A05A0025	Great Lakes Higher Education Guaranty Corporation's Administration of the FFEL Program Federal and Operating Funds (SAR 42, pg. 22)	3/30/01	1/31/02		2	5	4/28/06
<a href="#">A05D0001</a>	Audit of Educational Credit Management Corporation's Administration of the FFEL Program Federal and Operating Funds (SAR 46, pgs. 7 & 8)	3/20/03	2/27/04	\$103,000,000 (see note 1)	5	2	8/31/06
<a href="#">A05D0010</a>	Oversight Issues Related to Guaranty Agencies' Administration of the FFEL Program Federal and Operating Funds (SAR 47, pg. 2)	7/31/03	2/25/04		0	5	*
<b>OCFO</b>							
<a href="#">A03B0018</a>	Audit of the U.S. Department of Education's Discretionary Grant Monitoring Process (SAR 44, pg. 3)	10/24/01	3/26/02		0	2	*
<a href="#">A07D0005</a>	Audit of the U.S. Department of Education's Oversight of Grantees Subject to the Restricted Indirect Cost Rate Provisions in 34 C.F.R., Parts 75 & 76 (see note 2) (SAR 49, pg. 14)	4/1/04	6/30/04		2	3	12/29/06

**Table 1: Recommendations Described in Previous SARs 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
					Open	Closed	
<a href="#">A17D0001</a>	Audit to Determine if the U.S. Department of Education 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)	1	8	9/30/06
<b>OVAE</b>							
<a href="#">A03D0013</a>	Audit of Perkins III Performance Data at OVAE (SAR 49, pg. 16)	5/24/04	9/9/04		0	8	*
<p>* Closure of audit was not completed in AARTS by the end of reporting period (3/31/2006).</p> <p>Note 1 - U. S. Department of Education has recovered the excess reserve funds on 2/10/2004 in the amount of \$103,000,000.</p> <p>Note 2 - We identified \$4,600,000 in Better Use of Funds (1-Time) for audit control number A07D0005.</p> <p>Note 3 - U.S. Department of Education have recovered funds in the amount of \$28.</p>							

**Table 2: OIG Audit Services Reports on Department Programs and Activities (October 1, 2005, to March 31, 2006)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
Section 5(a)(6) of the <i>IG Act</i> requires a listing of each report completed by OIG during the reporting period.					
<b>AUDIT REPORTS</b>					
<b>FSA</b>					
<a href="#">A04E0006</a>	Death and Total and Permanent Disability Discharges of FFEL and Direct Loan Program Loans ( <i>OPE also designated as action official</i> )	11/14/05			4
<a href="#">A04F0008</a>	Florida Agricultural and Mechanical University's Administration of the Student Financial Assistance Programs	3/30/06	\$97,697		6
<a href="#">A05F0013</a>	FSA's Internal Control over Initial Exceptional Performance Applications	2/2/06			4
<a href="#">A05F0017</a>	Sanford-Brown Institute - Atlanta's Compliance with the 90-10 Rule for the 2003 Fiscal Year	1/18/06			2
<a href="#">A07F0012</a>	Sanford-Brown College's Compliance with the 90-10 Rule for the 2003 Fiscal Year	11/22/05			2
<a href="#">A09F0008</a>	University of Phoenix's Processing of Return of Federal Student Aid for <i>HEA</i> , Title IV Programs	12/22/05	(see note 1)		3
A17F0005	Financial Statement Audits Fiscal Years 2004 and 2005 FSA ( <i>OCFO also designated as action official</i> )	11/18/05			5
<a href="#">A19F0016</a>	Controls Over Purchase Card Use in FSA	10/20/05			5
<b>OCFO</b>					
<a href="#">A03F0010</a>	The Education Leaders Council's Drawdown and Expenditure of Federal Funds ( <i>Office of Innovation and Improvement (OII) also designated as action official</i> )	1/31/06	\$622,243	\$138,327	12
<a href="#">A05F0015</a>	The U.S. Department of Education's Monitoring of Adherence to Matching Requirements	3/22/06			7



**Table 2: OIG Audit Services Reports on Department Programs and Activities (October 1, 2005, to March 31, 2006) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<a href="#">A05F0020</a>	Indiana State University Compliance with the Ronald E. McNair Postbaccalaureate Achievement Program Provisions	1/6/06	\$38,884		5
<a href="#">A09F0010</a>	Pittsburg Pre-School and Community Council, Inc.'s Use of Early Reading First and Migrant Education Even Start Grant Funds ( <i>OESE also designated as action official</i> )	3/17/06	\$119,908	\$790,309	21
<a href="#">A09F0020</a>	Sheldon Jackson College's Administration of Fund for the Improvement of Postsecondary Education Grants ( <i>OPE also designated as action official</i> )	2/24/06			2
<a href="#">A17F0004</a>	Financial Statement Audits Fiscal Years 2004 and 2005 U.S. Department of Education ( <i>FSA also designated as action official</i> )	11/15/05			5
<a href="#">A17F0006</a>	Financial Statement Audits for Fiscal Years 2004 and 2005 U.S. Department of Education Special Purpose Financial Statements	11/18/05			None
<a href="#">A19E0017</a>	Audit of the U.S. Department of Education's Followup Process for Internal Audits	2/27/06			4
<a href="#">A19F0004</a>	Audit Followup Process for OIG Internal Audits in the OCFO	11/4/05			3
<b>OCIO</b>					
A11F0002	Review of the U.S. Department of Education's Incident Handling Program and EDNet Security Controls ( <i>The report designated OCIO as lead action official and OCFO and FSA as other action officials.</i> )	10/6/05			9
A11F0006	Audit of the U.S. Department of Education's IT Contingency Planning Program - Asset Classification	1/31/06			4
<a href="#">A19F0009</a>	Telecommunications Billing Accuracy	2/1/06			7
<b>Office of Communications and Outreach (OCO)</b>					
<a href="#">A19F0020</a>	Controls Over Purchase Card Use in the Office of Intergovernmental and Interagency Affairs	10/25/05			3
<b>ODS</b>					
<a href="#">A06F0006</a>	State Scholars Initiative Cooperative Agreement Between the Center for State Scholars and the U.S. Department of Education	1/17/06			3
<b>OESE</b>					
<a href="#">A02E0030</a>	William Floyd Union Free School District Allowability of Title I Salary and Salary-Related Expenditures	12/19/05	\$55,876	\$4,622,812	11
<a href="#">A02F0030</a>	William Floyd Union Free School District Allowability of Title I Non-Salary Expenditures	3/30/06	\$67,574	\$79,365	8
<a href="#">A03F0002</a>	The State of Delaware's Compliance with <i>NCLB</i> Public School Choice and Supplemental Educational Services Provisions	11/22/05			10
<a href="#">A04F0001</a>	Review of the Alabama State Department of Education's Reading First Program	10/3/05			None
<a href="#">A04F0011</a>	Audit of the Georgia Department of Education's Migrant Education Program	1/12/06			7

**Table 2: OIG Audit Services Reports on Department Programs and Activities (October 1, 2005, to March 31, 2006) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<a href="#">A06F0013</a>	Oklahoma State Department of Education's Migrant Education Program	3/21/06	\$509,000		3
<a href="#">A06F0020</a>	Data Quality Review of the Texas Consolidated State Performance Report	3/21/06			1
<a href="#">A07F0014</a>	The U.S. Department of Education's Activities Relating to Consolidating Funds in Schoolwide Programs Provisions	12/29/05			4
<a href="#">A09F0003</a>	California's Inclusion of Migrant and Limited English Proficient Students in the Statewide Assessment and Accountability System	10/25/05			10
<a href="#">A09F0009</a>	ARC Associates' and Oakland Unified School District's Compliance With Supplemental Educational Services Provisions ( <i>OII also designated as action official</i> )	10/13/05	\$1,860		5
<a href="#">A09F0012</a>	Learning Excitement Incorporated and Stockton Unified School District's Compliance With Supplemental Educational Services Provisions ( <i>OII is also designated action official</i> )	11/10/05			3
<a href="#">A09F0013</a>	Professional Tutors of America and Los Angeles Unified School District's Compliance With Supplemental Educational Services Provisions ( <i>OII is also designated action official</i> )	10/27/05			2
<a href="#">A09F0019</a>	San Diego City Schools' Compliance With Supplemental Educational Services Provisions ( <i>OII is also designated action official</i> )	3/27/06			1
<a href="#">A09F0022</a>	Progressive Learning and Salinas Union High School District Compliance With <i>ESEA's</i> Supplemental Educational Services Provisions ( <i>OII is also designated action official</i> )	2/27/06			1
<b>Office of Management (OM)</b>					
<a href="#">A19F0014</a>	Controls Over Purchase Card Use in the OM	10/25/05			6
<b>Office of the Secretary (OS)</b>					
<a href="#">A19F0015</a>	Controls Over Purchase Card Use in the OS, ODS, and Office of the Under Secretary (OUS) ( <i>The report designated ODS as action official, but OS resolved report's recommendations</i> )	11/3/05			5
<b>Office of Special Education and Rehabilitative Services (OSERS)</b>					
<a href="#">A07F0016</a>	Kansas State Department of Education's Maintenance's of Effort Under the <i>IDEA</i> , Part B	2/6/06			5
<b>ALTERNATIVE PRODUCTS</b>					
<b>FSA</b>					
<a href="#">A05G0012</a>	Edison State Community College's Compliance with Selected Requirements of the Student Financial Assistance programs authorized under Title IV of the <i>HEA</i> ( <i>Audit Closeout Letter</i> )	3/15/06			
<a href="#">A07F0025</a>	Missouri Higher Education Loan Authority's (MOHELA's) Compliance with Requirements for the FFEL Programs ( <i>Audit Closeout Letter</i> )	2/2/06			

**Table 2: OIG Audit Services Reports on Department Programs and Activities (October 1, 2005, to March 31, 2006) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<b>OCFO</b>					
A17F0008	Federal Intergovernmental Activity and Balances Agreed-Upon Procedures Report ( <i>Attestation Report</i> )	12/2/05			
F03G0008	Reading First Monitoring Proposal ( <i>Pre-award Attest Service</i> )	3/30/06			(see note 2)
F03G0009	Reading First Monitoring Proposal ( <i>Pre-award Attest Service</i> )	3/30/06			(see note 2)
F03F0024	Education Statistics Service Institute Proposal Submitted Under Request for Proposal #05-R0011 ( <i>Pre-award Attest Service</i> )	10/12/05			(see note 2)
F03F0025	Education Statistics Service Institute Proposal Submitted Under Request for Proposal #05-R0011 ( <i>Pre-award Attest Service</i> )	10/12/05			(see note 2)
<b>OESE</b>					
<a href="#">A05G0001</a>	Audit of the Illinois State Board of Education ( <i>Audit Closeout Letter</i> )	3/16/06			
<a href="#">S06E0027</a>	Compliance Requirements within Title I, Part A of the NCLB ( <i>Management Information Report State and Local No. 06-01</i> )	3/29/06			(see note 3)
<b>ODS</b>					
<a href="#">X07F0002</a>	Overlapping Services in the U.S. Department of Education's Office of Postsecondary Education Programs ( <i>Management Information Report - OUS also designated as action official</i> )	2/27/06			(see note 3)
<b>Office of Planning, Evaluation and Policy Development</b>					
<a href="#">B17G0002</a>	Office of Inspector General's Independent Report on the U.S. Department of Education's Detailed Accounting of Fiscal Year 2005 Drug Control Funds, dated January 25, 2006 ( <i>Attestation Report</i> )	1/27/06			

\* 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.

Note 1: *Audit Report A09F0008* identified a one-time better use of funds (BUF) of \$10,000,000.

Note 2: In addition, Table 2 excludes monetary adjustments recommended in Pre-award Attest Services reporting. Since the results of Pre-award Attest Services reports are used in the contract negotiation process, the contents of these reports are considered to be confidential. Since the results of Pre-award Attest Services reports are used in the contract negotiation process, the contents of these reports are considered to be confidential.

Note 3: *Management Information Report S06E0027* made one non-monetary suggestion. *Management Information Report X07F0002* made three non-monetary suggestions.

**Table 2: OIG Audit Services Reports on Department Programs and Activities (October 1, 2005, to March 31, 2006) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<b>DESCRIPTION OF ALTERNATIVE PRODUCTS</b>					
<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 the 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 the Department interest. Two interim audit memoranda were issued during SAR52, but are not publicly distributed.</p> <p><b>Management information reports</b> provide the 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 the Department contracting or program office staffs. These include performing field-pricing support or making an assessment of an offeror's accounting system.</p>					

**Table 3: Other OIG Reports on Department Programs and Activities (October 1, 2005, to March 31, 2006)**

Report Number	Title of Report	Date Issued
Section 5(a)(6) of the <i>IG Act</i> requires a listing of each report completed by OIG during the reporting period.		
<b>FSA</b>		
<a href="#">I13F0015</a>	Pseudo Social Security Numbers ( <i>Inspection Memorandum</i> )	3/27/06
<b>OCFO</b>		
L05G0016	Chicago Public Schools: Charges to Federal Accounts for Pension Contributions ( <i>State and Local Alert Memorandum 06-03</i> )	3/23/06
<b>OM</b>		
<a href="#">I13F0003</a>	Review of the Department's Voluntary Leave Transfer Program ( <i>Inspection Memorandum</i> )	11/25/05
<b>OPE</b>		
I13F0016	Information Security Requirements For Eligibility To Participate In The Title IV Programs ( <i>Inspection Alert Memorandum - FSA also designated action official</i> )	2/3/06
L02F0019	Caribbean University's Use of Title V Funds ( <i>State and Local Alert Memorandum 06-01</i> )	10/11/05
<b>Office of Safe and Drug Free Schools (OSDFS)</b>		
L03G0002	State and Local Compliance with the Unsafe School Choice Option ( <i>State and Local Alert Memorandum 06-02</i> )	2/9/06
<b>Other Federal Agency</b>		
A02E0017	E-Rate Funded Telecommunication Charges at the New York City Department of Education (conducted via a MOU with the Federal Communications Commission OIG and the Universal Service Administration Company).	
A11F0001	U.S. Department of Education Office of Inspector General 2006 FISMA Report to OMB. (Evaluation reported to OMB, using its requested template format).	

**Table 3: Other OIG Reports on Department Programs and Activities (October 1, 2005, to March 31, 2006) (Cont.)**

Report Number	Title of Report	Date Issued
<u>DESCRIPTION OF TABLE 3 PRODUCTS</u>		
<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>Alert memoranda</b> are prepared when a serious condition requiring immediate Department management action that is either outside the agreed-upon objectives of an on-going audit or inspection assignment or is identified while engaged in work not related to an on-going assignment when audit or inspection reports will not be issued. Alert memoranda are not on the OIG website and are not publicly distributed.</p>		

**Table 4: Inspector General Issued Audit Reports with Questioned Costs<sup>3</sup>**

		Number	Questioned <sup>1</sup> Costs	Unsupported <sup>2</sup> Costs
Section 5(a)(8) of the <i>IG Act</i> 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)	62	\$199,864,475	\$132,118,965
B.	Which were issued during the reporting period	<u>8</u>	<u>\$7,143,855</u>	<u>\$5,630,813</u>
	Subtotals (A + B)	70	\$207,008,330	\$137,749,778
C.	For which a management decision was made during the reporting period	9	\$4,348,162	\$1,557,853
	(i) Dollar value of disallowed costs		\$4,348,162	\$1,557,853
	(ii) Dollar value of costs not disallowed		\$0	\$0
D.	For which no management decision has been made by the end of the reporting period	61	\$202,660,168	\$136,191,925
E.	For which no management decision was made within six months of issuance	53	\$195,516,313	\$130,561,112
<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 reasons other than questioned costs. Since the <i>IG Act</i> does not provide for this type of monetary finding, other recommended recoveries are combined with the "questioned costs" category for reporting in the SAR. The category is usually used for findings involving recovery of outstanding funds and/or revenue earned on Federal funds. The amount also includes any interest due the Department resulting from auditee's use of funds. In addition, amounts reported for this category are combined with unsupported costs for reporting in the SAR.</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> 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 <i>IG Act</i> 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	\$238,967,843
B.	Which were issued during the reporting period	<u>1</u>	<u>\$10,000,000</u>
	Subtotals (A + B)	7	\$248,967,843
C.	For which a management decision was made during the reporting period	3	\$7,919,067



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

		Number	Dollar Value
	(i) Dollar value of recommendations that were agreed to by management		\$7,919,067
	(ii) Dollar value of recommendations that were not agreed to by management		0
D.	For which no management decision has been made by the end of the reporting period	4	\$241,048,776
E.	For which no management decision was made within six months of issuance	3	\$231,048,776

<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 October 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 <i>IG Act</i> 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. (Status below represents comments provided by the Department, comments agreed to, or documents obtained from the Department's tracking system, (AARTS)).				
<b>New Since Last Reporting Period</b>				
<b>FSA</b>				
<a href="#">A02E0003</a>	The University of the Virgin Islands' Administration of Title IV Student Financial Assistance Programs Needs Improvement (SAR 51, pg. 25) <i>Status: No comments were provided to OIG.</i>	4/8/05	\$102,077	25
<a href="#">A03F0001</a>	School Eligibility Channel's Initial Review and Quality Control Review Process for Electronic Submissions of Institutions' Financial Statements Through the Department's eZ-Audit System (SAR 51, pg. 25) <i>Status: FSA informed us that OIG and FSA are negotiating over one corrective action on which OIG has non-concurred.</i>	9/20/05		4
<a href="#">A05E0017</a>	Special Allowance Payments to New Mexico Educational Assistance Foundation for Loans Funded by Tax-Exempt Obligations (SAR 51, pg. 25) <i>Status: FSA did issue a final audit determination prior to 3/31/06, although the required documentation was not available in AARTS as of 3/31/2006.</i>	5/24/05	\$18,415,862	7
<a href="#">A09E0015</a>	University of Phoenix's Processing of Student Financial Aid Disbursements for the Higher Education Act, Title IV Programs (SAR 51, pg. 26) <i>Status: No comments were provided to OIG.</i>	8/24/05	\$341,994	7
<b>OCFO</b>				
<a href="#">A02E0008</a>	U.S. Department of Education Funds Disbursed for New York City Department of Education Telecommunication Services (SAR 51, pg. 26) <i>Status: Final decision is pending review of OIG work papers.</i>	6/14/05	\$6,756,824	8
<a href="#">A09E0027</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> ) (SAR 51, pg. 26) <i>Status: No comments were provided to OIG.</i>	4/18/05	140,176	14
<b>OESE</b>				
<a href="#">A02E0031</a>	Wyandanch Union Free School District's <i>ESEA</i> , Title I, Part A and Title II Non-Salary Expenditures for the period July 1, 1999, through June 30, 2004 (SAR 51, pg. 27) <i>Status: AARTS data: audit was placed on administrative stay on 3/2/2006.</i>	9/14/05	\$6,802,887 (see note 1)	8

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

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A02F0006</a>	New Jersey Department of Education's Compliance with Title I, Part A, of the <i>ESEA</i> , as amended by the <i>NCLB</i> , Public School Choice and Supplemental Educational Services Provisions for the 2004-2005 School Year ( <i>OII</i> also designated as action official) (SAR 51, pg. 27) <b>Status:</b> <i>OESE</i> submitted an administrative stay request on 3/24/2006 and <i>OCFO/PAG</i> approved the request on 3/30/2006. The anticipated resolution date of this audit was 3/14/2006.	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 <i>NCLB</i> ( <i>OII</i> also designated as action official) (SAR 51, pg. 27) <b>Status:</b> <i>OESE</i> submitted an administrative stay request on 3/24/2006 and <i>OCFO/PAG</i> approved the request on 3/30/2006. The anticipated resolution date of this audit was 2/2/2006.	8/2/05	\$18,532	4
<a href="#">A06E0018</a>	Title I funds administered by the East Baton Rouge Parish School District for the period July 1, 2001, through December 31, 2003 (SAR 51, pg. 27) <b>Status:</b> <i>AARTS</i> data: administrative stay was extended on 1/4/2006 and 3/15/2006.	6/8/05	\$148,246 (see note 2)	4
<a href="#">A06F0002</a>	Louisiana Department of Education and Four Selected Local Educational Agencies for the period July 1, 2001, through December 31, 2003 (SAR 51, pg. 27) <b>Status:</b> <i>ARTS</i> data: audit was placed on administrative stay on 1/4/2006 and extended on 3/15/2006.	8/4/05		2
<a href="#">A07F0003</a>	Illinois State Board of Education's Compliance with the Public School Choice and Supplemental Educational Services Provisions of the <i>NCLB</i> ( <i>OII</i> also designated as action official) (SAR 51, pg. 27) <b>Status:</b> <i>OESE</i> submitted an administrative stay request on 3/24/2006 and <i>OCFO/PAG</i> approved the request on 3/30/2006. The anticipated resolution date of this audit was 2/23/2006.	8/23/05		4
<a href="#">A09F0002</a>	Nevada Department of Education's Compliance with the Public School Choice and Supplemental Educational Services Provisions ( <i>OII</i> also designated as action official) (SAR 51, pg. 27) <b>Status:</b> <i>OESE</i> submitted an administrative stay request on 3/24/2006 and <i>OCFO/PAG</i> approved the request on 3/30/2006. The anticipated resolution date of this audit was 1/14/2006.	7/14/05		8
<b>OSDFS</b>				
<a href="#">A03E0008</a>	The State of New Jersey's Compliance With The Unsafe School Choice Option Provision (SAR 51, pg. 28) <b>Status:</b> <i>OSDFS</i> informed us that the audit was resolved and <i>PDL</i> issued on 3/31/2006. The required documentation for resolution of this audit was not available in <i>AARTS</i> as of 3/31/2006.	8/30/05		7
<a href="#">A04E0007</a>	Georgia Department of Education's Compliance with the Unsafe Schools Choice Option Provision (SAR 51, pg. 28) <b>Status:</b> <i>OSDFS</i> informed us that the audit was resolved and <i>PDL</i> issued on 3/31/2006. The required documentation for resolution of this audit was not available in <i>AARTS</i> as of 3/31/2006.	6/7/05		4
<a href="#">A06E0028</a>	Texas Department of Education's Compliance with the Unsafe School Choice Option (SAR 51, pg. 28) <b>Status:</b> <i>OSDFS</i> informed us that the audit was resolved and <i>PDL</i> issued on 3/31/2006. The required documentation for resolution of this audit was not available in <i>AARTS</i> as of 3/31/2006.	6/15/05		7

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

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A07E0027</a>	Iowa Department of Education's Compliance with the Unsafe Schools Choice Option Provision (SAR 51, pg. 28) <i>Status:</i> OSDFS informed us that the audit was resolved and PDL issued on 3/31/2006. The required documentation for resolution of this audit was not available in AARTS as of 3/31/2006.	6/14/05		6
<b>OSERS</b>				
A02E0020	The Virgin Islands Department of Health's Administration of the Infants and Toddlers Program (see note 3) (SAR 51, pg. 28) <i>Status:</i> OSERS informed us that the audit was placed on administrative stay on 2/17/2006 to allow time for receipt and review of additional documentation.	9/28/05		17
<b>Reported in Previous Semiannual Report</b>				
<b>FSA</b>				
<a href="#">A02B0026</a>	Audit of Taylor Business Institute's Administration of Title IV Student Financial Assistance Programs (SAR 47, pg. 13) <i>Status:</i> FSA informed us that the audit was closed 3/17/2005; working on getting audit closed in AARTS due to technical problems. The required documentation for resolution of this audit has not been submitted for OIG review through AARTS.	7/8/03	\$2,089	5
A04B0015	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:</i> FSA informed us a duplicate audit is listed in AARTS. This audit had two parts: OCFO/PAG was responsible for 04B0015G; while FSA is responsible for 04B0015H.	9/26/02	\$997,313	7
<a href="#">A04B0019</a>	Advanced Career Training Institute's Administration of the Title IV HEA Programs (SAR 47, pg. 13) <i>Status:</i> No Change in status. FSA previously informed us that the audit is still being reviewed by FSA Atlanta Case Team.	9/25/03	\$7,472,583	14
<a href="#">A04E0001</a>	Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown, TN (SAR 49, pg. 14) <i>Status:</i> Audit still on administrative stay; administrative stay extended until 6/23/2006.	9/23/04	\$2,458,347	7
<a href="#">A04E0003</a>	Review of Student Enrollment, Professional Judgment Actions, and Dependency Overrides at Salem College (SAR 50, pg. 21) <i>Status:</i> FSA informed us that the audit was closed on 5/20/2005; working on getting audit closed in AARTS. The required documentation for resolution of this audit was not available in AARTS by 9/30/2005.	11/8/04	\$26,400	3
<a href="#">A05C0015</a>	Audit of American School of Technology's Administration of the Title IV, HEA Programs, Columbus, Ohio (SAR 46, pg. 12) <i>Status:</i> FSA informed us that it made changes to the ACD; currently waiting on OIG review. On 4/7/2006 the ACD was updated in AARTS.	3/21/03	\$1,311,249	13
<a href="#">A05D0020</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:</i> FSA informed us that the audit closed 3/31/2006; working on getting audit closed in AARTS. The required documentation needed for resolution of this audit was not generated through AARTS by 3/31/2006.	12/11/03	\$1,718,869	1

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

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A05E0013	Audit of the Administration of the Student Financial Assistance Programs at the Ivy Tech State College Campus in Gary, Indiana, during the period July 1, 2002, through June 30, 2003 (SAR 50, pg. 21) <i>Status: No change in status. FSA previously informed us that the audit is being reviewed by FSA Chicago Case Team.</i>	2/25/05	\$1,645,160	3
A0670005	Professional Judgment at Yale University (SAR 36, pg. 18) <i>Status: No change in status. FSA previously 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
<a href="#">A0670009</a>	Professional Judgment at University of Colorado (SAR 37, pg. 17) <i>Status: No change in status. FSA previously 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="#">A06A0003</a>	International Business College's Administration of Title IV Student Financial Assistance Programs (SAR 42, pg. 22) <i>Status: No change in status. FSA previously informed us that the audit is still being reviewed by the FSA Dallas Case Team.</i>	3/28/01	\$461,035	4
<a href="#">A06B0014</a>	Audit of United Education Institute's Compliance with the Title IV, Student Financial Assistance, Verification Requirements (SAR 43, pg. 12) <i>Status: FSA informed us that this audit was closed in CARS (the Department's prior tracking system); working on getting audit closed in AARTS.</i>	9/6/01	\$7,285	1
A06D0018	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 is still on administrative stay; administrative stay extended until 6/10/2006.</i>	2/10/05	\$1,458,584	6
A0723545	State of Missouri, Single Audit Two Years Ended June 30, 1991 <i>Status: No Change in status. FSA/ Financial Partners Service (FPS) previously informed us that it is working with the Office of General Counsel (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
A0733123	State of Missouri, Single Audit Year Ended June 30, 1992 <i>Status: No Change in status. FSA/FPS previously informed us that it 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="#">A07D0026</a>	Audit of Kaw Area Technical School (SAR 49, pg. 14) <i>Status: FSA informed us that it made changes to ACD and uploaded correct FAD; currently waiting on OIG review. However the revised documentation required for resolution of this audit was not available for OIG to review by 3/31/2006.</i>	5/20/04	\$882,445	3
<a href="#">A0970015</a>	Associated Technical College Eligibility of Institutions to Participate in Title IV Programs & Other Issues (SAR 37, pg. 16) <i>Status: FSA/SEC/CMO previously informed us that its senior managers are thoroughly reviewing the 90/10 calculations before approving the FAD letter.</i>	9/9/98	\$8,600,000	7
<a href="#">A09D0024</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

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

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">N0690010</a>	Inspection of Parks College's Compliance with Student Financial Assistance Requirements (SAR 40, pg. 18) <b>Status:</b> FSA Dallas Case Team denied school's recertification on December 31, 1999. School closed February 5, 2000.	2/9/00	\$169,390	1
<b>OCFO</b>				
<a href="#">A05D0017</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) <b>Status:</b> OCFO/PAG informed us that it is currently resolving some policy issues regarding this audit in coordination with OGC and OPE. Expected completion date: September 30, 2006.	1/14/04	\$1,018,212	4
<a href="#">A05D0018</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 (OII also designated as action official) (SAR 48, pg. 15) <b>Status:</b> OCFO/PAG informed us that a draft program determination letter is with OGC for review. Expected completion date: May 31, 2006.	10/30/03	\$196,805	3
<a href="#">A05D0023</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 (OII also designated as action official) (SAR 48, pg. 15) <b>Status:</b> OCFO/PAG informed us that a draft program determination letter is with OGC for review. Expected completion date: May 31, 2006.	10/14/03	\$148,440	2
<a href="#">A05D0029</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 (OII also designated as action official) (SAR 48, pg. 16) <b>Status:</b> OCFO/PAG informed us that it is in process of preparing draft PDL. Expected completion date: June 30, 2006.	10/31/03	\$37,452	4
<a href="#">A05D0041</a>	University of Illinois at Chicago's Upward Bound Project (OPE also designated as action official) (SAR 50, pg. 22) <b>Status:</b> OCFO informed us that it is reviewing additional information provided by auditor and auditee. Expected completion date: September 30, 2006.	12/20/04	\$223,057	8
A05E0002	Audit of the University of Illinois at Chicago's Student Support Services Program (OPE also designated as action official) (SAR 50, pg. 22) <b>Status:</b> OCFO informed us that it is reviewing additional information provided by auditor and auditee. Expected completion date: September 30, 2006.	12/15/04	\$260,050	6
<a href="#">A05E0018</a>	University of Illinois at Chicago's Upward Bound Math and Science Project (OPE also designated as action official) (SAR 50, pg. 22) <b>Status:</b> OCFO informed us that it is reviewing additional information provided by auditor and auditee. Expected completion date: September 30, 2006.	12/17/04	\$274,493	7
<a href="#">A06D0023</a>	Audit of the Dallas Independent School District's Administration of the Bilingual Education-Systemwide Improvement Grant for the period September 1, 1999, through August 31, 2003 (OELA also designated as action official) (SAR 49, pg. 14) <b>Status:</b> OCFO/PAG informed us it is preparing another PDL for OGC review. Expected completion date: September 30, 2006.	8/4/04	\$1,788,853	2
<a href="#">A07D0002</a>	Audit of the Talent Search Program at Case Western Reserve University (SAR 47, pg. 14) <b>Status:</b> OCFO/PAG informed us it is awaiting additional support documentation from the auditee. Expected completion date: June 30, 2006.	7/11/03	\$212,428	5



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

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<b>OESE</b>				
<a href="#">A0190006</a>	Puerto Rico Department of Education Needs Major Improvements in Its Administration of the Even Start Program (SAR 41, pg. 22) <b>Status:</b> No change in status. OESE previously informed us that a CAROI team is resolving the audit.	9/27/00	\$181,305	18
<a href="#">A01A0004</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> No change in status. OESE previously informed us that a CAROI team is resolving the audit.	3/28/01	\$7,841,493	14
<a href="#">A0250200</a>	The Puerto Rico Department of Education Must Institute a Time Distribution System (SAR 36, pg. 13) <b>Status:</b> No change in status. OESE previously informed us that a CAROI team is resolving the audit.	11/14/97		1
<a href="#">A02B0012</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> No change in status. OESE previously informed us that a CAROI team is resolving the audit.	9/28/01	\$8,412,280	10
<a href="#">A02B0025</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> No change in status. OESE previously informed us that a CAROI team is resolving the audit.	9/12/02	\$2,146,023	10
<a href="#">A02C0017</a>	Puerto Rico Department of Education's Administration of Contracts with the League of United Latin American Citizens National Educational Service Center (OVAE also designated as action official for this report) (SAR 47, pg. 15) <b>Status:</b> No change in status. OESE previously informed us that a CAROI team is resolving the audit.	6/10/03	\$115,390	5
<a href="#">A02D0014</a>	Puerto Rico Department of Education's Title I Expenditures for the period July 1, 2002, to December 31, 2002 (see note 4) (SAR 48, pg. 17) <b>Status:</b> No change in status. OESE previously informed us that a CAROI team is resolving the audit.	3/30/04	\$49,536	9
<a href="#">A02D0023</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> No change in status. OCFO/PAG previously informed us that the audit was reassigned to OESE on April 13, 2005.	6/2/04		6
<a href="#">A02E0007</a>	Puerto Rico Department of Education's Administration of Contracts Awarded to Rock Solid Technologies (SAR 49, pg. 15) <b>Status:</b> No change in status. OESE previously informed us that the audit is in CAROI.	9/8/04	\$3,354,545	2
<a href="#">A02E0019</a>	Puerto Rico Department of Education's Migrant Education Program (SAR 50, pg. 22) <b>Status:</b> No change in status. Previously, the audit was placed on administrative stay on 8/18/2005 and the audit is in CAROI.	3/30/05	\$43,824	5
<a href="#">A04E0002</a>	Georgia Department of Education's Administration of Title I, Part A of the ESEA (SAR 50, pg. 22) <b>Status:</b> OESE informed us that the audit continues on administrative stay.	11/8/04		8

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

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A05C0012</a>	Audit of East Cleveland City Schools' Administration of the 21st Century Community Learning Centers Grant at Kirk Middle School for the period June 1, 1998, through December 31, 2001 (SAR 45, pg. 18) <i>Status:</i> OESE submitted an administrative stay request on 3/24/2006 and OCFO/PAG approved the request on 3/30/2006. However, the anticipated resolution date of this audit was 3/18/2006.	9/18/02	349,637	9
<a href="#">A06E0008</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> AARTS data: the administrative stay was extended on 1/4/2006 and on 3/13/2006.	2/16/05	\$73,936,273	7
<a href="#">A06E0012</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 while Louisiana is coping with the hurricane. However, the anticipated resolution date of the audit was 6/7/2005.	12/7/04	\$488,314	1
<a href="#">A06E0017</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 placed on administrative stay while Louisiana is coping with the hurricane. However, the administrative stay request was submitted after the anticipated resolution date of 6/16/2005.	12/16/04	\$540,443	5
<b>OPE</b>				
<a href="#">A07B0011</a>	Audit of Valencia Community College's Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement (SAR 47, pg. 15) <i>Status:</i> OPE informed us that it continues to work with OGC on one outstanding issue.	5/8/03	\$1,822,864	5
<b>OSDFS</b>				
<a href="#">A0190007</a>	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Governor's Safe and Drug-Free Schools Program (SAR 41, pg. 22) <i>Status:</i> No change in status. OSDFS previously informed us that the audit is being resolved as part of the CAROI settlement.	9/27/00	\$82,452	17
<a href="#">A09E0025</a>	California Department of Education's Compliance with the Unsafe School Choice Option Provision (SAR 50, pg. 23) <i>Status:</i> OSDFS informed us that a PDL was issued on 3/31/2006, but that the required documentation for resolution of the audit was not available in AARTS as of 3/31/2006.	3/24/05		7
<b>OSERS</b>				
<a href="#">A02B0014</a>	Audit of the Puerto Rico Vocational Rehabilitation Administration (SAR 45, pg. 18) <i>Status:</i> OSERS informed us that OSERS is drafting the PDL based on information gathered during a recent site visit.	6/26/02	\$15,800,000	5
<a href="#">A02D0020</a>	Puerto Rico Department of Education's Special Education Expenditures for the period July 1, 2002, to December 31, 2002 (see note 5) (SAR 48, pg. 18) <i>Status:</i> No change in status. OSERS previously informed us that the audit is being resolved through CAROI team effort.	3/30/04	\$122,901	9
<a href="#">A02E0009</a>	Puerto Rico Department of Education's Special Education Program Services (SAR 50, pg. 23) <i>Status:</i> OSERS informed us that the audit is being resolved through CAROI team effort.	12/14/04	\$5,935,988	3

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

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<b>Note 1</b>	- Audit Report A02E0031 identified recommended adjustments of \$5,913,394.			
<b>Note 2</b>	- Audit Report A06E0018 reported that \$1,000 related to a check writing error was recovered during the audit. This money was not included in questioned or unsupported costs.			
<b>Note 3</b>	- We identified \$327,577 in one-time better use of funds in audit A02E0020.			
<b>Note 4</b>	- We identified \$151,205,677 in better use of funds in audit A02D0014.			
<b>Note 5</b>	- We identified \$79,515,522 in better use of funds in audit A02D0020.			

**Table 7: Statistical Profile : October 1, 2005, to March 31, 2006**

	Six-month Period Ending 3/31/06
<b>OIG AUDIT REPORTS ISSUED</b>	39
Questioned Costs	\$1,513,042
Unsupported Costs	\$5,630,813
Recommendations for Better Use of Funds	\$10,000,000
<b>OTHER OIG PRODUCTS</b>	21
(Inspections, Attestations, Interim Audit Memoranda, Alert Memoranda, Closeout Memoranda/Letters, Management Information Reports, Pre-award Attest Services Memoranda and Other Agency Reporting)	
<b>OIG AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS</b>	42
Questioned Costs Sustained	\$2,790,309
Unsupported Costs Sustained	\$1,557,853
Additional Disallowances Identified by Program Managers	\$0
Management Commitment to the Better Use of Funds	\$7,919,067
<b>INVESTIGATIVE CASE ACTIVITY</b>	
Cases Opened	111
Cases Closed	39
Cases Active at End of Period	375
Prosecutorial Decisions	137
-Accepted	88
-Declined	49
<b>INVESTIGATION RESULTS</b>	
Indictments/Informations	44
Convictions/Pleas	62
Fines Ordered	\$37,053
Restitution Payments Ordered	\$3,346,702
Civil Settlements/Judgments (#)	0
Civil Settlements/Judgments (\$)	0
Recoveries	\$568,154
Forfeitures/Seizures	\$427,050
Savings	\$516,391

## **U.S. Department of Education**

Margaret Spellings  
*Secretary*

## **Office of Inspector General**

John P. Higgins, Jr.  
*Inspector General*

## **Counsel to the Inspector General**

Mary Mitchelson

May 2006

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