



Semiannual Report to Congress, No. 86

October 1, 2022–March 31, 2023

U.S. Department of Education
Office of Inspector General



Office of Inspector General
Sandra D. Bruce
Inspector General

May 2023

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Message from Sandra D. Bruce

Inspector General

On behalf of the employees of the U.S. Department of Education (Department) Office of Inspector General (OIG), I present this Semiannual Report on the activities and accomplishments of this office from October 1, 2022, through March 31, 2023. The audits, investigations, and related work highlighted in the report are products of our mission to identify and stop fraud, waste, and abuse; and promote accountability, efficiency, and effectiveness through our oversight of the Department's programs and operations.

Throughout this reporting period, the OIG continued to operate in our "steady state" posture, with staff working in OIG offices, in a hybrid of telework and in-office work, or working remotely. We continued to capitalize on internal processes established during our previous 100-percent remote working environment to connect and collaborate with one another and create new ways of approaching and conducting our oversight and law enforcement efforts. We also issued several organizational reports, including our fiscal year (FY) 2023 Management Challenges Report that identifies the most serious management challenges facing the Department; our FY 2023 Annual Plan that presents the major initiatives and priorities that the OIG intends to undertake this year; our FY 2022 Performance Results report that presents the results of our work throughout FY 2022 in meeting our performance goals; and our FY 2022 Diversity, Equity, Inclusion, and Accessibility (DEIA) Annual Progress report that presents our accomplishments in meeting our DEIA performance goals. In the pages of this report, you will find more on these reports and highlights of other OIG work and efforts completed during this time period.

In our audit-related work, our reports identified more than \$2.7 million in questioned and unsupported costs, and offered recommendations aimed at improving Department programs and operations. Examples of this audit work are highlighted below.

- An independent certified public accounting firm, performing work under OIG oversight, reported disclaimers of opinion on the FY 2022 consolidated financial statements of both the Department and Federal Student Aid (FSA).

The auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion because management was unable to provide adequate evidential matter to support certain key assumptions used to estimate the subsidy costs stemming from the proposed broad-based debt relief as of September 30, 2022. In addition, the auditors identified one material weakness and two significant deficiencies in internal control over financial reporting for both the Department and FSA.

- Our audit of FSA's transition to the Next Generation loan servicing environment found that although FSA had processes in place for planning and managing the transition to the new loan servicing environment, FSA did not perform key steps within those processes or follow best practices for acquisition planning that could have better ensured the proper planning and managing of the transition.
- Our audit of the University of Cincinnati's use of Higher Education Emergency Relief Funds grant funds determined that the University generally used the Student Aid (\$42.1 million) and Institutional (\$67.8 million) portions of its grant funds for allowable and intended purposes but needs to strengthen its review and documentation processes to ensure compliance. The OIG also found that the University did not fully comply with cash management and reporting requirements.
- Our inspection of the Department's compliance with the Experimental Sites Initiative found that the Department was not complying with the requirement that it submit a report every 2 years to Congress based on its review and evaluation of each experiment. As a result, Congress has not been provided information that could have been used to enhance legislation to ensure that taxpayer funds are used to benefit students as efficiently and effectively as possible.

In addition to issuing audit reports, we completed 17 quality control and desk reviews of required audits submitted by recipients of Department funding, issued a new audit guide for proprietary schools and third-party servicers administering Federal student aid programs, and notified independent public accountants of issues related to National Student Loan Data System. You will find more on this work beginning on [page 37](#) of this report.

In our investigative work, we closed 32 investigations involving fraud or corruption and secured more than \$41.92 million in restitution, settlements, fines, savings, recoveries, and forfeitures. As a result of this work, criminal actions were taken against numerous people, including current and former school officials and service providers who cheated students and taxpayers. Our investigative work included the following.

- Five people, including former administrators at the Columbus, Georgia, campus of the Apex School of Theology, were sentenced to prison for their roles in a \$12 million student aid fraud scam. The conspirators recruited people to enroll in the schools with promises of “free money.” Administrators told recruits that they would not have to attend classes or do any of the work—all they had to do was agree to split their student aid award balances with them.
- A Louisiana man was sentenced to serve 11 years in prison for orchestrating a \$3 million student aid fraud ring. He used the identities of more than 180 people—some with and others without consent—to apply for admissions to and receive student aid from Baton Rouge Community College. One hundred forty-five of the people were ineligible to attend the school or receive the student aid as they did not have a high school diploma or its equivalent or were incarcerated at the time of enrollment.
- A U.S. Army soldier stationed in Georgia was sentenced to prison for leading a “prolific fraud scheme” in which she and others illegally raked in millions of dollars from pandemic relief aid and Federal student aid discharge programs. Specific to the loan discharges, the soldier charged people in exchange for submitting falsified U.S. Department of Veterans Affairs certifications for total and permanent disability to the Department of Education to fraudulently secure the discharge of more than a dozen student loans totaling more than \$1 million.
- A former financial aid officer at Manatee Technical College in Florida was sentenced to prison for stealing \$300,000 from the school. The former officer devised a scheme to obtain Pell Grant credit balances and convert the funds for personal benefit. Over several years, the former official convinced students to return excess Pell Grant funds via money orders that the former financial aid officer would alter to deposit them into her personal bank account.
- Actions were taken against several high-ranking K–12 officials and contractors for fraud, including the former Director of Food Services for New York’s Hempstead Union Free School District and the owner of Smart Starts, a food services vendor who pled guilty to conspiracy charges for participating in a kickback scheme involving hundreds of thousands of dollars.

Our Semiannual Report also contains information on other efforts the OIG completed during this reporting period, including summary tables containing statistical and other data as required by the Inspector General Act of 1978, as amended, and other statutes.

In closing, I look forward to continuing to work with this outstanding OIG team, the Department, members of Congress, and my colleagues in the inspector general community to provide our nation’s taxpayers with assurance that the Federal government is using their hard-earned money effectively and efficiently.



Sandra D. Bruce
Inspector General



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Pandemic Relief Oversight

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

Report

Three measures were signed into law providing the Department with more than \$280 billion to assist States, K–12 schools, school districts, and institutions of higher education in meeting their needs and the needs of their students impacted by the coronavirus pandemic—the Coronavirus Aid, Relief, and Economic Security Act or CARES Act (March 2020), the Consolidated Appropriations Act, 2021 Coronavirus Response and Relief Supplemental Appropriations Act or Coronavirus Supplemental Appropriations (December 2020), and the American Rescue Plan (March 2021). Since 2020, the OIG has been conducting audits and reviews of programs, grants, requirements, and flexibilities established under these laws. This work has been highlighted in our Semiannual Reports to Congress and on our [pandemic oversight webpage](#), with our planned work noted in our [Pandemic Relief Oversight Plan](#) and in our [annual work plans](#). During this reporting period, we issued one report specific to pandemic relief aid. A summary of the report follows.

University of Cincinnati’s Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants

In a previous [Semiannual Report to Congress](#), we highlighted the first two in our series of audits involving schools’ use of Higher Education Emergency Relief Fund (HEERF) grant funds. These audits sought to determine whether selected schools used the Student Aid and Institutional portions of their HEERF grants for allowable and intended purposes. HEERF recipients were allowed to use the Student Aid portions only for emergency financial aid grants to students, and could use the Institutional portions for institutional costs, including emergency financial aid grants to students. During this reporting period, we completed our third audit in the series, involving the University of Cincinnati. In addition to examining the school’s use of the Student Aid and Institutional portions of its HEERF grant we also reviewed the University of Cincinnati’s cash management practices and the timeliness and quality of the data the school reported on its use of HEERF grant funds.

Our audit found that the school spent \$109.9 million (83 percent) of its total HEERF allocation of \$132.8 million as of September 30, 2021, and that it generally used the Student Aid (\$42.1 million) and Institutional (\$67.8 million) portions of the grant funds for allowable and intended purposes but needs to strengthen its review and documentation processes for its use of Student Aid grant funds and certain other processes to ensure compliance for its use of Institutional grant funds. We



also found that the University did not fully comply with cash management and reporting requirements.

The University needs to strengthen these processes because it (1) did not have an effective review process to detect or prevent payment errors for a small number of students who applied for emergency financial aid grants under the CARES Act; (2) did not fully document its Student Aid award determinations, eligibility criteria, and related management decisions; (3) overstated the amount of lost revenue charged to its Institutional grant by almost \$800,000 (1 percent of total Institutional grant expenditures) due to improper revenue recognition and inclusion of a duplicate charge, and did not fully comply with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for \$1.9 million (3 percent) of its noncompetitive procurements; (4) did not minimize the time between drawing down and disbursing CARES Act Student Aid grant funds, and remitted imputed interest based on over \$1,400 in estimated earnings rather than remitting the \$37,000 in earnings based on the pool of accounts' average rate of return allocable to CARES Act Student Aid grant funds' balances, and (5) reported \$4.1 million of scholarships awarded to students in the wrong expenditure category and did not post all required HEERF quarterly reports on its public website. We also determined that the information in the University of Cincinnati's first HEERF annual performance report was generally accurate, complete, and timely.

Proper management reviews and documentation supporting charges to Federal grants help to protect taxpayer dollars; minimize the risk of fraud, waste, and abuse; and ensure Federal funds are used for allowable and intended purposes. Without accurate and complete supporting documentation, the school's existing processes provided limited assurance that funding decisions for awarding emergency financial aid grants to students complied with applicable Federal requirements. Further, with noncompetitive procurements for which reasonableness of cost was not

documented, the school might be paying more for the same goods and services, or receiving goods and services of inferior quality, when compared to other vendors. Lack of approval for noncompetitive procurements improperly precludes the cost and quality benefits of a competitive procurement process.

We made 10 recommendations to address the issues identified. Specific to its review and documentation process, our recommendations included that the

University of Cincinnati develop and implement a process

to prevent or detect payment errors when awarding emergency financial aid grants to students, develop

and implement policies and procedures to ensure

that its award determinations, eligibility criteria, and management decisions related

to eligibility for its emergency financial

aid grants to students are adequately

documented and supported.

Specific to its need to strengthen processes to ensure compliance

with grant requirements, our

recommendations included

that the school review the

allowability of repurposed

Institutional grant expenditures

and the reasonableness of the

noncompetitive procurements,

and if inappropriate, return to

the Department or reallocate

for allowable expenditures costs

charged to the grant of \$800,000

in lost revenue and \$1.9 million in

noncompetitive procurements. University

of Cincinnati officials did not explicitly

state whether they agreed or disagreed with

our findings but agreed with all but one of our

recommendations. [Cincinnati Report](#)

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Proper management reviews and documentation supporting charges to Federal grants help to protect taxpayer dollars; minimize the risk of fraud, waste, and abuse; and ensure Federal funds are used for allowable and intended purposes.

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Investigations and Outreach

Below you will find information on an OIG pandemic relief aid investigation and an update on our coronavirus fraud awareness and outreach efforts.

U.S. Army Chief Warrant Officer Sentenced to Prison for \$3.6 Million Fraud Scam, Including Total and Permanent Disability Fraud (Georgia)

A U.S. Army Chief Warrant Officer stationed at Fort Stewart was sentenced to 42 months in prison, 3 years of supervised release, and was ordered to pay more than \$3.6 million in restitution for leading a “prolific fraud scheme” in which she and others illegally raked in millions of dollars from COVID-19 relief programs and

Federal student loan forgiveness. From August 2017 through May 2021, the Warrant Officer led a conspiracy to fraudulently obtain funding from the CARES Act's Paycheck Protection Program and to secure the fraudulent discharge of Federal student loans using falsified disability claims. The Warrant Officer submitted more than 150 fraudulent Paycheck Protection Program loan applications to the Small Business Administration for herself and others, resulting in more than \$3 million in fraudulent disbursements. In addition, conspirators paid the Warrant Officer to submit falsified U.S. Department of Veterans Affairs certifications for total and permanent disability to the U.S. Department of Education in order to fraudulently secure the discharge of more than a dozen student loans totaling more than \$1 million. [Press Release](#)

Results of Other Investigative Efforts

In our last [Semiannual Report to Congress](#), we highlighted our investigative work that led to schools returning HEERF awards and shared several examples of cases involving the return of those funds. During this reporting period, another school returned pandemic relief aid, while another school was denied additional Federal education funds based in part on our investigative efforts. A summary of these cases follows.

Owner of Now-Closed Postsecondary School Returns More than \$235,000 in HEERF

The owner of a for-profit, postsecondary school that closed returned more than \$235,000 in HEERF. The owner drew down both the Student Aid and Institution portions of the HEERF grant funds 1 day before the school closed. As the school was not permitted to retain the institutional portion of funds without awarding the student portion to its students first, the school had to return all the HEERF grant funds.

For-Profit College Denied Additional Federal Education Funds (Washington, DC)

In our last [Semiannual Report to Congress](#), we noted that based on our work, the owner of a for-profit school returned more than \$415,000 in HEERF grants. During this reporting period, the school was denied additional Title IV eligibility because it improperly accounted for and disbursed HEERF awards to students and did not meet the standards of financial responsibility for administering the programs.

Fraud Awareness Outreach Efforts

Throughout this reporting period, the OIG continued to distribute fraud awareness materials aimed at helping stakeholders identify and report suspected fraud involving pandemic relief aid. This included a [digital booklet](#) and a [one-page flyer](#). The materials highlight what education-related coronavirus fraud could look like and provide information on free resources to help identify and report fraud to the OIG. The OIG's Special Investigations Unit and regional investigative staff also conducted outreach to stakeholders on identifying and reporting fraud and participated in Federal-State COVID-19 task forces and work groups. These task forces are a collective of Federal and State law enforcement and prosecutive entities combining their investigative power to quickly address fraud complaints and to identify, investigate, and prosecute fraud related to the pandemic.



Pandemic Response Accountability Committee

The CARES Act established the Pandemic Response Accountability Committee (PRAC), composed of inspectors general from across the Federal government. The PRAC is tasked with conducting, coordinating, and supporting inspectors general in the oversight of the trillions of dollars in emergency Federal spending to address the economic impacts of the COVID-19 pandemic. The CARES Act named nine inspectors general to the PRAC, each representing their specific agency, including the U.S. Department of Education. Inspector General Sandra D. Bruce represents the OIG on the PRAC, chairs the PRAC's subcommittee on Government Accountability Office (GAO) and State and local oversight efforts, and is a member of the PRAC Financial Sector Oversight Workgroup.

During this reporting period, the PRAC's GAO, State and Local Subcommittee continued to hold listening post sessions—small discussion groups for those charged with providing oversight of coronavirus response and relief funds to discuss challenges, best practices, and to share information with State and local auditors; State treasurers; certified public accounting firms and tribal oversight entities; American Institute of Certified Public Accountants; GAO; other IGs; and the National Association of State Auditors, Comptrollers, and Treasurers. These listening posts provide an open and safe discussion forum to facilitate collaboration and coordination of Federal, State, local, territorial, tribal, and single audit programs, and other work. Perhaps best of all, they helped find solutions in real-time.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

- **Pandemic Response Accountability Committee.** Inspector General Sandra D. Bruce is a member of this Committee, established under the CARES Act. Inspector General Bruce is also leading the PRAC's subcommittee focused on GAO and State and local oversight efforts and is also a member of the Financial Sector Oversight Work Group. OIG Assistant Inspector General for Investigation Services Robert Mancuso also participates with the PRAC Identity Theft and Redress group.
- **Council of Counsels to the Inspectors General COVID-19 Work Group.** Counsel to the Inspector General Antigone Potamianos and OIG Assistant Counsels continued to help lead the governmentwide OIG attorney working group regarding COVID-19 related legal issues.
- **Coronavirus/COVID-19 Federal-State Task Forces.** OIG criminal investigators continued to work with their Federal and State investigative and prosecutive partners to address pandemic relief aid fraud.



Disaster Recovery Oversight

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

Investigative Outreach Efforts

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

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

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



Federal Student Aid Programs and Operations

The Federal student financial aid programs have long been a major focus of our audit and investigative work. These programs are inherently risky because of their complexity, the amount of funds involved, the number of program participants, and the characteristics of student populations. OIG efforts in this area seek not only to protect Federal student aid funds from fraud, waste, and abuse, but also to protect the interests of the next generation of our nation's leaders—America's students.

Reports

The Department disburses about \$112 billion in Federal student aid annually and manages or oversees an outstanding loan portfolio valued at more than \$1.6 trillion. This makes the Department one of the largest financial institutions in the country. As such, effective oversight and monitoring of its programs, operations, and program participants are critical. Within the Department, the Office of Postsecondary Education and Federal Student Aid (FSA) are responsible for administering and overseeing student aid programs. The Office of Postsecondary Education develops Federal postsecondary education policies, oversees the accrediting agency recognition process, and provides guidance to schools. FSA disburses student aid, authorizes schools to participate in student aid programs, works with other participants to deliver services that help students and families finance education beyond high school, and enforces compliance with FSA program requirements. During this reporting period, the OIG identified actions that FSA should take to address issues mentioned in the OIG audit report highlighted below.

Federal Student Aid's Transition to the Next Generation Loan Servicing Environment

In 2018, FSA announced its Next Generation (Next Gen) loan servicing environment initiative, which established a path toward improving how students, parents, and borrowers access and interact with FSA programs and services. FSA's Next Gen goal was to deliver more efficient service to customers and partners while working to curb the costs of administering the aid programs in addition to providing customers with the necessary tools and literacy to help them make practical plans, leading to more informed borrowing, less long-term debt, and better repayment outcomes.

We conducted an audit to determine the extent to which FSA had processes for planning and managing the transition to the Next Gen loan servicing environment to achieve the project's intended outcomes. We found that although FSA had processes in place for planning and managing the transition to the Next Gen loan servicing environment, it did not perform key steps within those processes or follow best practices for acquisition planning that could have better ensured the proper planning and managing of the transition. Specifically, for three of the four Next Gen projects reviewed, we determined that FSA did not perform some required procedures allowing appropriate officials to agree on the project's objectives, requirements, and funding; steps required for the initiative vision stage of an information technology project; and steps supporting the project's implementation efforts. For the fourth Next Gen project we reviewed, FSA did not follow best practices for acquisition

planning, as it relates to the creation and approval of investment requests or budget initiative requests that seek approval for a project, prior to the issuance of bid solicitations for the project.

FSA not completing the required or applicable planning steps or following best practices for acquisition planning for the Next Gen projects we reviewed may have contributed to the stakeholders' misunderstandings regarding scope, project requirements, and stakeholder needs; and to multiple changes to some of the projects' solicitations, multiple bid protests, budget deficiencies, and poorly scoped solutions that FSA described in its summary of lessons learned and FY 2023 budget request. As such, we made two recommendations to address the issues identified: (1) that FSA establish controls to ensure that all steps are completed and documented for projects as required and (2) that FSA develop and implement a policy that requires an investment request or budget initiative request for a project to be completed and approved prior to the issuance of bid solicitations for the project. FSA did not state whether it agreed or disagreed with the finding but agreed with both recommendations. [Next Gen Report](#)

Experimental Sites Initiative Reporting Requirements

Under section 487A(b) of the Higher Education Act of 1965 (HEA), as amended, Congress authorized the Experimental Sites Initiative (ESI). The initiative allows the Department to waive specific statutory or regulatory requirements for postsecondary institutions, to test the effectiveness of flexibility for participating institutions disbursing Federal student aid. By comparing the results achieved with the flexibilities to the results under current regulations, the Department could have data to support changes to regulations and statutes. The outcomes of experiments have the potential to benefit all postsecondary institutions and the students they serve. Since 1996, FSA has overseen the ESI. As a condition of their participation, FSA requires that all ESI schools provide outcome data on their experiments. Participating institutions submit these reports to FSA through experiment-specific, web-based reporting templates. In addition, the HEA requires the Department to review and evaluate the experience of institutions participating as experimental sites and submit a report to Congress every 2 years based on the review and evaluation. The report is to include (a) a list of participating institutions and the specific statutory or regulatory waivers granted to each institution; (b) the findings and conclusions

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We determined that there have been 4 consecutive reporting periods in which the Department has not complied with ESI reporting requirements and 15 experiments that were implemented since the issuance of the last comprehensive report that have not yet been reported on by the Department.

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reached regarding each of the experiments conducted; and (c) recommendations for amendments to improve and streamline the HEA, based on the results of the experiment.

We conducted an inspection to determine the Department's compliance with ESI reporting requirements. We found that the Department is not complying with the requirement that it submit a report every 2 years to Congress based on its review and evaluation of each experiment. Although the Department consistently published comprehensive reports at least every 2 years covering all ongoing and recently completed ESI experiments from 2003 (covering the 2001–2002 award year) through 2012 (covering the 2010–2011 award year), it had not published a comprehensive report since. The Department published two ESI reports in 2020, but these reports did not satisfy the reporting requirements as they did not include all recently completed and ongoing experiments. We determined that there have been 4 consecutive reporting periods in which the Department has not complied with ESI reporting requirements and 15 experiments that were implemented since the issuance of the last comprehensive report that have not yet been reported on by the Department. We also found that although FSA has processes to collect data on ESI experiments annually from participating schools via surveys and web-based reporting tools, FSA has not used any data that may have been reported by schools to prepare and submit the required reports to Congress, except for the report published in 2020 that covered only one experiment.

The Department's noncompliance with the ESI reporting requirements has created a situation where the success or failure of the experiments conducted under the ESI has not been reported to those in Congress and the Department who could use the information to enhance higher education policy to better serve students. The Department has not communicated whether the experiments have reduced administrative burdens to the institutions without creating costs for the taxpayer, and whether the experiments have improved the delivery of services to or otherwise benefitted students, which is the basis by which the Department is to determine the success of an institution's participation as an experimental site, as noted in section 487A(b)(4) of the HEA. Congress and the public have not been informed about the viability, potential benefits, and lessons learned from these experiments since 2012. Because Congress has been provided little to no insight about these experiments, which are intended to test and evaluate potential Federal policy changes on a larger scale, Congress has not been provided information that could have been used to enhance legislation to ensure that taxpayer funds are used to benefit students as efficiently and effectively as possible.

Based on our finding we recommended that FSA (1) ensure that reporting on each of the ongoing experiments conducted under the ESI, as well as those that have been completed or discontinued that have not yet been reported on, is completed and submitted to the Congressional authorizing committees at least every 2 years, as required; and (2) put in place measures, such as applicable performance agreement standards, to ensure that the individuals responsible for completing these reports and the individuals responsible for submitting these reports are held accountable for doing so. We also suggest that Congress consider placing limits on the Department's ability to implement any new experiments under the ESI until it complies with the applicable reporting requirements. FSA agreed with the finding and recommendations. [ESI Report](#)



Department's Decision to Terminate Private Collection Agency Contracts

The Student Loan Reform Act of 1993 created the Federal Direct Student Loan Program and authorized the Secretary to award contracts for the program for the servicing and collection of loans, among other things. When borrowers default on their loans, they are transferred from their pre-default servicer to the Debt Management and Collections System, which initiates the default process. After approximately 60 days, borrowers are assigned to a private collection agency (PCA) that pursues collection activities. In 2017, FSA began developing its Next Gen loan servicing environment. Although the initial vision for Next Gen focused on loan servicing and not default collections, by mid-2018 FSA made the strategic decision to include default collections in its Next Gen initiative, making its Business Process Operations vendors responsible for servicing student loans throughout the entire student loan life cycle, including current and defaulted loans. At the time the decision was made, FSA had contracts with 11 small business PCAs.

We conducted an inspection to review the Department's decision-making process for terminating those PCA contracts. We learned that the decision to terminate the PCA contracts was part of an ongoing, multiyear Departmental strategy to overhaul student loan servicing and default collections. In mid-2018, FSA made the decision for Business Process Operations vendors to handle future default collections due to potential efficiencies and costs savings and the belief that doing so would improve customer service and the customer experience. Business Process Operations contracts were awarded in June 2020, and by June 2021, FSA began actively discussing the termination of the PCA contracts. FSA officials believed that the [pandemic-related] student loan payment pause combined with the progress being made on the operational status of the Business Process Operations vendors provided the ideal time frame for making the transition with little disruption to defaulted student loan borrowers.

FSA notified the PCA contractors on November 4, 2021, that it would be recalling all borrower accounts and that it intended to terminate their contracts. An official termination notification was sent to each PCA contractor on November 30, 2021. As of September 2022, defaulted accounts are with FSA's Default Resolution Group, which is handling any defaulted customer inquiries, and FSA intends for the Business Process Operations vendors to begin handling default collections in June 2023. Our report did not include any suggestions or recommendation. [PCA Report](#)

Investigations and Outreach

Identifying and investigating fraud in the Federal student financial assistance programs has always been a top OIG priority. The results of our efforts have led to prison sentences for unscrupulous school officials and others who stole or criminally misused Federal student aid funds, significant civil fraud actions against entities participating in the Federal student aid programs, and hundreds of millions of dollars returned to the Federal government in fines, restitutions, and civil settlements.

Investigations of Schools and School Officials

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

Former Apex School of Theology Officials Sentenced in \$12 Million Fraud Scheme (Georgia)

Five individuals, including former administrators at the Columbus, Georgia, campus of the Apex School of Theology, were sentenced to prison for their roles in a \$12 million student aid fraud scam. The administrators recruited people to participate in the scam, with offers of "free money" to act as "straw students" whereby they would apply for admission and receive Federal student aid, but the students would not have to attend the school or do any work if they split their student aid award balances with the administrators. The administrators completed and submitted fraudulent admission and student aid applications on behalf of the straw students, submitted plagiarized work for them, took their tests, and logged into the school's website as if they were the students to deceive the Department into believing they were legitimate students making satisfactory academic progress. The five individuals used the millions of dollars they obtained through the scheme for their personal benefit. The administrators received sentences ranging from 3 to 9 years in prison, followed by 3 years of supervised release, and were ordered to pay, jointly and severally, some \$12 million in restitution. [Press Release](#)

Former Financial Aid Officer at Manatee Technical College Sentenced for Stealing \$300,000 (Florida)

A former financial aid officer at Manatee Technical College was sentenced for stealing \$300,000 from the school. The former officer devised a scheme to obtain Pell Grant credit balances and convert the funds for personal benefit. Over several years, the former official convinced students to return excess Pell Grant funds via money orders that the former financial aid officer would alter to deposit them into her personal bank account. The former official was sentenced to serve 14 months in prison and 3 years of supervised release. Restitution will be ordered at a later date.



Barber School Operator Pled Guilty to Financial Aid Fraud (Ohio)

In a recent [Semiannual Report to Congress](#), we highlighted our case involving the owner of the Ohio Barber Academy, doing business as the Flawless Academy in Cleveland, who pled guilty to student loan fraud. During this reporting period, the court allowed the owner to withdraw that guilty plea and enter a new guilty plea specific to his obtaining more than \$61,500 in Federal student aid as a result of the fraud. The owner devised and implemented a scheme to obtain eligibility to participate in the Title IV Federal student aid programs (Title IV) for Flawless Academy, a school that was previously ruled ineligible to participate in the programs as it did not meet the necessary financial responsibility standards or administrative capability requirements. Through nefarious means, the owner purchased Merryville Barber College, a Title IV-eligible school, and established the Flawless Academy as a Merryville Barber College location, thus making it Title IV eligible. The owner submitted fictitious and false enrollment and attendance records for Flawless Academy “students,” enabling the school to fraudulently receive more than \$300,000 in Federal student aid than it was entitled to.

Former Financial Aid Director of Texas College and Others Indicted for Fraud (Texas)

A former financial aid director of Texas College and her son and two other students were indicted for their alleged roles in a student aid fraud scam. From 2019 through 2020, the former director allegedly used her position and access to the school’s financial aid systems to trigger student aid payments to her son and others who were not otherwise eligible to receive. [Press Release](#)

Investigations of Student Aid Fraud Rings

Below are summaries and links to press releases on actions taken over the last 6 months against people who participated in Federal student aid fraud rings. Fraud rings are large, loosely affiliated groups of criminals who seek to exploit distance education programs to fraudulently obtain Federal student aid. These cases are just a sample of the large number of actions taken against fraud ring participants during this reporting period.

Leader of \$3 Million Fraud Ring Sentenced (Louisiana)

In a previous [Semiannual Report to Congress](#), we highlighted our investigation involving the leader of a fraud ring that targeted multiple Federal programs, who had been convicted by a jury for orchestrating schemes to defraud the Department and the Small Business Administration. During this reporting period, the ringleader was sentenced to prison for his crime. Specific to the Department, the ringleader used the identities of more than 180 people—some with and others without consent—to apply for admissions to and receive student aid from Baton Rouge Community College. One hundred forty-five of the people were ineligible to attend the school or receive the student aid as they did not have a high school diploma or its equivalent or were incarcerated at the time of enrollment. The ringleader submitted fraudulent documents on behalf of the 180 people, pretended to be the “students” when logging onto the school’s systems, signed promissory notes on their behalf, and directed student loan award balances to bank accounts he controlled.

When the student aid award balances were received, the ringleader kept more than 60 percent for himself; for 25 of the people, he kept 100 percent for himself and spent some of the money at casinos. As a result of his crimes, the ringleader received more than \$1.4 million in student aid. The ringleader also defrauded the Small Business Administration; he submitted a loan application on behalf of his business, Sterling Educational Consulting, LLC, that falsified the business’s revenues and costs and concealed a prior guilty plea to felony theft. As a result of these false statements, the Small Business Administration loaned the ringleader \$90,000 for him to pay the operating costs of his business during the COVID-19 pandemic. The ringleader was sentenced to serve 11 years in prison followed by 3 years of supervised release and was ordered to pay more than \$3 million in restitution, including more than \$2.7 million to the Department. [Press Release](#)

“ The ringleader was sentenced to serve 11 years in prison followed by 3 years of supervised release and was ordered to pay more than \$3 million in restitution, more than \$2.7 million to the Department. ”

Members of Alleged \$980,000 Fraud Ring Indicted (California)

Three people were indicted for their alleged roles in a fraud ring that used the identities of prison inmates to obtain more than \$980,000 in Federal student aid. According to the indictment, from 2012 through 2017, the ring members allegedly obtained personally identifiable information, including names and Social Security numbers, of State prison inmates and other victims, and used this information to fraudulently enroll in community colleges. They allegedly then posed as straw students to apply for Federal student aid using the Free Application for Federal Student Aid (FAFSA) and directed those funds to bank accounts they controlled. Those funds, according to the indictment, were used for personal expenses and were not used for permitted educational costs at a community college in Orange County. [Press Release](#)

Man Indicted for Role in \$600,000 Fraud Ring (Texas)

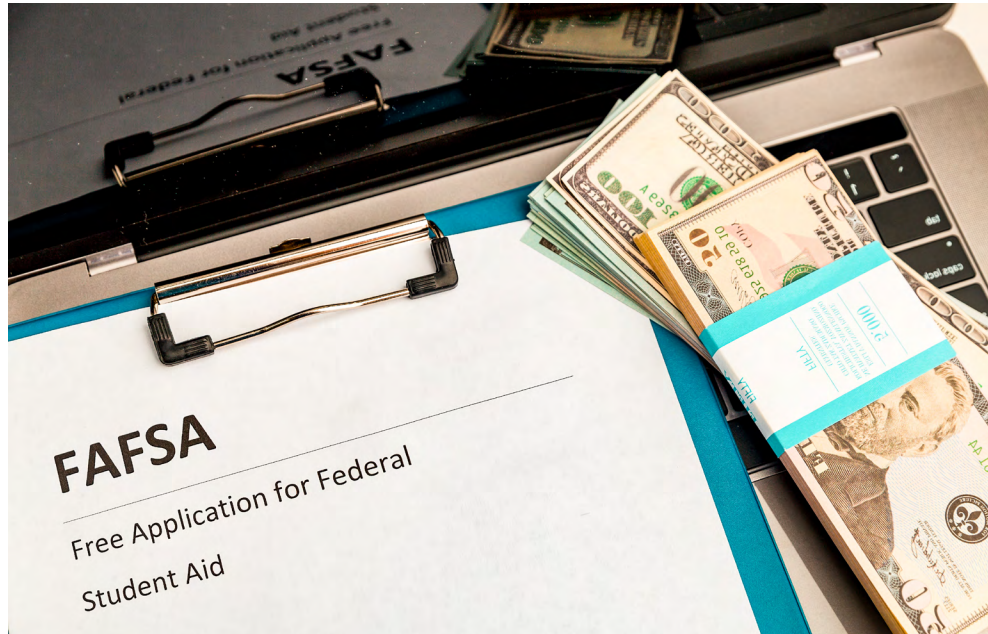
A man was indicted for his role in a fraud ring that targeted nearly \$600,000 in student aid from several Texas colleges and universities. The man is alleged to have used the identities of some 30 people to apply for admission to and receive Federal student aid from 8 colleges across Texas, knowing that the people never intended to attend classes. He was also charged with aggravated identity theft, as he and other members of the ring were in possession of identity documents, including temporary drivers permits, that the ring allegedly intended to use in their schemes. [Press Release](#)

Leader of Fraud Ring that Attempted to Obtain \$400,000 Sentenced (North Carolina)

The leader of a fraud ring that attempted to obtain \$400,000 in student aid was sentenced to serve 53 months in prison, 3 years of supervised release, and was ordered to pay more than \$289,000 in restitution. From 2016 through 2018, the ringleader solicited friends and associates for their personally identifiable information which was used to apply for admissions to and receive student aid from a number of online colleges, including Grand Canyon University, American Public University System, and Southern New Hampshire University. The ringleader communicated with the schools claiming to be the students, attended classes, and completed coursework in their names, which enabled him to receive the aid. The ringleader had the student aid refund awards sent to bank accounts under his control. [Press Release](#)

Leader of \$300,000 Fraud Ring Sentenced for ID Theft, Possession of Firearm in Furtherance of Drug Trafficking Crime, and Federal Student Aid Fraud (North Carolina)

In our last [Semiannual Report to Congress](#), we noted that the leader of a fraud ring pled guilty to using identities of family members, drug addicts, and homeless people to steal over a quarter of a million dollars in Federal student aid, as well as possessing a firearm in furtherance of drug trafficking. During this reporting period, the ringleader was sentenced to serve 65 months in prison, 3 years of supervised release, and was ordered to pay more than \$243,000 in restitution. Between 2014 and 2020, the ringleader submitted false information on FAFSAs and other fabricated documents seeking admission to and to receive Federal student aid from Cape Fear Community College on behalf of 28 people. The ringleader targeted homeless individuals whom he tricked into giving him their personal information by falsely



claiming he was collecting information for the census. He also obtained names and personal information from people in exchange for illegal narcotics. As a result of these fraudulent efforts, the ringleader sought to obtain some \$300,000 in Federal student aid. The ringleader also pled guilty to possession of a firearm in furtherance of a drug trafficking offense, as during a search warrant, law enforcement found various amounts of cocaine, marijuana, and opiates, as well as items indicative of drug trafficking, including a scale, cutting agent, packaging material, \$9,000 cash, and a loaded firearm.

Leader of \$264,000 Fraud Ring Pled Guilty (Virginia)

A fraud ringleader who orchestrated a scheme to fraudulently obtain \$264,000 in student aid from Capella University and American Public University, pled guilty. Between 2013 and 2018, the ringleader recruited people to participate in the scheme by providing her with their personally identifying information that she used to apply for admission to and to receive Federal student aid from the schools. Most of the people either did not participate in any classes or withdrew from the courses as soon as the student aid award balance was received. [Press Release](#)

Leader of \$220,000 Fraud Ring Sentenced (Illinois)

In our last [Semiannual Report to Congress](#), we highlighted our case involving the leader of a fraud ring who had pled guilty and agreed to pay more than \$220,000 in restitution for theft. During this reporting period, the ringleader was sentenced to serve 1 year in prison, followed by 2 years of supervised release. The ringleader created and submitted falsified and fraudulent FAFSAs and other documents on behalf of people without their consent for purported admissions to and to receive Federal student aid from multiple postsecondary schools. The man knew that these people would not attend classes or earn college credit and that some were incarcerated at the time. As a result of his fraudulent efforts, the ring obtained more than \$220,000 in Federal student aid.

Leader of \$126,000 Fraud Ring Pled Guilty (Montana)

The leader of a student loan fraud ring who abused tuition and other waivers geared for Native American students, pled guilty to charges of fraud and aggravated identity theft. From 2016 to 2019, the ring fraudulently obtained more than \$126,200 in Federal student aid by enrolling unwitting family members and others in online classes at Great Falls College/Montana State University. The ringleader also fraudulently used and submitted multiple American Indian Tuition Waivers, creating and using false enrollment forms from Native American Tribes, all of which were designed to result in larger student aid amounts, which members of the ring used for their own purposes. [Press Release](#)

Leader of \$74,000 Student Aid Fraud Ring Pled Guilty (Louisiana)

A St. Bernard Parish man pled guilty for his role in orchestrating a student aid fraud ring. The man conspired with others to submit fraudulent applications for student loans and grants to two local community colleges, using the names of seven different applicants. The applications contained false information for all applicants, and a few of the applicants did not even qualify for community college because they had not graduated high school or obtained the equivalent of a high school diploma. As a result of his actions, the Department disbursed more than \$74,000 in loan and grant funds. [Press Release](#)

Other Student Aid Fraud Investigations

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

Woman Sentenced for Orchestrating Multiple Fraud Scams Totaling More Than \$3 Million (Hawaii)

A woman was sentenced to 17 years in prison and was ordered to pay more than \$3.3 million in restitution for orchestrating a series of fraud and identity theft scams, including a Federal student aid fraud scam. Specific to Federal student aid fraud,



from 2011 through at least 2019, for college-bound students the woman prepared and submitted false student loan, grant, scholarship, and financial aid applications and documents that requested money from public and private educational-based financial assistance and aid providers. She transferred some student aid award balances to her personal bank accounts and other bank accounts she controlled, then spent the money on her own expenses, such as home construction, retail purchases, and bills. [Press Release](#)

Owner of Tax Preparation Service Sentenced in \$545,500 Fraud (Louisiana)

The owner of a tax preparation service was sentenced to 1 year of home confinement and 5 years of probation and was ordered to pay more than \$545,500 in restitution after being charged with filing a false tax return, aiding and assisting in the preparation of a false tax return, and student aid fraud as a result of making a false statement to the Department. The owner filed a false 2015 tax return that under-reported her income, aided in the preparation and filing of a client's tax return that falsely stated the client's business losses for the 2014 tax year, and committed student aid fraud by falsely reporting the amount of income that she earned in 2015 to the Department in her application for student loan forgiveness. [Press Release](#)

Former University of Memphis Student Pled Guilty in \$94,200 Student Loan Fraud (Tennessee)

During this reporting period, a former university of Memphis student pled guilty to student loan fraud. From 2017 through 2021, while a student at the University of Memphis, the woman submitted fraudulent documents, including forged doctors' signatures, fraudulent medical invoices, and fictitious expenses to the University of Memphis in order to receive some \$94,200 in Federal student aid to which she was not otherwise entitled to receive.

Woman Indicted for Using Deceased Spouse's Identity in \$36,000 Student Aid Fraud (Oregon)

A woman was indicted for student aid fraud after allegedly using her deceased spouse's identity to obtain more than \$36,000 in Federal student aid. From 2017 to 2019, the woman allegedly used her spouse's personally identifiable information to submit admissions and Federal student aid applications to three different schools in the State. She allegedly attended online courses and passed the first term at each institution in order to collect the funds. [Press Release](#)

Life Line Champaign Officer Pled Guilty to \$31,000 Student Aid Fraud (Illinois)

A former official of Life Line Champaign, a not-for-profit organization that provided summer enrichment activities for students, pled guilty to charges related to misapplication of Federal funds. First, the man used more than \$25,000 of the organization's U.S. Housing and Urban Development grant for his personal benefit. Second, in 2017, he applied for admission to Liberty University's online Master of Arts in Christian Ministry program and submitted student aid applications to cover the cost of attendance. From 2017 to 2020, the man received more than \$31,000 in Federal student aid that he did not use for educational purposes, but instead used for noneducational purposes, including gambling.

Father of Former Student Sentenced for Phony Identity Theft Claim (Arkansas)

The father of a former University of Arkansas student was sentenced for making false statements related to his Parent Plus loans. In 2014 and 2015, the man obtained two Parent PLUS loans totaling more than \$27,300 for his daughter to attend the school. In 2020, he filed a false identity theft claim in an attempt to have the loans discharged. The claim was ultimately denied. Further, records revealed that the man included the Parent PLUS loan information in his 2017 petition for bankruptcy. The man was sentenced to 5 years of probation and over \$36,000 in restitution.

Investigation into College Admissions Scandal

The following is an update on the actions taken in a college admissions scandal, where the OIG assisted the Federal Bureau of Investigation (FBI) and the U.S. Attorney's Office.

Architect of Nationwide College Admissions Scheme Sentenced to Prison, \$10.6 Million in Restitution (Massachusetts)

In January, the orchestrator of a nationwide conspiracy that facilitated cheating on college entrance exams and the admission of students as fake athletic recruits to elite universities—including Georgetown, Stanford, the University of California Los Angeles, the University of Southern California, the University of Texas, Wake Forest University, and Yale University—was sentenced to serve 42 months in prison, 3 years of supervised release, and was ordered to pay more than \$10.6 million in restitution. The orchestrator owned and operated Edge College & Career Network—a for-profit college counseling and preparation business—and served as the chief executive officer of the Key Worldwide Foundation—a nonprofit corporation that he established as a purported charity to provide educational and self-enrichment programs for disadvantaged youth. Between 2011 and 2019, the business owner conspired with dozens of parents, athletic coaches, a university athletics administrator, and others, to use bribery and other forms of fraud to secure the admission of students to colleges and universities. The conspiracy involved paying off test proctors and administrators to permit cheating on college entrance exams and bribing university athletic coaches and administrators to designate applicants as purported athletic recruits based on fabricated credentials. To conceal the scheme, he used the Key Worldwide Foundation to disguise bribe payments as purported charitable contributions, thereby enabling clients to deduct the bribes from their Federal income taxes. In total, the orchestrator accepted more than \$25 million from his clients as part of the scheme—of which he paid bribes totaling more than \$7 million and transferred, spent, or otherwise used more than \$15 million for his own benefit. [Press Release](#)

Student Loan-Related Scam Public Service Announcement, Awareness and Prevention Materials

During this reporting period, the OIG issued a [public service announcement](#) to alert the public to student-loan related scams. The announcement encourages student loan borrowers to stay alert and avoid falling victim to student loan forgiveness and debt relief scams and provides actions they can take to protect themselves. The OIG also continued to share its [infographics and other materials](#) aimed at

helping student loan borrowers (college undergraduates and graduates) protect themselves from student loan-related scams and identity theft. These infographics and flyers provide helpful tips and proactive steps for student borrowers to take to avoid falling victim to student loan scams, student loan forgiveness scams, student loan debt relief scams, and identity theft. The flyers also list actions to take should students think they have been caught in a scammer's trap.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

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

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

- **Department's notice of Free Application for Federal Student Aid (FAFSA) Simplification Act changes for implementation in the 2023–2024 award year.** The OIG provided a comment on the draft notice to improve the document's quality, clarity, and integrity. The Department revised the language in the notice to address the comment.
- **Department's draft Notice of Proposed Rulemaking on issues relating to program accountability, gainful employment, financial responsibility, administrative capability, certification procedures, and ability to benefit.** The OIG provided several comments on the draft of the Department's Notice of Proposed Rulemaking to improve the document's quality, clarity, and integrity. The OIG also provided two comments in OIG's unique area of responsibility on proposed changes to related party transaction disclosures in the financial statements. The Department addressed OIG's comments in a subsequent draft of the notice.
- **Department's notice on list of Federal education assistance for proprietary institutions of higher education to include as Federal revenue.** The OIG provided a comment on the draft notice to improve the document's quality, clarity, and integrity. The Department did not accept the comment.
- **Department's Dear Colleague Letter on requirements and responsibilities for third-party servicers and institutions.** The OIG provided comments on the draft letter to improve the document's quality, clarity, and integrity. The Department revised the language in the letter to address the comments.



Elementary and Secondary Education Programs

The Department administers more than 100 programs that involve 56 States and territorial educational agencies, more than 13,000 public school districts, about 128,000 schools, and numerous other grantees and subgrantees. Effective oversight of and accountability in how these entities spend the Department funding they receive is vital. Through our audit work, we identify problems and propose solutions to help ensure that the Department's programs and operations meet the requirements established by law and that federally funded education services reach the intended recipients—America's students. Through our criminal investigations, we help protect public education funds for eligible students by identifying those who abuse or misuse Department funds and holding them accountable for their unlawful actions.

Investigations

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

Investigations of School Officials, Contractors, and Educational Services Providers

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

Former Hulbert Public School District Treasurer Pled Guilty to Theft Involving More Than \$550,000 (Oklahoma)

The former treasurer of Hulbert Public School District pled guilty to charges of theft. From 2019 through 2021, the former treasurer used her position to issue payroll payments to herself and another individual above and beyond their salaries. In her guilty plea, the treasurer acknowledged that her actions resulted in a loss to the school district of more than \$550,000. [Press Release](#)

Former Head of Paramount Charter School Sentenced for Embezzling Nearly \$390,000 (Florida)

In a recent [Semiannual Report to Congress](#), we highlighted our case involving the owner-operator and president of the Paramount Charter School, the Advancement of Education in Scholars Corporation (parent company of the charter school), and the Florida Scholars Educational Services Corporation, who was found guilty of embezzlement and fraud. During this reporting period, she was sentenced to serve 40 months in prison and 3 years of supervised release. The owner-operator embezzled nearly \$390,000 from the companies that should have gone to operating the Paramount Charter School. The owner-operator used the funds on car payments, private school tuition, rent, and other personal expenses.

Former Food Services Director for Hempstead Union Free School District and School Vendor Pled Guilty in \$280,000 Kickback Scheme (New York)

The former Director of Food Services for the Hempstead Union Free School District and the owner of Smart Starts, a food services vendor, pled guilty to conspiracy charges for participating in a kickback scheme. As a part of their plea agreements, the former director agreed to forfeit about \$120,000 and the Smart Starts owner



agreed to forfeit approximately \$160,000. The former official used her position to secure lucrative contracts with Smart Starts to provide prepackaged breakfast meals for Hempstead public school students in exchange for kickbacks. To conceal the illegal nature of the arrangement, kickback payments were deposited into a bank account that was created in the name of one of the former director's family members, and were spent by the family on international vacations, a leased vehicle, and home furnishings. About \$13,000 in kicked back funds were also withdrawn by the director in cash from ATMs located near her home and workplace. [Press Release](#)

Two Leaders of Now-Defunct Nonprofit Pled Guilty to Stealing More than \$150,000 (Washington, DC)

The former executive director and the former director of operations and finance of the now-defunct nonprofit organization DC Children and Youth Investment Trust Corporation (DC Trust) each pled guilty to one felony charge relating to their personal use of the nonprofit's funds, which were intended for youth scholarship programs. From 2015 through 2016, the two perpetrated a scheme in which they obtained and used for personal benefit DC Trust credit cards and a check card—whose bills were paid for by DC Trust funds. The DC Trust was a nonprofit organization created in 1999 to serve as an intermediary to connect philanthropists, government leaders, youth advocates, and representatives from the business community to support programs to benefit the children of the District of Columbia. The organization was dissolved in late 2016. The two diverted funds that were intended to provide scholarship programs for DC youth, to make hundreds of personal purchases on expenses such as meals, automobile repairs, and personal travel for themselves

and their friends and family. In their plea agreements, the former executive director admitted to stealing at least \$111,000 and the director of operations admitted to stealing at least \$44,000. [Press Release](#)

Former Bookkeeper for the Barnstead and Hampton School Districts Pled Guilty to Stealing More Than \$130,000 (New Hampshire)

A former bookkeeper for both the Barnstead School District and the Hampton School District pled guilty to embezzling more than \$130,000 from the districts. The former bookkeeper, who was responsible for processing payroll and handling payment of invoices for the Barnstead School District, used her position to alter her payroll information, make student loan payments and payments to personal creditors, and to pay for an Amazon account charged to Barnstead but that she controlled. These amounts totaled more than \$110,200. Following her termination from the Barnstead School District, she was hired as a bookkeeper at Hampton School District, where she used her position to use district funds to pay student loans and credit cards belonging to her or her family members, totaling more than \$20,900. [Press Release](#)

President of Youth Policy Institute Pled Guilty to Embezzlement, Fraud Charges (California)

The president and chief executive officer of the Youth Policy Institute, a nonprofit agency that worked to eradicate poverty in some of the highest needs neighborhoods in Los Angeles, pled guilty to charges of embezzlement and fraud. From 2015 through 2019, the former president used more than \$71,500 in organizational funds for unauthorized expenditures, including tutoring services for a family member. The former president also underreported his income on his individual Federal income tax return.

Special Assistant to Former Secretary of Puerto Rico Department of Education and Her Sister Sentenced for Fraud (Puerto Rico)

During this reporting period, a special assistant to the former Secretary of the Puerto Rico Department of Education and her sister were each sentenced to one year of probation for their roles in a conspiracy scheme. As shared in a previous [Semiannual Report](#), the former Secretary of the Puerto Rico Department of Education was sentenced to prison for conspiracy and fraud. The former Secretary and others used their positions to benefit and enrich themselves with Federal funds, specifically by awarding contracts through a corrupt bidding process. This included a \$95,000 professional services contract that the Puerto Rico Department of Education awarded to an unqualified contractor with close ties to the former Secretary, the contractor being a company owned and operated by the sisters.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

- **Puerto Rico Anti-Public Corruption Task Force.** The OIG is a member of a joint task force focused on combatting public corruption in Puerto Rico. The task force is led by the U.S. Department of Justice and includes the FBI, Puerto Rico and local law enforcement agencies, and Federal OIG offices.
- **Puerto Rico Education Sustainability Team.** OIG staff are participating on this Department team in an advisory capacity, sharing our knowledge of fraud risk areas, as well as strengths and weaknesses that we have identified through decades of work involving Puerto Rico Department of Education, and the recommendations we made to improve those weaknesses.
- **Grant Fraud Working Group.** The OIG is a member of this work group, composed of OIGs and other governmental agencies, that meets quarterly to discuss challenges, opportunities, and best practices involving grant fraud investigations.
- **Association of Government Accountants Partnership for Management and Accountability.** The OIG participates in this partnership that works to open lines of communication between Federal, State, and local governmental organizations to improve performance and accountability.
- **Intergovernmental Audit Forums.** OIG staff serve on several intergovernmental audit forums, which bring together Federal, State, and local government audit executives who work to improve audit education and training and exchange information and ideas regarding the full range of professional activities undertaken by government audit officials.



Department Management and Operations

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

Reports

OIG work completed over the last 6 months in this area includes statutory audits involving the Department's financial statements. Summaries of this work follow.

Financial Management

One of the purposes of the Chief Financial Officers Act of 1990 is to improve agency systems of accounting, financial management, and internal controls to ensure the reporting of reliable financial information and to deter fraud, waste, and abuse of government resources. The Act requires an annual audit of agency financial statements, which is intended to help improve an agency's financial management and controls over financial reporting. A summary of our FY 2022 financial statements audits follows.

FY 2022 Financial Statements Audits

The OIG's contracted auditors issued a disclaimer of opinion on the FY 2022 consolidated financial statements for both the Department and FSA. The auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion because management was unable to provide adequate evidential matter to support certain key assumptions used to estimate the subsidy costs stemming from the proposed broad-based student loan debt relief as of September 30, 2022.

In addition, the auditors identified one material weakness and two significant deficiencies in internal control over financial reporting for both the Department and FSA. First, the auditors found a material weakness in the Department's and FSA's controls over the relevance and reliability of underlying data used in credit reform estimates of the subsidy costs of its student loan programs. Specifically, management's internal controls were not properly designed at an appropriate level of precision to address the relevance and reliability of the underlying data used to develop the take-up rate assumption used in the various loan program estimates. In addition, management did not design sufficiently precise controls over the relevance and reliability of certain data used in other key assumptions for the Student Load Model (a cash flow model) to develop the subsidy cost estimates. Inadequate controls over the relevance and reliability of the underlying data used to develop the estimate calculations increases the risk that the financial statements could be materially misstated.

Second, the auditors noted two significant deficiencies, involving (1) information technology controls and (2) an entity-wide deficiency in its overall control environment. Specific to information technology controls, the auditors found that although

management made progress implementing corrective actions to remediate previous information technology control weaknesses, it had not fully remediated prior-year deficiencies related to logical access administration, separated or transferred user access removal, user access reviews and recertification, and configuration management. They also noted new and existing information technology control deficiencies related to security management, access controls, segregation of information technology duties, application change management, and computer operations for the Department's core financial management system, three of FSA's financial and mixed systems and two access control support systems.

Regarding entity level controls, the auditors determined that the Department and FSA need to address weaknesses in their overall control environment related to insufficient risk assessments and monitoring activities. Inadequate risk assessment throughout the Department and FSA prevented the proper identification and analysis of risks related to the financial reporting process at the Department and FSA, and from designing appropriate risk responses; and insufficient monitoring activities prevented the Department and FSA from ensuring corrective action plans are implemented and control deficiencies are remedied timely.

The auditors made 21 recommendations to address the weaknesses identified. The Department and FSA concur with the significant deficiencies presented in Exhibit B to the reports, and partially concur with the material weakness presented in Exhibit A to the reports. [Department Report](#), [FSA Report](#)

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

- **Department of Education Senior Assessment Team.** The OIG participates in an advisory capacity on this team that provides oversight of the Department's assessment of internal controls and related reports. The team also provides input to the Department's Senior Management Council concerning the overall assessment of the Department's internal control structure, as required by the Federal Managers' Financial Integrity Act of 1982 and Office of Management and Budget Circular A-123, Management's Responsibility for Internal Control.
- **Department of Education Investment Review Board and Planning and Investment Review Working Group.** The OIG participates in an advisory capacity in these groups that review technology investments and the strategic direction of the information technology portfolio.
- **Department Human Capital Policy Working Group.** The OIG participates in this group that meets monthly to discuss issues, proposals, and plans related to human capital management.



Other OIG Efforts

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

Non-Federal Audit Activities

The Inspector General Act of 1978, as amended, requires that inspectors general take appropriate steps to ensure that any work performed by non-Federal auditors complies with Government auditing standards. To fulfill these requirements, we perform a number of activities, including conducting desk reviews and quality control reviews of non-Federal audits, providing technical assistance, and issuing audit guides to help independent public accountants or audit organizations performing audits of participants in the Department's programs.

Desk Reviews and Quality Control Reviews

The Office of Management and Budget's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" requires entities, such as State and local governments, universities, and nonprofit organizations that spend \$750,000 or more in Federal funds in 1 year to obtain an audit, referred to as a "single audit." Additionally, for-profit institutions, foreign schools, and their servicers that participate in the Department programs and for-profit lenders and their servicers that participate in Department programs are required to undergo annual audits performed by independent public accountants or audit organizations in accordance with audit guides that the OIG issues. These audits assure the Federal government that recipients of Federal funds comply with laws, regulations, and other requirements material to Federal awards. To help assess the quality of the thousands of audits performed each year, we conduct quality control reviews of a sample of audits. We also perform desk reviews of a sample of audit reporting packages to identify quality issues that may warrant follow-up work, revisions to the reporting package, or appropriate management official attention.

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) issued the following guidance regarding the classification of desk reviews and quality control review results.

- Pass—reporting package or audit documentation contains no quality deficiencies or only minor quality deficiencies that do not require corrective action for the audit under review or future audits.
- Pass with Deficiencies—reporting package or audit documentation contains quality deficiencies that should be brought to the attention of the auditor (and auditee, as appropriate) for correction in future audits.
- Fail—reporting package or audit documentation contains quality deficiencies that affect the reliability of the audit results or audit documentation does not

support the opinions contained in the audit report and requires correction for the audit under review.

During this reporting period, we completed four desk reviews and concluded that two (50 percent) were Pass with Deficiencies and two (50 percent) were Fail. We also completed 13 quality control reviews of engagements conducted by 9 independent public accountants. We concluded that 3 (23 percent) were Pass with Deficiencies and 10 (77 percent) were Fail.

When a quality control review receives a rating of Fail, the independent public accountant or audit organization must resolve the deficiencies identified. If the independent public accountant or audit organization does not adequately resolve the deficiencies, we may find the audit report is not reliable and recommend the Department reject the report. During this reporting period, we recommended the Department reject one report. Further, when our reviews identify unacceptable work put forth by an independent public accountant, we may refer that accountant to the American Institute of Certified Public Accountants and to their State Board of Accountancy for possible disciplinary action. During this reporting period, we made one such referral. In addition, during this reporting period we received information from the American Institute of Certified Public Accountants and a State Board of Accountancy regarding disciplinary actions taken against two independent public accountants as a result of our previous referrals. One of those accountants was fined and suspended from membership in the American Institute of Certified Public Accountants; the second agreed to no longer perform government audits in lieu of remedial actions. The auditor was also prohibited from performing peer reviews or serving on committees of the American Institute of Certified Public Accountants or State society.



Technical Assistance

The OIG's Non-Federal Audit Team is also dedicated to improving the quality of non-Federal audits and regularly provides technical assistance to independent public accountants, audit organizations, and others, including auditee officials and Department program officials. This includes providing information and advice about audit requirements and standards, producing audit guides and other criteria and systems pertaining to non-Federal audits, and conducting training.

New Audit Guide Issued

In March, we issued a new audit guide, "Guide for Financial Statement Audits of Proprietary Schools and For Compliance Attestation Examination Engagements of Proprietary Schools and Third-Party Servicers Administering Title IV Programs." The guide detailed changes to audit requirements for these entities, and incorporated information the Non-Federal Audit Team solicited and gleaned from the audit community, the Department, and FSA. The guide and additional information is available [here](#) on our website.

Training

In February, the OIG conducted a [training session](#) at the 2022 FSA Training Conference, providing information, instruction, and answering questions related to audit requirements for Title IV programs and HEERF grants. More than 4,000 financial aid professional and auditors participated in the session.

Other

The Non-Federal Audit Team also issued [CPA-23-01](#), "Modified Enrollment Reporting Testing Due to National Student Loan Data System Issues," to independent public accountants notifying them of issues that arose following the July 2022 implementation of the modernized National Student Loan Data System Professional Access and communicating expectations of auditors evaluating compliance with enrollment reporting requirements considering those issues.

Other OIG Reports

During this reporting period, the OIG issued five reports specific to the OIG mission and goals, including the required Management Challenges report. Summaries of these five reports and an update on other OIG efforts follows.

FY 2023 Management Challenges Report

In December, the OIG issued its FY 2023 Management Challenges Report, a statutorily required report that highlights the most serious management challenges the Department faces and actions the Department needs to take to address them. To identify these challenges, the OIG routinely examines past audit, inspection, and investigative work and reports issued by GAO, including reports issued to management where corrective actions have yet to be taken; assesses ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyzes new programs and activities that could pose significant challenges because of their breadth and scope. For FY 2023, the OIG identified five management challenges the Department faces as it continues its efforts to promote student achievement

and preparation for global competitiveness by fostering educational excellence and ensuring equal access. These challenges are (1) implementing pandemic relief laws, (2) oversight and monitoring, (3) data quality and reporting, (4) improper payments, and (5) information technology security. [FY 2023 Management Challenges Report](#)

FY 2023 Annual Plan

In December, the OIG issued its FY 2023 Annual Plan, which identifies audits, inspections, and other activities that the OIG intends to undertake to assist the Department in fulfilling its responsibilities to America's taxpayers and students. The Annual Plan details the assignment areas and resources that the OIG plans to devote to evaluating the efficiency, effectiveness, and integrity of Department programs and operations. It also aligns the OIG's work and resources to achieve our mission, meet the goals of our Strategic Plan, and focus attention across the challenge areas to the Department. As such, our planned and ongoing work involves Department programs and operations at all levels—Federal, State, and local—and incorporates suggestions from Department leaders, the office of Management and Budget, and members of Congress. [FY 2023 Annual Plan](#)

FY 2022 Small Business Innovation Research Report

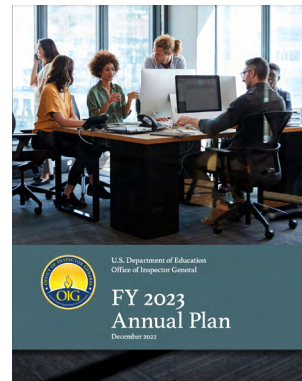
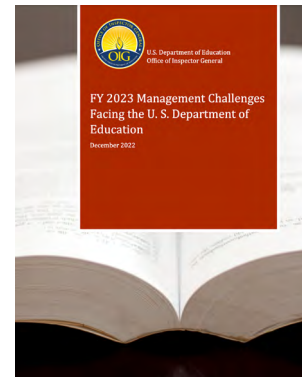
In October, the OIG issued its statutory report on OIG investigations involving the Small Business Innovation Research program. The National Defense Authorization Act for FY 2012 requires the inspector general of a Federal agency that participates in the program to submit an annual report describing its investigations involving those programs. The Department participates in the Small Business Innovation Research program, although it is a relatively small program within the agency. As reported, for FY 2022, the OIG received no allegations of possible fraud, waste, or abuse involving the Small Business Innovation Research program. [FY 2022 SBIR Report](#)

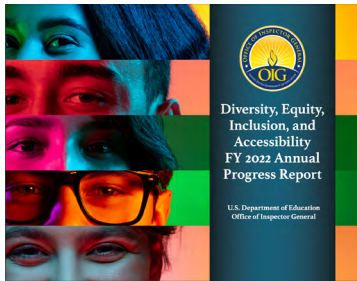
FY 2022 Performance Results Report

In December, the OIG issued its FY 2022 Performance Results Report in accordance with Government Performance Modernization Act of 2010. The report presents the results of our work over FY 2022 in meeting our performance measures goals. As highlighted in the report, the OIG met or exceeded its targets under its FY 2022 Performance Goals. The report presents those results and provides additional information on operational changes and other actions taken that help tell the story of how we were able to reach our goals in FY 2022. [FY 2022 Performance Results Report](#)

FY 2022 Diversity, Equity, Inclusion, and Accessibility Annual Progress Report

During this reporting period, we issued our third Diversity, Equity, Inclusion, and Accessibility (DEIA) annual progress report. The report highlights what we accomplished during FY 2022 involving DEIA. This included hiring a Chief Diversity Officer, incorporating DEIA into our oversight work, issuing several reports with a DEIA connection, and issuing our [DEIA Strategic Plan for FYs 2023–2028](#). In our DEIA strategic plan, we present new goals and strategies and examples of the measures we will use to assess our progress. In our FY 2022 DEIA Annual Progress report, we present our performance goals for FY 2023 that align with our new strategic





plan. These goals include (1) examining metrics related to hiring to determine whether the OIG's hiring practices are effectively attracting a diverse pool of candidates; (2) creating and maintaining opportunities for engagement, recognition, education, and collaboration; and (3) regularly monitoring and evaluating OIG programs, accessible information technology, services, and policies for compliance and any other regulatory guidance to identify opportunities to improve the quality and consistency of access. [FY 2022 DEIA Annual Progress Report](#)

Council of the Inspectors General on Integrity and Efficiency

Established by the Inspector General Reform Act of 2008, CIGIE works to address integrity, economy, and effectiveness issues that transcend individual Government agencies. Throughout this reporting period, the OIG continued to participate in myriad CIGIE committees and subgroups, including chairing the CIGIE DEIA Committee. During this reporting period, [FedScoop](#) and Federal News Network highlighted the work of the committee that featured interviews with Inspector General Bruce and Federal Deposit Insurance Corporation Inspector General Jay Lerner, as chair and vice chair of the committee. A list of all CIGIE committees, subcommittees, and work groups where OIG staff serve can be found in the section below.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Inspector General Community

- **CIGIE.** OIG staff continue to play an active role in CIGIE efforts. Inspector General Sandra D. Bruce chairs the CIGIE Diversity, Equity, Inclusion, and Accessibility Committee and is a member of CIGIE's Audit Committee and the Information Technology Committee.
 - OIG staff currently serve on the following CIGIE committees, subcommittees, and work groups:
 - Information Technology Investigations Subcommittee
 - Assistant Inspector General for Investigations Subcommittee
 - Assistant Inspector General for Management Working Group
 - Council of Counsels to the Inspectors General
 - Data Analytics Working Group of the Information Technology Committee
 - CIGIE/Office of Management and Budget Reform Working Group
 - Federal Hotline Working Group
 - Disaster Assistance Working Group
 - Human Resources Directors' Roundtable
 - Enterprise Risk Management Working Group
 - Internal Affairs Working Group
 - OIG Communitywide Quality Assurance Working Group
 - CIGIE Accessibility Working Group
 - CIGIE/GAO Annual Financial Statement Audit Conference
 - OIG staff lead or facilitate CIGIE training courses, including the following:
 - Planning, Organizing, and Writing Effective Reports
 - Introduction to Auditing
 - IG Criminal Investigator Academy
 - Essentials of Inspector General Investigations
 - Contract Fraud
 - Grant Fraud
 - Suspension and Debarment
 - Transitional Training Program
 - IG Hotline Operator Training Program
 - IG Hotline Strategies
 - Ethics
 - Legal Refresher Courses, including a class on the 4th Amendment
 - Adjunct Instructor Training Program

Government-Wide Audit-Related Groups

- **Whistleblower Protection Coordinator Group.** The OIG's designated Whistleblower Protection Coordinator and OIG attorneys participate in a government-wide group to stay abreast of legislation affecting internal and external whistleblowers.
- **Interagency Fraud and Risk Data Mining Group.** The OIG participates in this group that shares best practices in data mining and evaluates data mining and risk modeling tools and techniques that detect patterns indicating possible fraud and emerging risks.
- **Federal Audit Executive Council, Financial Statement Audit Committee Workgroup.** OIG staff serve on this interagency workgroup consisting of OIG auditors from numerous Federal agencies. The committee addresses government-wide financial management and financial statement audit issues through coordination with the GAO, the Department of the Treasury, and the Office of Management and Budget. It also provides technical assistance on audit standards, policies, legislation, and guidance, and plans the CIGIE/GAO Annual Financial Statement Audit Conference.



Required Reporting

Required Tables and Appendices

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

Acronyms and Abbreviations Used in the Required Tables

Department	U.S. Department of Education
FSA	Federal Student Aid
HEA	Higher Education Act of 1965, as amended
IG Act	Inspector General Act of 1978, as amended
OCIO	Office of the Chief Information Officer
OCTAE	Office of Career, Technical, and Adult Education
OESE	Office of Elementary and Secondary Education
OFO	Office of Finance and Operations
OIG	Office of Inspector General
OPE	Office of Postsecondary Education
OPEPD	Office of Planning, Evaluation and Policy Development
OSERS	Office of Special Education and Rehabilitative Services
Recs	Recommendations
RMSD	Risk Management Services Division
SAR	Semiannual Report to Congress
Title I	Title I of the Elementary and Secondary Education Act of 1965, as amended

Definitions

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

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

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

Inspection Reports. Inspections are analyses, evaluations, reviews, or studies of the Department’s programs. The purpose of an inspection is to provide Department decision makers with factual and analytical information, which may include an assessment of the efficiency and effectiveness of their operations and vulnerabilities created by their existing policies or procedures. Inspections may be conducted on any Department program, policy, activity, or operation. Typically, an inspection results in a written report containing findings and related recommendations. Inspections are performed in accordance with quality standards for inspections approved by the Council of Inspectors General for Integrity and Efficiency.

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

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

Questioned Costs. As defined by the Inspector General Act of 1978 (IG Act), as amended, questioned costs are identified during an audit, inspection, or evaluation because of (1) an alleged violation of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) such cost not being supported by adequate documentation; or (3) the expenditure of funds for the intended purpose being unnecessary or unreasonable. OIG considers that category (3) of this definition would include other recommended recoveries of funds, such as recovery of outstanding funds or revenue earned on Federal funds or interest due the Department.

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

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

OIG Product Website Availability Policy

OIG final issued products are generally considered to be public documents, accessible on OIG's website unless sensitive in nature or otherwise subject to Freedom of Information Act exemption. Consistent with the Freedom of Information Act, and to the extent practical, OIG redacts exempt information from the product so that nonexempt information contained in the product may be made available on the OIG website.

Required Reporting

The following pages present summary tables and tables containing statistical and other data as required by the IG Act, as amended, and other statutes.¹

Section of the IG Act	Requirement	Table Number	Page Number
-	Statistical Summary of Audit-Related Accomplishments	1	49
-	Statistical Summary of Investigation-Related Accomplishments	2	50
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies Related to the Administration of Programs and Operations	Nothing to Report	-
Section 5(a)(2)	Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed, Including Potential Cost Savings Associated with the Recommendations	5	53
Section 5(a)(3)	Summary of Significant Investigations Closed During the Reporting Period (October 1, 2022, through March 31, 2023)	To be included in SAR 87	-
Section 5(a)(4)	Total Number of Convictions During the Reporting Period Resulting from Investigations (October 1, 2023, through March 31, 2023)	2	50
Section 5(a)(5)	Audit and Other Reports Issued During the Reporting Period Including Questioned Costs, Better Use of Funds, and Whether a Management Decision Had Been Made by the End of the Reporting Period (October 1, 2022, through March 31, 2023)	3	51
Section 5(a)(6)	Management Decisions on Audit or Other Reports and Products Issued Prior to the Reporting Period (Prior to October 1, 2022)	4	52
Section 5(a)(7)	Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996	Nothing to Report	-
Section 5(a)(8)	Peer Review Results - Reviews of OIG Operations Completed During the Reporting Period	Nothing to Report Last Peer Review Completed March 22, 2022	-
Section 5(a)(9)	Peer Review Results - Recommendations from Previously Issued Peer Reviews that the OIG Has Not Yet Implemented	Nothing to Report	-
Section 5(a)(10)	Peer Review Results - Reviews of other Offices of Inspector General Completed by the OIG During the Reporting Period	Nothing to Report	-

¹ The Inspector General Act was recently recodified by Public Law 117-286 on December 27, 2022, and the SAR requirements are currently located at 5 U.S.C. Section 405 ("Reports"), note. The reporting items listed in the above chart reflect the substantive changes to the SAR requirements enacted by Section 5273 of the National Defense Authorization Act 2023, Public Law 117-263 (December 23, 2022).

Section of the IG Act	Requirement	Table Number	Page Number
Section 5(a)(11)	Investigative Reports Issued Number of Persons Referred to the U.S. Department of Justice Number of Persons Referred to State and Local Prosecuting Authorities Indictments and Criminal Informations that Resulted from Prior Referrals to Prosecuting Authorities	2	50
Section 5(a)(12)	Description of the Metrics Used for Developing the Investigative Data for the Statistical Tables	2	50
Section 5(a)(13)	Report on Each Investigation Conducted by the OIG Involving a Senior Government Employee (GS-15 or Above) Where the Allegations of Misconduct were Substantiated	6	55
Section 5(a)(14)	Description of Instances of Whistleblower Retaliation	Nothing to Report	-
Section 5(a)(15)	Description of Attempt by Agency to Interfere with OIG Independence	Nothing to Report	-
Section 5(a)(16)	Description of Audits, Inspections, Other Reports and Investigations Closed but Not Disclosed to the Public	Nothing to Report	-

Table I. Statistical Summary of Audit and Other Report Accomplishments (October 1, 2022, through March 31, 2023)

Accomplishment	October 1, 2022– March 31, 2023
Audit Reports Issued	4
Inspection Reports Issued	2
Other Products Issued	0
Questioned Costs (including Unsupported Costs)	\$2,749,445
Value of Recommendations for Better Use of Funds	0

**Table 2. Statistical Summary of Investigative Accomplishments
(October 1, 2022, through March 31, 2023)**

Accomplishment	Description of the Metric	October 1, 2022– March 31, 2023
Investigative Cases Opened	Number of cases that were opened as full investigations or converted from a complaint or preliminary inquiry to a full investigation during the reporting period.	28
Investigative Cases Closed	Number of investigations that were closed during the reporting period.	32
Cases Active at the End of the Reporting Period	Number of investigations not closed prior to the end of the reporting period.	186
Investigative Reports Issued	Number of Reports of Investigation issued during the reporting period.	38
Total Number of Persons Referred to State and Local Prosecuting Authorities	Number of individuals and organizations formally referred to State or local prosecuting authorities for prosecutorial decisions during the reporting period.	1 Criminal
Total Number of Persons Referred to the U.S. Department of Justice	Number of individuals and organizations formally referred to the U.S. Department of Justice for prosecutorial decisions.	26 Criminal
Indictments and Criminal Information that Results from Prior Referrals to Prosecuting Authorities	Number of individuals who were indicted or for whom a criminal information was filed during the reporting period.	16
Convictions/Pleas	Number of criminal convictions, pleas of guilty or nolo contendere, or acceptance of pretrial diversions that occurred during the reporting period.	12
Fines Ordered	Sum of all fines ordered during the reporting period.	\$3,100
Restitution Payments Ordered	Sum of all restitution ordered during the reporting period.	\$31,370,507
Civil Settlements/Judgments (number)	Number of civil settlements completed or judgments ordered during the reporting period.	\$0
Civil Settlements/Judgments (amount)	Sum of all completed settlements or judgments ordered during the reporting period.	\$0
Recoveries	Sum of all administrative recoveries ordered by the Department or voluntary repayments made during the reporting period.	\$1,915,229
Forfeitures/Seizures	Sum of all forfeitures/seizures ordered during the reporting period.	\$6,794,111
Estimated Savings	Sum of all administrative savings or cost avoidances that result in a savings to, or better use of funds for, a program or victim during the reporting period. These are calculated by using the prior 12-month period of funds obtained or requested and then projecting that amount 12 months forward.	\$1,846,960
Suspension and/or Debarment Referrals	Number of referrals to the Department during the reporting period for suspension or debarment.	1

Table 3. Audit and Other Reports Issued on Department Programs and Activities Including Questioned Costs, Better Use of Funds, and Whether a Management Decision Had Been Made by the End of the Reporting Period (October 1, 2022, through March 31, 2023)

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

Office	Report Type and Number	Report Title, Date Issued, and Status	Questioned Costs	Unsupported Costs	Better Use of Funds	Number of Recs
FSA	Inspection I22DC0054	The Department's Compliance with Experimental Sites Initiative Reporting Requirements Issued: October 31, 2022 Status: Resolved	\$0	\$0	\$0	2
FSA	Inspection I22DC0067	The Department's Decision to Terminate Private Collection Agency Contracts Issued: November 14, 2022 Status: Closed	\$0	\$0	\$0	0
FSA	Audit A20GA0035	Federal Student Aid's Transition to the Next Generation Loan Servicing Environment Issued: January 12, 2023 Status: Unresolved	\$0	\$0	\$0	2
FSA	Audit A22FS0065	Final Independent Auditors' Report Fiscal Years 2022 and 2021 Financial Statements Federal Student Aid Issued: January 23, 2023 Status: Unresolved	\$0	\$0	\$0	21
OFO	Audit A22FS0064	Final Independent Auditors' Report Fiscal Years 2022 and 2021 Financial Statements U.S. Department of Education Issued: January 23, 2023 Status: Unresolved	\$0	\$0	\$0	21
OFO/RMSD	Audit A20US0045	University of Cincinnati's Use of Higher Education Emergency Relief Fund Student Aid and Institutional Grants Issued: January 17, 2023 Status: Open	\$2,749,445	\$2,749,445	\$0	10
Total	6	-	\$2,749,445	\$2,749,445	\$0	56

Table 4. Audit and Other Reports Described in Previous Semiannual Reports and Resolved During the Reporting Period

Table includes the Department office responsible for the report, number of recommendations, and the value of the potential cost savings.

Office	Report Type and Number	Report Title	Number of Recs	Value of Potential Cost Savings
FSA	Audit A20IL0005	Bais HaMedrash and Mesivta of Baltimore's Use of Professional Judgment	3	\$236,235
OFO/FSA	Audit A22GA0050	U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for FY 2021	4	\$0
OCIO	Inspection I22IT0066	The U.S. Department of Education's Federal Information Security Modernization Act of 2014, For Fiscal Year 2022	10	\$0
OESE	Audit A21IL0034	Effectiveness of Charter School Programs in Increasing the Number of Charter Schools	3	\$0
OESE	Audit A02T0006	Florida Department of Education's Administration of the Temporary Emergency Impact Aid for Displaced Students Program	7	\$7,621,191
OESE	Audit A20GA0018	Missouri's Administration of the Governor's Emergency Education Relief Fund Grant	3	\$0
Total	6	-	30	\$7,857,426

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

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

The Department commented on all reports within 60 days of issuance.

Office	Report Type and Number	Report Title	Number of Open Recs	Value of Potential Cost Savings
FSA	Audit A19R0003	Federal Student Aid's Contractor Personnel Security Clearance Process	1	\$0
FSA	Audit A17U0002	Final Independent Auditors' Report Fiscal Years 2020 and 2019 Financial Statements Federal Student Aid	1	\$0
FSA	Inspection I06S0001	Federal Student Aid Controls Over the School Verification Process	3	\$0
FSA	Audit A21FS0022	Final Independent Auditors' Report of Federal Student Aid's Financial Statements for Fiscal Years 2021 and 2020	0	\$0
FSA	Inspection I20DC0024	The Department's Implementation of CARES Act Flexibilities to TEACH Grant Service Obligation	0	\$0
FSA	Audit A03I0006	Special Allowance Payments to Sallie Mae's Subsidiary, Nellie Mae, for Loans Funded by Tax-Exempt Obligations	3	\$22,378,905
FSA	Audit A20IL0001	National Aviation Academy of Tampa Bay's Use of Professional Judgment	3	\$115,776
FSA	Audit A20IL0005	Bais HaMedrash and Mesivta of Baltimore's Use of Professional Judgment	3	\$236,235
OFO	Audit A17U0001	Final Independent Auditors' Report Fiscal Years 2020 and 2019 Financial Statements U.S. Department of Education	2	\$0
OFO	Audit A21FS0021	Final Independent Auditors' Report of the U.S. Department of Education's Financial Statements for Fiscal Years 2021 and 2020	0	\$0
OFO/FSA	Audit A22GA0050	U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for FY 2021	1	\$0
OFO	Audit A05D0017	University of Illinois at Chicago's Gaining Early Awareness and Readiness for Undergraduate Programs Project	4	\$1,018,212
OCIO	Audit A11T0002	The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report For Fiscal Year 2019	1	\$0
OCIO	Audit A11U0001	The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report For Fiscal Year 2020	1	\$0

Office	Report Type and Number	Report Title	Number of Open Recs	Value of Potential Cost Savings
OCIO	Inspection I22IT0066	The U.S. Department of Education's Federal Information Security Modernization Act of 2014, For Fiscal Year 2022	7	\$0
OCTAE	Audit A04O0004	Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds	9	\$97,481
OESE	Audit A05S0001	The U.S. Department of Education's Processes for Reviewing and Approving State Plans Submitted Pursuant to the Elementary and Secondary Education Act of 1965, as Amended	3	\$0
OESE	Flash Report F19GA0027	Puerto Rico Department of Education's Unallowable Use of Temporary Emergency Impact Aid for Displaced Students Program Funds for Payroll Activities	2	\$0
OESE	Audit A19DC0004	The Department's Oversight of the Student Support and Academic Enrichment Program	7	\$0
OESE	Audit A21IL0034	Effectiveness of Charter School Programs in Increasing the Number of Charter Schools	3	\$0
OESE	Audit A05Q0003	Harvey Public School District 152: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses	5	\$0
OESE	Audit A06R0004	Calculating and Reporting Graduation Rates in Utah	7	\$0
OESE	Audit A02T0006	Florida Department of Education's Administration of the Temporary Emergency Impact Aid for Displaced Students Program	7	\$7,621,191
OESE	Audit A20GA0018	Missouri's Administration of the Governor's Emergency Education Relief Fund Grant	3	\$0
OPE	Audit A20CA0029	The Office of Postsecondary Education's Oversight of Higher Education Emergency Relief Grants	2	\$0
OPE	Flash Report F20CA0047	Duplicate Higher Education Emergency Relief Fund Grant Awards	1	\$0
OPEPD	Audit A09R0008	Office of the Chief Privacy Officer's Processing of Family Educational Rights and Privacy Act Complaints	2	\$0
OSERS	Audit A03S0006	Ohio Department of Education's and Selected Virtual Charter Schools' Internal Controls Over Individualized Education Programs	5	\$0
Total	28	-	86	\$31,467,800

Table 6. Investigation Involving a Senior Government Employee where Allegations of Misconduct Were Substantiated

Requirement

We opened an investigation based on allegations that an FSA Information System Owner (ISO) did not report, and advised the Department not to report, security issues involving FAFSA user accounts. The OIG's investigation substantiated that the ISO did not report, and instructed the contractor not to report, findings of 48,078 additional FAFSA user accounts affected by an ongoing security incident. The ISO's decision to withhold reporting of the additional affected accounts violated Department cybersecurity policy and guidance. The ISO retired prior to completion of our investigation. After receiving a report of our investigation, the Department decided not to place a permanent notation in the ISO's personnel file. We referred the matter to the U.S. Department of Justice, Criminal Division on November 2, 2021, and it was declined the same day.

Acronyms and Abbreviations

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CIGIE	Council of the Inspectors General on Integrity and Efficiency
COVID-19	coronavirus disease 2019
DEIA	Diversity, Equity, Inclusion, and Accessibility
Department	U.S. Department of Education
ESI	Experimental Sites Initiative
FAFSA	Free Application for Federal Student Aid
FSA	Federal Student Aid
FY	fiscal year
GAO	Government Accountability Office
HEA	Higher Education Act of 1965, as amended
HEERF	Higher Education Emergency Relief Fund
Next Gen	Next Generation
OIG	Office of Inspector General
PCA	private collection agency
PRAC	Pandemic Response Accountability Committee
Title IV	Title IV of the Higher Education Act of 1965, as amended

FY 2023 Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to identify and summarize the most significant management challenges facing the Department each year. Below are the management challenges that the OIG identified for FY 2023.

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

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

Anyone knowing of fraud, waste, or abuse involving U.S. Department of Education funds or programs should contact the Office of Inspector General Hotline:

<http://oighotline.ed.gov>

We encourage you to use the automated complaint form on our website; however, you may call toll-free or write the Office of Inspector General.

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

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

You may make a report anonymously.

The mission of the Office of Inspector General is to promote the efficiency, effectiveness, and integrity of the U.S. Department of Education's programs and operations.

<http://www.ed.gov/oig>