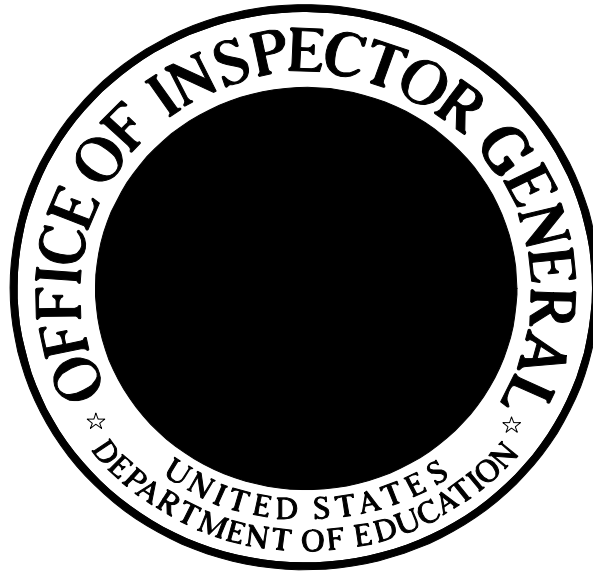


**U.S. Department of Education
Office of Inspector General**



**Semiannual Report
to Congress
No. 42**

October 1, 2000- March 31, 2001

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



**Semiannual Report
to Congress**

No. 42

October 1, 2000– March 31, 2001

April 30, 2001

Honorable Roderick R. Paige
Secretary of Education
Washington, DC 20202

Dear Mr. Secretary:

I am pleased to welcome you to the Department of Education and to submit to you, in accordance with the Inspector General Act of 1978 (Public Law 95-452, as amended, section 5(b)), this semiannual report on the activities of the Department's Office of Inspector General (OIG) for the six-month period ending March 31, 2001. The enclosed report highlights the most significant management challenges facing the Department and our recommendations to address them as well as the Department's success in meeting them or the need to take further action. The report both includes and updates information we provided to Congress earlier this period concerning the management challenges facing the Department. We particularly note the Department's significant challenges in testing and implementing a new general ledger system and in other areas of information management.

The Inspector General Act requires you to transmit this report by May 30, 2001 to the appropriate congressional committees and subcommittees, together with a report containing any comments you wish to make; the statistical tables specified in section 5(a)(13)(b)(2) and (3); and a statement with respect to audit reports on which management decisions have been made, but final action has not been taken, as specified in section 5(a)(13)(b)(4).

We are committed to carrying out our legislative mandate to identify fraud, waste, and abuse, and to recommend appropriate corrective actions. I look forward to continuing to work together with you and Department managers to ensure that Department of Education programs and operations serve the nation's students and taxpayers with efficiency, effectiveness, and integrity.

Sincerely,

Lorraine Lewis

Enclosure

Inspector General's MESSAGE TO CONGRESS

We are pleased to share with you the activities and accomplishments of the Office of Inspector General (OIG), U.S. Department of Education, during the period October 1, 2000 – March 31, 2001.

The Honorable Roderick Paige was confirmed as the Secretary of Education. We are working with Secretary Paige on our mutual goals and concerns, and are pleased that he selected Mr. John P. Higgins, Jr., Deputy Inspector General, for a special assignment to lead a working group that will evaluate many important management, information technology security, and financial management integrity issues over the next few months.

We reviewed and revised our Strategic Plan to reflect our current focus and direction. Our new strategic goals are: 1) to improve the Department's programs and operations, 2) to protect the integrity of the Department's programs and operations, and 3) to ensure quality and excellence in our organization. You may view our entire Strategic Plan on our web site at <http://www.ed.gov/offices/OIG/products.htm>.

We continued our focus on financial and information management. For the second consecutive year, with our assistance, the Department submitted its annual financial statement audit reports to the Office of Management and Budget on time. It received a qualified opinion on all of its fiscal year 2000 financial statements, an improvement from 1999. The auditors qualified their opinion primarily because of the Department's inability to provide adequate documentation to support certain amounts and prior period adjustments reported in the financial statements and inconsistent processing of certain transactions related to prior years. The Department faces an important challenge in successfully testing and implementing a new general ledger system. Also, this period we issued a report identifying areas where information-system security can be strengthened at the Virtual Data Center (VDC). VDC is a consolidation facility for Student Financial Assistance, comprised of a telecommunications system and many connected resources.

We continued our efforts to identify and test controls over improper payments. Last period, our office performed a series of inspections related to internal control over purchase cards and third party drafts (checks). We concluded this work by issuing a capping report to the Department in October 2000, providing several recommendations to address our findings. We also issued a report on controls over contract payments and a report on our Grant Administration and Payment System duplicate payment analysis. In October 2000, we sent a letter to the Department recommending that it proactively develop its own approach or methodology for annually estimating improper payments. This estimate is important since the Department is accountable for federal education funds.

At an April 3, 2001 hearing before the House Subcommittee on Select Education, Committee on Education and the Workforce, in response to a question, we referred to data reported in our last three years of Semiannual Reports to Congress and to our recent work in the area of duplicate

payments to identify an amount of improper payments the Department has made. We identified a total of approximately \$450 million during the period 1998-2000, in the areas of restitution and civil settlements and judgments, sustained disallowed costs from our audit work, and duplicate payments. There is a significant notation to this figure. It represents money owed to the Department, not necessarily lost. The Department and the Justice Department pursue recovery.

Since this hearing, the Secretary has written to Congress to explain the nature and type of payments or costs reflected in the \$450 million, how they were discovered and whether they resulted in actual losses to the Department, methods of recovery initiated to recapture any lost funds, and actions he has undertaken to ensure that this situation does not occur again. The Secretary reported that the government has recovered \$293 million of that amount and expects to recover an additional \$53 million. The Secretary's letter may be found on the Department's web site at <http://www.ed.gov/PressReleases/05-2001/05232001a.html>.

Our office has also been successful in promoting program improvements. In March 2001, we issued "An OIG Perspective on the Gun-Free Schools Act of 1994," based upon our audit work in multiple state and local education agencies. We identified issues for Department officials and the Congress to consider in determining if revisions to the Act are necessary. Many of them were included in a bill introduced by Senator Dianne Feinstein and Senator Byron Dorgan (S. 649).

We are pleased to have three new senior managers join our staff this period. Mr. Thomas Carter has been promoted to the position of Assistant Inspector General for Audit, Ms. Helen Lew joins our staff as Deputy Assistant Inspector General for Audit, and Mr. Michael Deshields serves as Deputy Assistant Inspector General for Investigations. Their backgrounds and expertise will further assist our office in meeting our important goals and priorities.

As always, we remain committed to ensuring the proper, efficient, and effective use of federal education funds, and we welcome our continued partnership with the Secretary and the Congress in this endeavor.

Lorraine Lewis

CONTENTS

LETTER TO THE SECRETARY

INSPECTOR GENERAL'S MESSAGE TO CONGRESS

SIGNIFICANT ACTIVITIES AND MANAGEMENT CHALLENGES1

- **Challenge #1: Financial Management1**
 - Financial Statement Audits.....1
 - Implementation of New Financial Management System Software2
- **Challenge #2: Clinger-Cohen Act3**
- **Challenge #3: Systems Security.....3**
 - Department Action on OIG Recommendations.....3
 - Security Audits4
- **Challenge #4: Internal Controls.....4**
 - Improper Payments.....5
 - Procedures for Resolving “Deficient” Compliance Audit Reports6
 - Internal Controls over Purchase Cards and Third-Party Drafts.....6
- **Challenge #5: Role of the Performance-Based Organization7**
- **Challenge #6: Government Performance and Results Act7**
 - GPRRA Review at the Department of Education7
 - Management Controls over the Collection and Reporting of
Performance Data to ED.....8
- **Challenge #7: Modernization Blueprint and Performance Plan.....8**
- **Challenge #8: Moving to a Paperless Environment8**
- **Challenge #9: Balancing Compliance Monitoring and Technical Assistance9**
 - Elementary, Secondary and Higher Education Programs9
 - Student Financial Assistance Programs.....11
 - Nonfederal Audit Activities12
- **Challenge #10: Obtaining Income Verification from the
Internal Revenue Service.....13**
- **Results of Investigations13**
 - Student Financial Assistance Programs.....13
 - Other Investigative Efforts17
 - Other Efforts.....17

P.L. 95-452 REPORTING REQUIREMENTS.....18

APPENDICES

➤	APPENDIX 1: Management Challenges Facing the Department of Education Reported to Congress by OIG.....	19
➤	APPENDIX 2: Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed.....	20
➤	APPENDIX 3: ED/OIG Audit Services Reports on Education Department Programs and Activities	21
➤	APPENDIX 4: Other ED/OIG Reports on Education Department Programs and Activities.....	23
➤	APPENDIX 5: Inspector General Issued Audit Reports with Questioned Costs	24
➤	APPENDIX 6: Inspector General Issued Audit Reports with Recommendations for Better Use of Funds.....	25
➤	APPENDIX 7: Unresolved Reports Issued Prior to October 1, 2000.....	26
➤	APPENDIX 8: Investigation Services Cumulative Actions	29
➤	APPENDIX 9: Collections from Audits and Investigations.....	33
➤	APPENDIX 10: Statistical Profile.....	34

SIGNIFICANT ACTIVITIES AND MANAGEMENT CHALLENGES

The Office of Inspector General (OIG) this period continued to focus its audit, investigation, and inspection efforts on the most significant challenges facing the Department of Education (the Department or ED). In December 2000, we responded to a joint House and Senate request for an update on the status of the management challenges facing the Department. Below, we discuss these challenges and present our most significant audit and inspection activities this period as they relate to the challenges. We also discuss our investigation activities.

Challenge #1

FINANCIAL MANAGEMENT

One of the most important challenges facing the Department is the ability to provide accurate financial information to make informed decisions, manage for results, and ensure operational integrity. Both the Department and Student Financial Assistance (SFA), a performance-based organization (PBO) directly responsible for administering the Title IV student financial assistance programs, prepared financial statements for fiscal year (FY) 2000. In terms of dollars reported, SFA is the most significant component of the Department-wide financial statements. FY 2000 was the second year SFA's financial statements were audited.

In our last semiannual report (*Semiannual Report No. 41*, page 5), we stated our commitment to issue the FY 2000 financial statement audit reports for both the Department and SFA by March 1, 2001. We met that commitment.

The Department improved its financial reporting process and financial management activities during FY 2000. For example, it prepared interim statements, performed analyses of account balances in an effort to resolve errors, and enhanced communications among Department offices by establishing a Financial Statement Steering Committee.

Financial Statement Audits

➔ RESULTS OF FY 2000 FINANCIAL STATEMENT AUDITS

OIG's contract auditor, Ernst & Young LLP, issued the following three required reports for each audit of the Department's and SFA's financial statements: *Report of Independent Auditors*, *Report on Internal Control*, and *Report on Compliance with Laws and Regulations*.

The *Report of Independent Auditors* provided a qualified opinion on the Department's financial statements primarily because of the Department's inability to provide adequate documentation to support certain amounts and prior period adjustments reported in the financial statements, and inconsistent processing of certain transactions related to prior years.

The *Report on Internal Control* detailed material weaknesses in the areas of the Department's financial management systems and financial reporting, reconciliations, and controls surrounding information systems. It detailed reportable conditions in the areas of financial reporting related to credit reform, and reporting and monitoring of property and equipment. (See also **Challenge #4, Internal Controls** for our work this period relative to Departmental internal control issues.)

The *Report on Compliance with Laws and Regulations* noted that the Department was not in full compliance with the Clinger-Cohen Act because it had not fully implemented a capital planning and investment process. The report also found that the Department's financial management systems did not substantially comply with federal financial management systems requirements specified in the Federal Financial Management Improvement Act of 1996. The Department is in the process of replacing the general ledger and implementing a disaster recovery plan for the financial management systems.

The findings in the SFA financial statement audit reports were similar to those in the Department's reports, except for the finding regarding reporting and monitoring of property and equipment, which was not reported for SFA. SFA is in the process of developing and implementing a financial management system to support its financial reporting needs that is intended to be integrated with the Department's general ledger.

➔ **CORRECTIVE ACTION PLANS FOR FYS 1995-1999 FINANCIAL STATEMENT AUDITS**

This period the Department transmitted revised corrective action plans for the Department-wide financial statement audits for FYS 1995 through 1999. At the end of the period, the Department had closed 128 of the 139 recommendations. The Department's FY 2000 audit contained 21 recommendations, bringing the total open recommendations to 32. Of these, 23 are considered non-repetitive.

Implementation of New Financial Management System Software

The Office of the Chief Financial Officer (OCFO) is in the process of implementing a new general ledger to replace the Financial Management System Software (FMSS) component of the Education Central Automated Processing System. OCFO is replacing the FMSS because the Department has experienced significant problems with its operation and maintenance since deploying it in October 1997. ED has selected Oracle Federal Financials as the replacement FMSS.

We issued a memorandum to the OCFO ("Implementation of Oracle Federal Financial Application," March 30, 2001) discussing the implementation of the new FMSS, Oracle Federal Financials. We identified two issues for the Department: 1) the Department does not plan to run standard parallel testing between the existing FMSS and the new one; and 2) the potential effects the implementation date of August 2001 will have on the Department's ability to prepare timely financial statements. The Department advised us that it had been analyzing the impact of the Oracle implementation date since January 2001. In April, the Department informed us that it has decided to postpone full implementation of the new FMSS until October 2001.

Challenge #2**CLINGER-COHEN ACT**

The Clinger-Cohen Act requires agencies to adopt specific practices to improve the management of information technology (IT), including the acquisition, use, and disposal of IT resources. We reported that while the Department had made progress since the arrival of the new Chief Information Officer in September 1999, it had not yet fully implemented three key requirements of the Act. These requirements relate to the capital planning and investment control process, a sound and integrated IT architecture, and the knowledge and skills of agency personnel in the area of information resource management.

For instance, the Department's Investment Review Board's capital planning and investment control process is presently limited to the selection of IT projects, and does not yet incorporate control and evaluation mechanisms. In December 2000, we provided comments to the Department on the Investment Review Board's charter, its investment review process, and business cases submitted for the FY 2002 budget. We stated that the Investment Review Board should clearly define its process for reviewing business cases, and that project owners need to adhere to Department guidance. Additionally, we stated that the Department needs to better address how top management will be sufficiently involved with, and knowledgeable about, SFA information technology decision-making to ensure that the Department as a whole is in compliance with the Clinger-Cohen Act. As discussed above, the *Report on Compliance with Laws and Regulations* issued as part of the Department's FY 2000 financial statement audit noted that the Department was not in full compliance with the Clinger-Cohen Act. SFA has established its own Investment Review Board, and is taking steps to implement Clinger-Cohen Act requirements.

Challenge #3**SYSTEMS SECURITY**

The Department reported security management as a material weakness in its FY 1999 and FY 2000 Federal Managers' Financial Integrity Act report. As reported in *Semiannual Report No. 41* (page 5), our audit on the security posture, policies, and plans for the Department's 14 mission-critical IT systems identified significant control weaknesses. These weaknesses collectively constitute a significant threat to the security of the Department's IT systems and the data they possess.

Department Action on OIG Recommendations

Since this audit, the Office of the Chief Information Officer (OCIO) informed us that security reviews have been completed for 13 of the 14 mission-critical systems. The remaining system is the Multiple Data Entry System. OCIO still needs to determine whether additional systems meet the Office of Management and Budget Circular A-130 definition of a major application or general support system requiring security reviews. OCIO has completed security plans for all mission-critical systems except EDNet, and anticipates completing the EDNet security plan by the end of May 2001.

OCIO has developed and implemented a computer-based security awareness program, and reported that 97 percent of ED employees had taken the training by December 2000. The

training will be offered annually to all employees. OCIO is still working toward ensuring that ED personnel who have specific systems responsibilities are adequately trained.

Security Audits

➔ SFA VIRTUAL DATA CENTER REVIEW

This period we issued a report on our evaluation of the security posture of SFA's Virtual Data Center (VDC), located in Meriden, Connecticut ("Security Review of the Virtual Data Center," *ED-OIG/A11-A0015, March 2001*). As a consolidation facility for SFA, the VDC is comprised of a telecommunications system and many connected resources, including mainframe and mid-range computers and network devices. Based on our procedures, we identified numerous areas where information-system security can be strengthened. SFA took certain steps to correct security vulnerabilities identified by our procedures during our audit.

➔ COLLECTION OF PERSONALLY IDENTIFIABLE INFORMATION

This period we issued a report on our audit of the collection of personally identifiable information through ED Internet sites to comply with requirements of the Treasury and General Government Appropriations Act of 2001 ("Audit of the Collection of Personally Identifiable Information Through ED Internet Sites," *ED-OIG/A11-B0002, February 2001*). As part of this review, we analyzed the Department's use of "persistent cookies" on its Web sites. A persistent cookie is information a Web site puts on the user's computer for a set period of time so that it can track information about that user.

We identified 54 ED activities that voluntarily collect personally identifiable information through the Internet and three areas needing additional oversight. Specifically, we found that ED needs to strengthen controls over the use of persistent cookies, ensure that privacy policy notices are provided, and monitor methods for collecting personally identifiable information. In its response to the draft report, OCIO concurred with our basic findings and provided information on completed and planned corrective actions.

➔ INFORMATION SECURITY PROGRAM AND PRACTICES

In addition to the security work that resulted in reports this period, we have initiated an evaluation of the Department's information security program and practices, as required by Title X, Subtitle G, "Government Information Security Reform," of the FY 2001 Defense Authorization Act (Public Law 106-398).

Challenge #4

INTERNAL CONTROLS

The Department of Education faces continued challenges as it works to design and implement effective internal controls. In addition to the FY 2000 financial statement audit findings described above, OIG efforts have disclosed weaknesses in management controls that leave the Department's programs and operations vulnerable to fraud, waste, and abuse.

Improper Payments

There has been an increased emphasis in recent years on “improper payments” – ensuring that “the right person gets the right benefit.” In an October 1999 report to the Chairman, Senate Committee on Governmental Affairs, “Increased Attention Needed to Prevent Billions in Improper Payments,” the General Accounting Office (GAO) defined improper payments as “...payments made for unauthorized purposes or excessive amounts, such as overpayments to program recipients or contractors and vendors.” The report identified ED as one of several agencies that had “improper payments.” In October 2000, GAO issued a follow-up report, “Billions in Improper Payments Continue to Require Attention.” This report also identified the Department as having improper payments.

➔ RECOMMENDATIONS FOR DEPARTMENT ACTION

This period, in a memorandum to the Acting Chief Financial Officer, we recommended that the Department develop its own approach or methodology for annually estimating improper payments. Shortly thereafter, the Office of Management and Budget (OMB) issued draft guidance on improving federal benefit payment integrity. OMB has not yet issued final guidance on this subject.

➔ GRANT ADMINISTRATION AND PAYMENT SYSTEM DUPLICATE PAYMENTS

This period we also issued a report on our analysis of the Grant Administration and Payment System (GAPS) duplicate payments (“Analysis of GAPS Duplicate Payments,” *ED-OIG/A11-B0001, March 2001*). The objective of our analysis was to identify information in the GAPS database and Federal Reserve Bank records that could indicate duplicate payments during the period May 1998 to September 2000. Our analysis was limited to the documentation available at the Department.

Before we began our work, the Department identified eight instances of GAPS duplicate payments totaling \$198 million that occurred during the period of our analysis. We found an additional thirteen instances of duplicate payments totaling about \$55 million, which the Department acknowledged. The recipients returned all funds to the Department except for \$2,175 that was kept by one recipient and deducted from its grant balances. We also found nine GAPS transactions for about \$6 million that could be potential duplicate payments. We are continuing to research these payments. We made several recommendations which the OCFO accepted.

➔ CONTROLS OVER CONTRACT PAYMENTS

We issued a report this period on our review of the contract payment process (“Audit of Controls Over Contract Payments,” *ED-OIG/A07-A0015, March 2001*). We found that improvements were needed in the controls over the invoice review process, segregation of duties, and the process for establishing vendor information in ED’s contract payment system. We recommended that the OCFO develop policies and procedures to ensure that invoice review processes are followed, and establish an internal control monitoring procedure to periodically review payments for appropriateness. We made several recommendations; the OCFO generally concurred.

Procedures for Resolving “Deficient” Compliance Audit Reports

We issued a report on our audit of Case Management & Oversight’s (CMO’s) procedures for resolving a “deficient” compliance audit report (“Audit of Case Management and Oversight’s Procedures for Resolving a ‘Deficient’ Audit Report,” *ED-OIG/A03-A0002, March 2001*). We found that while CMO’s final audit determinations were generally appropriate, it generally did not obtain the required irrevocable letter of credit (LOC) as part of the audit resolution process involving findings for failure to pay refunds on time. CMO lacks the protection to ensure that sufficient cash reserves exist at these institutions to pay required refunds.

We recommended that the Chief Operating Officer for SFA ensure that institutions cited for failing to pay refunds on time submit an LOC, and initiate appropriate administrative action against those that fail to do so. SFA disagreed with the first recommendation, advising that the determination of whether to request an LOC was guided by the overall risk to Title IV funds the violation posed. SFA concurred in part with our second recommendation, suggesting that in some cases, other courses of action would be more appropriate. We did not change our recommendations.

Internal Controls over Purchase Cards and Third-Party Drafts

In our last semiannual report (*Semiannual Report No. 41, page 6*), we reported on our review of the Department’s internal control over its purchase card and third-party draft programs. Our reviews of ED’s principal offices found that the Department’s established control activities for these programs were not always followed, and that the OCFO, which is responsible for the programs, needed to improve its administration of both programs.

This period we completed our review in a summary report, and provided the Department with several recommendations to address our findings (“Results of the OIG Review of Internal Controls Over the Use of Purchase Cards and Third-Party Drafts,” *A&I 2000-015, October 2000*). Some of the deficiencies we found included a frequent lack of documented supervisory review of individual purchases and a lack of sufficient supporting documentation for some purchase card transactions. In addition, the Department was not conducting an effective reconciliation of the monthly Department-wide purchase card statement. We noted similar deficiencies in the third-party draft program.

We recommended that the Department:

- strengthen the control environment over the use of purchase cards and drafts;
- provide for an assessment of the risks the agency faces from both external and internal sources;
- strengthen control activities over the use of purchase cards and drafts;
- strengthen information and communication regarding the use of purchase cards and drafts; and
- strengthen monitoring over the use of purchase cards and drafts.

These recommendations will help safeguard against potential misuse or waste and ensure that purchase card transactions and third-party drafts serve program needs.

Department officials concurred with our findings and provided us with a corrective action plan to address our recommendations. We also provided these reports and supporting work papers to the General Accounting Office relating to their current work on improper payments at the Department.

Challenge #5

ROLE OF THE PERFORMANCE-BASED ORGANIZATION

The development of a performance-based organization (PBO) – called SFA – as a discrete management unit reporting to the Secretary to manage the operations of the student financial assistance programs is a continuing challenge. While the legislation creating the PBO provides for independence, the degree of independence remains unclear.

In January 2000, responsibility for the promulgation of regulatory program policy for the SFA programs was officially assigned to the Office of Postsecondary Education (OPE), the principal office in which SFA previously resided prior to the establishment of the PBO. The alignment of policy responsibilities has not been accompanied by a clear delineation of roles and responsibilities. Other key coordination challenges include SFA’s relationships with the Department’s OCFO and OCIO, as discussed in the *Report on Internal Control* issued as part of SFA’s FY 2000 financial statement audit. This is particularly important in the financial management area as the Department and SFA test and implement new general ledger systems.

The Department and SFA are working to clarify the relationship between the two organizations.

Challenge #6

GOVERNMENT PERFORMANCE AND RESULTS ACT

Reporting requirements under the Government Performance and Results Act (GPRA) present two significant challenges to the Department: to ensure that correct measures were selected to place appropriate focus on program performance, and to ensure that data sources for measures are of sufficient quality.

GPRA Review at the Department of Education

The OIG has made reviewing the Department’s GPRA reports and plans an ongoing priority. At the Department’s request, we reviewed the Planning and Evaluation Service’s (PES) process for preparing the 1999 performance reports and 2001 plans (“Review of Planning and Evaluation Service Implementation of the Government Performance and Results Act, 1999 Performance Report and 2001 Plans,” *A&I 2000-16, November 2000*). We found that Department employees involved in the creation of these reports and plans were generally satisfied with the process. Employees acknowledged that there were some problems and challenges associated with the GPRA process, but also recognized that problems are a normal part of any new process. Employees stated they were hopeful PES would learn from the experience and improve the process in the future. PES concurred with our findings and appreciated the feedback that we were able to give them concerning the GPRA process.

Management Controls over the Collection and Reporting of Performance Data to ED

Our review of the California Department of Education's (CDE) collection and reporting of performance data provided to ED identified weaknesses in CDE's management controls covering performance data for placement, exiting, and discipline for school year 1998-99 ("California Department of Education Management Controls Over IDEA, Part B – Special Education Performance Data," *ED-OIG/A09-A0016, March 2001*). Specifically, we found that CDE did not fully meet two of the six *Data Quality Standards* developed by ED for use by its managers when monitoring grantees and evaluating the quality of the reported data.

In its comments to the report, CDE expressed no objections to our findings and described the corrective action planned or taken.

Challenge #7

MODERNIZATION BLUEPRINT AND PERFORMANCE PLAN

SFA is developing and implementing its systems Modernization Blueprint, which is intended to streamline and integrate its student financial aid systems. The Blueprint describes the future business requirements, business and technical architecture, and sequencing plan that SFA will use to transform its financial aid systems using leading-edge technology. We have previously reviewed and commented on the development of the Blueprint. As noted under **Challenge #3, Systems Security**, our evaluation this period of the security posture of SFA's Virtual Data Center identified areas where information-system security can be strengthened.

Another challenge for SFA is to ensure that the implementation of the five-year performance plan meets SFA's responsibilities as required by the Higher Education Act of 1965, as amended, in four key areas: improve services, including making programs more understandable to students and their parents; reduce costs; improve and integrate support systems; and deliver accurate and timely information systems.

Challenge #8

MOVING TO A PAPERLESS ENVIRONMENT

The Department must implement the Government Paperwork Elimination Act (GPEA) which requires it to move to electronic government by October 21, 2003. The purpose of GPEA is not simply to replace paper transactions with electronic ones, but to help agencies improve program operations, achieve cost savings, and develop adequate controls to prevent fraud, waste, and abuse.

Agencies were required to develop and submit to OMB by October 2000 a plan that provides for implementation of GPEA by October 2003, when practicable. On October 31, 2000 the Department submitted to OMB an initial plan for GPEA implementation. This period we reviewed the plan and noted numerous transactions where the completion date was identified as "prior to 10/2003." We advised the Department to identify specific milestones.

SFA is moving ahead with plans to implement electronic signatures in the Direct Loan and Federal Family Education Loan programs.

Challenge #9

**BALANCING COMPLIANCE MONITORING
AND TECHNICAL ASSISTANCE**

Balancing compliance monitoring and technical assistance in the oversight of federal education programs is a challenge for the Department as it strives to meet both accountability and flexibility needs.

Elementary, Secondary and Higher Education Programs

Our work in elementary and secondary education during the period encompassed both management challenges facing the Department and significant programmatic issues.

➔ GUN-FREE SCHOOLS ACT OF 1994

As a follow-up to our work last period, in which we audited seven states' compliance with provisions of the Gun-Free Schools Act (*Semiannual Report No. 41*, page 7), we issued a final audit report summarizing our findings ("State and Local Education Agencies' Compliance with the Gun-Free Schools Act of 1994," *ED-OIG/A03-A0018*, February 2001). We also issued a perspective paper to assist Department officials and Congress in determining if revisions to the Act are necessary ("An OIG Perspective on the Gun-Free Schools Act of 1994," *ED-OIG/S03-A0018*, March 2001). We identified several issues for consideration, specifically:

- The Act does not cover a student who is determined to have brought to school an airgun (*i.e.*, BB gun and pellet gun), antique firearm, or replica of an antique firearm.
- The Act requires state and local education agencies (SEAs and LEAs) to collect and report information on expulsions of students who have brought firearms to school. However, the Act does not expressly require SEAs and LEAs to collect information on *incidents* involving such students.
- Items within the Act require clarification. First, the Act contains an incorrect statutory reference in describing the information SEAs must report to ED. Second, the Act includes conflicting references to the terms "firearm" and "weapon." Third, the Act does not expressly specify expulsion as the consequence for students found in possession of a firearm, because the Act uses the term "bring" or "brought," rather than "possess."

This period a bill was introduced in the Senate (S. 649, "To modify provisions relating to the Gun-Free Schools Act of 1994," March 29, 2001), which includes several issues from our Perspective Paper.

➔ SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES ACT GOVERNOR'S PROGRAM

We conducted a review of the Safe and Drug-Free Schools and Communities Act Governor's Program at six states ("Safe and Drug-Free Schools and Communities Act Governor's Program," *ED-OIG/A04-A0005*, March 2001). Our review did not disclose any instances of misuse of program funds.

We recommended that the Department assist state administrators in finding ways to identify and address those youths not served by state and local education agencies and those youths with special needs as defined in the law, or consider whether the law needs to be changed. We also

recommended that the Department study the feasibility of combining the Governor's Program and the State Education Agency Program into one program. Finally, we recommended that ED provide technical assistance to help Governor's Program officials. The Department did not entirely concur with our findings or recommendations.

➔ **PUERTO RICO NATIONAL SCHOOLS SERVICE CONTRACT**

We audited the Puerto Rico Department of Education's (PRDE) administration of a \$9.7 million Title I fixed-price contract for Elementary and Secondary Learning Centers for the 1998-99 school year ("Puerto Rico Department of Education Did Not Administer Properly a \$9,700,000 Contract with National School Services of Puerto Rico," *ED-OIG/A01-A0004, March 2001*). We found that PRDE awarded the contract to National School Services of Puerto Rico without full and open competition.

We recommended that the Department require PRDE to establish controls to ensure that all procurement transactions involving federal funds provide for open and free competition. We also recommended recovery of about \$8 million.

In its response, PRDE said it had taken significant corrective actions to improve the deficiencies we identified, and believed it was impossible to respond properly to the findings without receiving information and documents from the contractor. Our position and recommendations remained unchanged.

➔ **VIRGIN ISLANDS**

We issued an action memorandum alerting the Assistant Secretary, Office of Special Education and Rehabilitative Services (OSERS), to concerns that we identified during our ongoing audit of the Virgin Islands Department of Education's (VIDE) compliance with the Individuals with Disabilities Education Act (IDEA), Part B ("Review of Virgin Islands Department of Education Compliance with Part B of the Individuals with Disabilities Education Act," *State and Local No. 01-03, December 2000*). VIDE received about \$7.8 million in FY 1998 and about \$8.9 million in FY 1999 in IDEA funds.

Despite the significant amount of funds it had received, we found that VIDE was not demonstrating significant progress toward meeting the requirements of its voluntary compliance agreement with the Department, which became effective in December 1999. VIDE agreed to prepare the agreement with ED as a means of ensuring that it would continue to receive IDEA, Part B funds after ED designated VIDE a "high risk" grantee in June 1998. While the Virgin Islands had, at the time of our review, three years to fully implement the agreement and come into full compliance with Part B of the IDEA, we advised the Assistant Secretary that OSERS needs to assure that VIDE is making sufficient interim progress toward that goal. If it is not, we recommended that OSERS explore other options, such as a third-party vendor to procure supplies and related services to assist children with disabilities to benefit from their education.

➔ **TITLE III MONITORING**

We performed an audit of the office of Higher Education Programs' (HEP) monitoring of Parts A and B of the Title III program ("Office of Higher Education Programs Needs to Improve Its Oversight of Parts A and B of the Title III Program," *ED-OIG/A04-90013, December 2000*). Our report disclosed that HEP needs a systematic approach to monitor effectively and efficiently

institutions receiving grants under Title III of the Higher Education Act of 1965, as amended. We also found that HEP needs to develop a systematic approach for resolving and enforcing compliance and program performance issues that arise with grantees.

We recommended that HEP develop and implement a technical assistance, compliance, and program performance monitoring system, and establish and implement a tracking and resolution system for Title III grantees. HEP concurred with our findings and recommendations.

Student Financial Assistance Programs

The 1998 amendments to the Higher Education Act of 1965 required each guaranty agency to establish a Federal Fund, which is the property of the federal government, and an Operating Fund, which is the property of the guaranty agency. If the Operating Fund contains funds transferred from the Federal Fund, it may be used only as the regulations permit.

This reporting period we reported on two guaranty agencies' administration of these Funds in the Federal Family Education Loan (FFEL) program.

➔ ILLINOIS STUDENT ASSISTANCE COMMISSION'S (ISAC) ADMINISTRATION OF THE FFEL PROGRAM FEDERAL AND OPERATING FUNDS

We issued an audit report, "The Illinois Student Assistance Commission's Administration of the Federal Family Education Loan Program Federal and Operating Funds" (*ED-OIG/A05-A0028, March 2001*), containing several findings that may affect the balances of the funds.

We found that ISAC transferred about \$1.5 million from the Federal Fund to the Operating Fund for unused employee vacation and sick pay. The Higher Education Act of 1965, as amended, and implementing regulations do not include funding this liability as an authorized use of the Federal Fund. We also found that ISAC did not follow OMB Circular A-87 cost principles in developing its cost allocation plans, and did not follow its allocation plans in distributing shared salary cost to its three major functions. We estimated that ISAC overcharged the FFEL program funds about \$1.9 million during the period covered. ISAC also had not recognized the federal government's ownership interest in the building and land that ISAC occupies. We also identified additional monetary findings.

We recommended that the Chief Operating Officer for SFA require ISAC to return about \$4.3 million including imputed interest to the FFEL program, and recognize or reimburse the federal government's ownership interest in its building and land. ISAC officials disagreed with some findings and agreed with others.

➔ GREAT LAKES HIGHER EDUCATION CORPORATION'S FFEL PROGRAM ADMINISTRATION

Our audit of Great Lakes Guaranty Corporation's (Great Lakes Guaranty) administration of the FFEL program during the fiscal year ending September 30, 1999 identified two findings involving Great Lakes Guaranty's treatment of the administrative cost allowance and interest on assets transferred from the Federal Fund ("Great Lakes Higher Education Corporation's Administration of the Federal Family Education Loan Programs, Madison, Wisconsin," *ED-OIG/A05-A0002, March 2001*).

Great Lakes Guaranty transferred about \$500,000 from the Federal Fund to the Operating Fund for an estimated liability related to the return of administrative cost allowance for canceled loans. It also transferred about \$260,000 for retroactive interest on cash and investments from the Federal Fund to the Operating Fund. Those transfers were not authorized by the Higher Education Act of 1965, as amended.

We recommended that the Chief Operating Officer for SFA require Great Lakes Guaranty to return about \$840,000 to the Federal Fund related to these transfers. Great Lakes Guaranty disagreed with the findings.

Nonfederal Audit Activities

Participants in Department programs are required to submit annual financial statements and compliance audits performed by independent public accountants (IPAs). The various types of audits the Department receives include proprietary school/school servicer audits; lender/lender servicer audits; guaranty agency audits; and OMB Circular A-133 Single Audits.

The Inspector General Act directs the Inspector General to take appropriate steps to assure that work performed by nonfederal auditors complies with federal government auditing standards. The OIG publishes audit guidance specific to Department programs to assist IPAs in performing independent audits.

➔ QUALITY REVIEWS OF NONFEDERAL AUDITS

This period we performed 49 quality control reviews (QCRs) of audits performed by 41 different independent public accountants (including 8 audits performed by different offices of two national certified public accounting firms).

Results of QCRs

Based on our 49 reviews, we determined:

- 27 (fifty-five percent) were *acceptable*, containing no deficiencies or only minor deficiencies not requiring changes or corrective action;
- 15 (thirty-one percent) were *technically deficient* and required corrective action by the auditor; and
- 7 (fourteen percent) were *substandard*, containing significant audit deficiencies which prevented the Department from relying upon the audit.¹

Referrals of Independent Public Accountants

During this period, we referred four IPAs to the American Institute of Certified Public Accountants and/or the appropriate State Board of Accountancy for possible disciplinary action. The referrals were for audits containing significant inadequacies or for other serious violations of professional standards.

¹Beginning with this reporting period, we are reporting the results of quality control reviews in categories consistent with those defined by the President's Council on Integrity and Efficiency. Results now reported as *technically deficient* were previously reported as "substandard"; results now reported as *substandard* were previously reported as "containing significant inadequacies." Nonfederal audits are selected for QCR on a judgmental basis, thus QCR results are not necessarily reflective of all nonfederal audits submitted.

Challenge #10**OBTAINING INCOME VERIFICATION
FROM THE INTERNAL REVENUE SERVICE**

A significant concern for the Department has been student aid applicants (and their parents) who under-report their income in order to receive student financial assistance funds to which they are not entitled. An OIG match with the Internal Revenue Service (IRS) found a significant number of differences between income amounts reported on individual Free Applications for Federal Student Aid (FAFSAs) and incomes reported to the IRS for the corresponding audit period. Based on the audit results as well as investigative activities, we recommended that the Department be authorized to verify with the IRS the income information reported by students and their parents on the FAFSAs.

Congress provided the Department this authority in the Higher Education Act Amendments of 1998 (P.L. 105-244). However, negotiations with the IRS, which interprets and enforces the Internal Revenue Code, have not led to actual implementation of the verification process. Congress should enact whatever legislation is necessary to make this critical verification of income a reality. (See **Investigations, False Claims on FAFSAs, Fraud By Financial Aid “Preparers”** below.)

RESULTS OF INVESTIGATIONS**Student Financial Assistance Programs**

OIG investigations this period continued to identify individuals who used, or may have used, their positions to defraud the SFA programs, as well as individuals who are alleged to have otherwise obtained SFA funds to which they were not entitled. Unless otherwise indicated, the individuals described in the cases that follow had not entered pleas or been sentenced by the end of the reporting period.

➔ FALSE CLAIMS ACT SETTLEMENTS FOR DUE DILIGENCE VIOLATIONS

Department of Education regulations require owners and servicers of FFEL program portfolios to meet specific “due diligence” requirements to maintain the government’s guarantee. These requirements include mailing letters to delinquent borrowers and making telephone contacts or otherwise attempting to contact them within specific time frames. OIG investigations have disclosed instances in which participant institutions or their employees have falsely reported compliance with due diligence regulations to receive payment for claims on defaulted loans.

These investigations have resulted in civil settlements reaching millions of dollars under the False Claims Act. In *Semiannual Report No. 37* (page 3), we reported a \$28 million settlement and \$2 million criminal fine paid by Cybernetics and Systems, Inc., a subsidiary of CSX Corporation, which acted as a servicer for loan portfolios reinsured by the federal government. Last year we reported a \$7,775,000 False Claims Act settlement by CORUS Bankshares, Inc. and CORUS Bank, Inc. to compensate the government for allegedly submitting fraudulent insurance and reinsurance claims on guaranteed student loans (*Semiannual Report No. 41*, page 9).

This period saw another multi-million-dollar settlement under the False Claims Act by a large corporation. Sallie Mae Servicing Corporation of Reston, Virginia agreed to pay the United States \$3.4 million to settle False Claims Act allegations involving an employee at its servicing center in Waltham, Massachusetts. The employee allegedly created false collection histories on thousands of FFEL accounts, falsely reporting he had made telephone calls to borrowers or attempted to make calls as required by “due diligence” regulations. Hundreds of loan accounts bearing falsified collection histories were submitted to guaranty agencies. The guaranty agencies paid Sallie Mae on the basis of these submissions and received reinsurance from the Department. On discovering the employee’s alleged misconduct, Sallie Mae reported the matter to the OIG. The agreement prohibits Sallie Mae from making any claims in the future on federal guarantees on \$9.5 million in additional affected loans.

➔ **INSTITUTIONAL FRAUD**

Our investigative work continues to identify certain trends in fraud or alleged fraud by institutions participating in the Department’s student financial aid programs, or officials and employees of those institutions. Some examples of this criminal activity include alleged refund fraud, falsification of documents for eligibility purposes, and ineligible locations and programs.

Refund Fraud

- The former president and chief executive officer of International Education Center (IEC) pled guilty for failing to make refunds to the Pell Grant program. From 1994 to 1996, IEC failed to make refunds totaling more than \$600,000 when students either did not attend IEC after enrolling, or withdrew after completing only a small percentage of the educational program.
- The former owner of Westlake Institute of Technology was indicted on 10 counts of failure to make refunds. Our investigation developed evidence that the owner failed to refund about \$91,000 on behalf of 34 former students.

Falsifying Documents for Eligibility Purposes

- A former instructor at Eastern Jackson County College of Allied Health was sentenced to 15 months incarceration followed by three years supervised probation, and was ordered to pay ED about \$1.4 million in restitution. The subject took part in a conspiracy to disburse over \$1.4 million in Pell Grant funds for ineligible or non-existent students.
- The former admissions director and a former admissions representative at American Career Training pled guilty to conspiracy to defraud a government agency. The subjects, who were indicted in April 2000 for receiving more than \$250,000 in Pell Grant funds for ineligible students at the now defunct institution, falsified eligibility documents for ineligible students.
- Four individuals pled guilty to participating in a scheme to defraud ED out of about \$3.5 million in Pell Grant funds at Garces Commercial College. Two of the individuals directed employees to falsify records and draw down funds on behalf of non-existent students and elderly residents at a local senior center. The third forged student

signatures on financial aid applications and created new student files using information contained in old student files to support claims for Pell money. The fourth actively recruited elderly clients at the senior center. All four individuals received large sums of money wired to offshore accounts from fictitious corporations.

Ineligible Locations and Programs

- The co-owner of American Weld Testing School (AWT) was found guilty of student financial aid fraud. From July 1995 through April 1997, students at AWT's Beaumont, Texas campus received about \$1,025,522 in unauthorized Title IV funds. The Department did not approve AWT to participate in the SFA programs until April 1997.

➔ RECIPIENT FRAUD

Responding to identified trends in student financial assistance fraud or alleged fraud, in the last several years our investigative effort has focused increasingly on allegations involving institutions, their officials and employees. This case work in turn has identified a potential vulnerability in specific categories of beneficiary fraud or alleged fraud. Examples of significant investigative results in these areas follow.

- An individual was sentenced to 30 months in prison followed by 36 months of supervised release, and was ordered to pay about \$200,000 in restitution. The subject received numerous student loan checks based on fraudulent applications supported by false, fraudulent and altered documents and forged signatures. The individual deposited the checks in several bank accounts and wire-transferred funds to accounts held by family members in Israel. The subject fraudulently obtained or attempted to obtain about \$1.1 million in student loan disbursements through this scheme.
- An individual was indicted on 22 counts of mail fraud, wire fraud, false statements, and student financial assistance fraud. Between 1984 and 1998, the subject allegedly applied for and received 14 guaranteed student loans and four Pell grants totaling about \$40,000 using his own and five false Social Security numbers. He subsequently defaulted on all but one of the loans.
- An Egyptian citizen was sentenced to 18 months imprisonment and ordered to make restitution of \$31,981 after pleading guilty to student financial aid fraud and false claims of U.S. citizenship. The subject fraudulently claimed U.S. citizenship, producing his own certificate of naturalization with a home scanner and submitting the document to California Polytechnic University at Pomona to qualify for and obtain about \$36,000 in Title IV funds.

➔ FALSE CLAIMS ON FAFSAS

Fraud by Financial Aid "Preparers"

OIG investigations over the last several years have identified and led to the prosecution and conviction of individuals who, for a fee, assist parents in filling out false financial aid forms to fraudulently obtain student aid for their children. (See *Semiannual Report No. 37*, pages 28-29 and *Semiannual Report No. 38*, pages 28-29.) This period, investigations resulted in 47 civil

cases and judgments totaling over \$400,000 against such individuals, known as “preparers,” and many of their clients.

In one of our largest investigative efforts thus far in this area, 26 individuals were charged with mail fraud and student aid fraud. The subjects are alleged to have fraudulently obtained more than \$2.6 million from ED in the form of grants, work-study funds, and loans. The defendants include two former financial aid advisors, five “preparers,” and 18 parents, who allegedly falsified income information to fraudulently obtain education grants and other forms of assistance for their children. This period one parent pleaded guilty to mail fraud and agreed to cooperate with the government against the preparers.

The persistence of such cases demonstrates how important it is for the Department to be able to verify the accuracy of income information on financial aid applications before disbursing student aid funds (see **Challenge #10, Obtaining Income Verification from the Internal Revenue Service** above). Without such assurance, the Department is severely limited in its ability to prevent ineligible applicants from fraudulently obtaining student loans and grants.

False Statements to Obtain Student Aid

Investigative efforts this period continued to result in prosecutive actions against students and school officials who provided, or are alleged to have provided, false information to obtain student aid to which they are not entitled. Examples this period include an individual who allegedly enabled Hammond Academy of Beauty Culture fraudulently to receive more than \$370,000 in Pell Grant funds by conspiring with the school owner to enroll ineligible students in an ineligible program. The school also allegedly received Pell funds for students who did not have a high school diploma or GED, and did not take an ability-to-benefit test. In another case, the government seized about \$350,000 and a luxury automobile from a woman and her two sons after an investigation developed evidence that the woman had concealed about \$390,000 in cash advances from credit-card companies and financial institutions. Her sons did not disclose the assets when they applied for and received more than \$30,000 in student financial aid. All three entered guilty pleas this period.

➔ FALSE CLAIMS OF ENROLLMENT AT FOREIGN SCHOOLS

We are continuing to investigate FFEL borrowers who allegedly have received funds by falsely claiming enrollment at foreign schools.

- An individual was charged with defrauding ED of more than \$250,000 in student loan funds. The indictment charged four counts of mail fraud, three counts of student financial assistance fraud, and two counts of Social Security fraud stemming from her alleged scheme to fraudulently obtain student loan funds under the pretense that she was attending several schools in Tokyo, Japan. According to the criminal complaint, the subject submitted 15 student loan applications requesting more than \$250,000. The investigation may have prevented the disbursement of about \$18,500 in federal student loan funds. The subject pled not guilty to the charges.
- An individual was charged with student financial assistance fraud, mail fraud, and submitting false statements to ED. The subject allegedly submitted four fraudulent FFEL applications requesting a total of about \$65,000 for claimed attendance at two Dominican Republic medical schools. The subject pleaded not guilty.

Other Investigative Efforts

➔ FORFEITURE IN REM JUDGMENT

As a result of our investigation into \$1.9 million of Impact Aid funds fraudulently wired from the Federal Reserve to improper bank accounts, the Department had recovered \$1,718,696 by the end of this reporting period. (See *Semiannual Report No. 41*, page 4, “Forfeiture in rem Judgment in Excess of \$1.6 Million and Return of Funds to ED.”)

➔ EMPLOYEES PLEAD GUILTY TO RECEIVING STOLEN GOVERNMENT PROPERTY

In another investigation reported in our last semiannual report, this period three people – two Department employees and a contract employee – pled guilty to receiving stolen government property. (See *Semiannual Report No. 41*, page 4, “Improper Purchases of Equipment, Charges for Unworked Hours.”) This brings to seven the number of individuals who have entered pleas in this case. The seven were investigated for the theft of over \$300,000 of Department-owned electronic equipment, and the submission of false billings for contractor overtime.

➔ FORMER CHIEF FINANCIAL/CHIEF INFORMATION OFFICER AGREES TO CIVIL SETTLEMENT

A former ED Chief Financial Officer/Chief Information Officer entered into a civil settlement this period, agreeing to pay \$20,000 to resolve conflict-of-interest allegations. The settlement agreement, which does not constitute an admission by any person or entity, concluded an investigation of the official’s failure to disclose in public financial disclosure reports available to the Department his wife’s ownership of computer stock. The official failed to recuse himself from participation on a Department committee that made decisions relating to the purchase of computers. The official denied the claims of the United States.

Other Efforts

➔ STRATEGIC PLAN

We recently published our revised Strategic Plan for 2001-2005, containing the OIG mission statement and strategic goals. The OIG mission is: *To promote the efficiency, effectiveness, and integrity of the Department’s programs and operations, we conduct independent and objective audits, investigations, inspections, and other activities.* To accomplish our mission, we have established the following strategic goals:

- To improve the Department’s programs and operations.
- To protect the integrity of the Department’s programs and operations.
- To ensure quality and excellence in our organization.

P.L. 95-452 REPORTING REQUIREMENTS

Sections 5(a)(1) and 5(a)(2) Significant Problems, Abuses, and Deficiencies.....	1
Section 5(a)(3) Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	20
Section 5(a)(4) Matters Referred to Prosecutive Authorities	
Investigation Services Cumulative Actions.....	29
Statistical Profile	34
Sections 5(a)(5) and 6(b)(2) Summary of Instances Where Information Was Refused or Not Provided*	
Section 5(a)(6) Listing of Audit Reports	
ED/OIG Audit Services Reports on Education Department Programs and Activities.....	21
Section 5(a)(7) Summary of Significant Audits	
Significant Activities and Management Challenges.....	1
Section 5(a)(8) Audit Reports Containing Questioned Costs	
Inspector General Issued Audit Reports with Questioned Costs.....	24
Section 5(a)(9) Audit Reports Containing Recommendations That Funds Be Put to Better Use	
Inspector General Issued Audit Reports with Recommendations for Better Use of Funds	25
Section 5(a)(10) Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period	
Unresolved Reports Issued Prior to October 1, 2000	26
Section 5(a)(11) Significant Revised Management Decisions*	
Section 5(a)(12) Significant Management Decisions with Which OIG Disagreed*	

*No instances to report.

Management Challenges Facing the Department of Education Reported to Congress by OIG

- ❖ Correct long-standing financial management problems.
- ❖ Fully implement the Clinger-Cohen Act.
- ❖ Continue to improve systems security.
- ❖ Improve the Department's internal controls.
- ❖ Define the role of the Performance-Based Organization.
- ❖ Obtain appropriate performance measurement and quality data for Government Performance and Results Act reporting.
- ❖ Implement Student Financial Assistance's Modernization Blueprint and Performance Plan.
- ❖ Move to a paperless environment.
- ❖ Balance compliance monitoring and technical assistance in the oversight of education programs.
- ❖ Obtain income verification from the Internal Revenue Service.

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

Section 5(a)(3) of the Inspector General Act requires a listing of each report resolved before the commencement of the reporting period for which management has not completed corrective action. The reports listed below are OIG internal and nationwide audit reports and management improvement reports.

Report Number/ Date Issued	Auditee/Title (Prior SAR Number and Page)	Date Resolved	Total Monetary Findings	Number of Recommendations Open Closed		Latest Target/ Closure Date
New Since Last Reporting Period						
<u>STUDENT FINANCIAL ASSISTANCE</u>						
A03-70010/ June 30, 1999	Audit of the U.S. Department of Education's Closed School Process (SAR 37, pg. 17)	1/31/2000	\$24,058,432	1	6	December 31, 2001
A04-70016/ Sept. 25, 1998	Review of the Department's Oversight of Schools Participating in the William D. Ford Federal Direct Loan Program (SAR 37, pg. 15)	2/29/2000	*	1	16	June 30, 2001
<u>OFFICE OF THE UNDER SECRETARY</u>						
A17-70007/ Sept. 24, 1998	Moving Towards a Result-Oriented Organization: A Report on the Status of ED's Implementation of the Results Act (SAR 37, pg. 14)	1/31/2000	*	1	7	March 31, 2002
Reported in Previous Semiannual Report						
<u>OFFICE OF POSTSECONDARY EDUCATION</u>						
A04-60001/ March 27, 1996	Process Enhancements in the HEA, Title III, Institutional Aid Program Would Increase Efficiency, Despite Limited Resources (SAR 32, pg. 9)	8/31/1996	*	1	3	August 1, 2001
MIR 92-05** A09-18053/ March 13, 1992	ED Needs to Strengthen Student Loan Cure Procedures (SAR 24, pg. 12)	9/30/1993	\$154,000,000	1	0	September 30, 2002
<u>OFFICE OF THE CHIEF FINANCIAL OFFICER</u>						
A17-40303/ August 16, 1996	The Report of Independent Accountants on the U.S. Department of Education Fiscal Year 1995 Department-wide Financial Statements (SAR 33, pg. 14)	3/31/1997	*	2	24	April 30, 2001
A17-60002/ July 31, 1997	The Report of Independent Accountants on the U.S. Department of Education Fiscal Year 1996 Department-wide Financial Statements (SAR 35, pg. 19)	5/31/1999	*	2	22	April 30, 2001
A17-70002/ June 15, 1998	U.S. Department of Education's Fiscal Year 1997 Financial Statements and Accompanying Notes (SAR 37, pg. 13)	5/31/1999	*	2	35	April 30, 2001
<u>OFFICE OF THE CHIEF INFORMATION OFFICER</u>						
A11-70007/ March 31, 1998	The Status of Education's Implementation of the Clinger-Cohen Act (SAR 36, pg. 19)	8/31/1999	*	4	7	November 30, 2001

* - Non-monetary findings only

** - Management Improvement Report (MIR)

SAR - Semiannual Report

ED/OIG Audits Services Reports on Education Department Programs and Activities (October 1, 2000 to March 31, 2001)

Section 5(a)(6) of the Inspector General Act requires a listing of each report completed by OIG during the reporting period. A total of 22 audit reports were issued by ED/OIG auditors. In addition, we issued 12 alternative products, which includes management information reports, action memoranda, and special projects. The 34 reports are listed below by program office.

Report Number / Date Issued	Report Title	Questioned Costs**	Unsupported Costs	Better Use of Funds	Number of Recommendations
Audit Reports					
<u>OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS</u>					
A05-A0004 December 6, 2000	Title VII Systemwide Improvement Grant Administered by Community Unit School District 300, Carpentersville, Illinois	\$342,217	\$342,082	*	2
<u>OFFICE OF THE CHIEF FINANCIAL OFFICER</u>					
A07-A0015 March 13, 2001	Audit of Controls Over Contract Payments	*	*	*	8
A17-A0002 February 28, 2001	Fiscal Year 2000 Annual Financial Statements U. S. Department of Education	*	*	*	21
A17-B0005 March 7, 2001	U. S. Department of Education's Federal Agencies' Centralized (originally A17-A0002) Trial-Balance System (FACTS) Verification Agreed-upon Procedures Engagement Year Ended September 30, 2000	*	*	*	*
<u>OFFICE OF THE CHIEF INFORMATION OFFICER</u>					
A11-B0002 February 20, 2001	Audit of the Collection of Personally Identifiable Information Through ED Internet Sites	*	*	*	9
<u>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION</u>					
A01-A0004 March 28, 2001	Puerto Rico Department of Education Did Not Administer Properly a \$9,700,000 Contract with National School Services of Puerto Rico	\$1,193,993	\$6,647,500	*	14
A02-A0001 March 28, 2001	Audit of the New York City Board of Education's Oversight of Title I, Part A, Improving Basic Programs Operated by Local Educational Agencies (Title I) Services to Private School Children, as Authorized by the Elementary and Secondary Education Act	\$5,162	*	*	2
A03-A0018 February 1, 2001	State and Local Education Agencies' Compliance with the Gun-Free Schools Act of 1994	*	*	*	6
A04-A0005 March 30, 2001	Audit of the Governor's Program Portion of the Safe and Drug-Free Schools and Communities Act	*	*	*	6
<u>OFFICE OF POSTSECONDARY EDUCATION</u>					
A04-90013 December 27, 2000	Office of Higher Education Programs Needs to Improve Its Oversight of Parts A and B of the Title III Program	*	*	*	17
A05-A0022 January 22, 2001	Audit of Selected Aspects of the Talent Search Grant (Project) Administered by South Suburban College, South Holland, Illinois	\$5,358	*	*	4
A05-A0026 March 30, 2001	Audit of Richard J. Daley College's Administration of Selected Aspects of Its Strengthening Institutions-Hispanic Serving Institution Program, Chicago, Illinois	*	\$1,621,861	*	2
<u>OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES</u>					
A09-A0016 March 30, 2001	California Department of Education Management Controls over IDEA, Part B-Special Education Performance Data	*	*	*	8

* - Non-monetary findings only

** - Includes other recommended recoveries

A - Audit

ED/OIG Audits Services Reports on Education Department Programs and Activities (October 1, 2000 to March 31, 2001) (cont.)

Report Number / Date Issued	Report Title	Questioned Costs**	Unsupported Costs	Better Use of Funds	Number of Recommendations
<u>STUDENT FINANCIAL ASSISTANCE</u>					
A03-A0002 March 30, 2001	Audit of Case Management and Oversight's (CMO) Procedures for Resolving a "Deficient" Compliance Audit Report	*	*	*	2
A05-A0002 March 30, 2001	Great Lakes Higher Education Guaranty Corporation's Administration of the Federal Family Education Loan Programs, Madison, Wisconsin	\$840,169	*	*	4
A05-A0025 March 30, 2001	Audit of Great Lakes Higher Education Guaranty Corporation's (Great Lakes Guaranty) Administration of the Federal Family Education Loan (FFEL) Program Federal and Operating Funds	*	*	*	7
A05-A0028 March 30, 2001	Audit of the Illinois Student Assistance Commission's Administration of the Federal Family Education Loan Program Federal and Operating Funds	\$4,469,131	*	*	14
A06-90010 March 29, 2001	International Aviation and Travel Academy's Administration of Title IV Student Financial Assistance Programs	\$6,637,634	*	*	7
A06-A0003 March 28, 2001	International Business College's Administration of Title IV Student Financial Assistance Programs	\$461,035	*	*	4
A11-A0015 March 30, 2001	Security Review of the Virtual Data Center	*	*	*	(a)
A17-A0003 February 28, 2001	Fiscal Year 2000 Annual Financial Statements - Student Financial Assistance	*	*	*	18
A19-B0003 March 19, 2001	Audit of Controls over Government Property Furnished to Computer Sciences Corporation (CSC)	*	*	*	5
Alternate Audit Services Products					
<u>OFFICE OF THE CHIEF FINANCIAL OFFICER</u>					
A11-B0001 March 30, 2001	Analysis of GAPS Duplicate Payments (Mgmt. Information Report)	*	*	*	3
<u>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION</u>					
E02-A0018 October 30, 2000	Puerto Rico Comptroller's Report on Puerto Rico Department of Education's Misuse of Safe & Drug-Free Schools and Communities Funds (State and Local Action Memo No. 01-01)	\$142,566	*	*	1
S03-A0018 March 9, 2001	An OIG Perspective on the Gun-Free Schools Act of 1994	*	*	*	5
E05-B0010 February 23, 2001	Concerns Regarding Chicago Public Schools' Rank Ordering and Non-Public School Allocation for the 2001-2002 School Year (State and Local Action Memo No. 01-04)	*	*	*	2
<u>OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES</u>					
E04-A0017 December 15, 2000	Review of Virgin Islands Department of Education Compliance with Part B of the Individuals with Disabilities Education Act (State and Local Action Memo No. 01-03)	*	*	*	1
E09-A0024 December 4, 2000	Opportunity to Improve State Reporting Forms for the Individuals with Disabilities Education Act (IDEA), Part B-Special Education Programs (State and Local Action Memo No. 01-02)	*	*	*	3

* - Non-monetary findings only

** - Includes other recommended recoveries

A - Audit

E - Action Memorandum

S - Special Project

(a) - Number not cited due to the sensitivity of the report

ED/OIG Audits Services Reports on Education Department Programs and Activities (October 1, 2000 to March 31, 2001) (cont.)

Report Number / Date Issued	Report Title	Questioned Costs**	Unsupported Costs	Better Use of Funds	Number of Recommendations
<u>STUDENT FINANCIAL ASSISTANCE</u>					
S01-A0002 March 23, 2001	Ineligible Foreign Schools' Participation in the Federal Family Education Loan Program (SFA Action Memo No. 01-01)	*	*	*	2
N02-B0007 March 30, 2001	Limited Review of Education Credit Services LLC's Administration of Defaulted Consolidated Student Loan Proceeds (SFA Action Memo No. 01-03)	*	*	*	2
E03-B0001 March 29, 2001	Lack of Monitoring Ability-to-Benefit Test Publishers (SFA Action Memo No. 01-02)	*	*	*	1
<u>OFFICE OF THE UNDER SECRETARY</u>					
S03-B0002 January 31, 2001	Authentication of U.S. Department of Education's Detailed Accounting of Fiscal Year 2000 Drug Control Funds, dated January 26, 2001	*	*	*	0
<u>NOT RELATED TO ANY PROGRAM OFFICE</u>					
A05-B0006 December 15, 2000	Review of Travel Activities - Third Update	*	*	*	0
A05-B0009 January 31, 2001	Review of Travel Activities - Fourth and Final Update	*	*	*	0

* - Non-monetary findings only

** - Includes other recommended recoveries

A - Audit

E - Action Memorandum

S - Special Project

N - Inspection Assignment

Appendix 4

Other ED/OIG Reports on Education Department Programs and Activities

ACN/ Report Number	Report Title	Date Issued
<u>ANALYSIS AND INSPECTION REPORTS</u>		
S13A0003 2000-014	Results of the OIG Review of Student Financial Assistance's Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	October 5, 2000
S13A0003 2000-015	Results of the OIG Review of Internal Controls Over the Use of Purchase Cards and Third Party Drafts	October 13, 2000
S13A0006 2000-016	Review of Planning and Evaluation Services' Implementation of the Government Performance and Results Act 1999 Performance Reports and 2001 Plans	Nov. 22, 2000
S13B0005 N/A	Quarterly Report on the Promptness of Department of Education Payments to the District of Columbia Water Services - Sent to the Chair of the Senate Subcommittee on the District of Columbia	February 14, 2001
S13B0005 N/A	Quarterly Report on the Promptness of Department of Education Payments to the District of Columbia Water Services - Sent to the Chair of the House Subcommittee on the District of Columbia	February 14, 2001
S13B0003 2001-01	Review of First Class Travel in Student Financial Aid	March 21, 2001

Inspector General Issued Audit Reports with Questioned Costs ¹

	NUMBER	QUESTIONED	UNSUPPORTED ²
A. For which no management decision has been made before the commencement of the reporting period (as adjusted)*	40	\$118,743,861	\$16,300,638
B. Which were issued during the reporting period	<u>9</u>	<u>22,566,142</u>	<u>8,611,443</u>
Subtotals (A + B)	49	\$141,310,003	\$24,912,081
C. For which a management decision was made during the reporting period	10	\$15,607,746	\$7,768,256
(i) Dollar value of disallowed costs		<u>14,718,146</u>	<u>7,768,256</u>
(ii) Dollar value of costs not disallowed		\$889,600	\$0
D. For which no management decision has been made by the end of the reporting period	39	\$125,702,257	\$17,143,825
E. For which no management decision was made within six months of issuance	28	\$67,462,973	\$2,501,842

* Beginning balance was increased by \$7,652. Adjustments made to our database for one audit, ACN A04-A0009 and for one inspection, N04-70001.

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

² Included in questioned costs.

Inspector General Issued Audit Reports with Recommendations for Better Use of Funds¹

	Number	Dollar Value
A. For which no manager decision has been made before the commencement of the reporting period (as adjusted)	2	\$10,410,180
B. Which were issued during the reporting period	<u>0</u>	<u>0</u>
Subtotals (A + B)	2	\$10,410,180
C. For which a management decision was made during the reporting period	1	\$110,180
(i) Dollar value of recommendations that were agreed to by management	0	0
(ii) Dollar value of recommendations that were not agreed to by management	1	\$110,180
D. For which no management decision has been made by the end of the reporting period	1	\$10,300,000
E. For which no management decision was made within six months of issuance	1	\$10,300,000

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

Unresolved Reports Issued Prior to October 1, 2000

Section 5(a)(10) of the Inspector General Act requires a listing of each report issued before the commencement of the reporting period for which no management decisions had been made by the end of the reporting period.

Report Number/ Date Issued	Report Title (Prior SAR Number and Page)	Total Monetary Findings	Number of Recommendations
New Since Last Reporting Period			
<u>OFFICE OF THE CHIEF FINANCIAL OFFICER</u>			
A02-80002 September 22, 2000	Recipient Financial Management System Contract Computer Data Systems, Incorporated, Rockville, MD (SAR 41, pg.22)	\$39,565	2
<i>Status: According to the Office of the Chief Financial Officer (OCFO), funds were recovered and OCFO is working with the Office of Inspector General (OIG) to resolve this audit.</i>			
A07-A0014 September 27, 2000	Follow-Up Review on Corrective Actions the Department Had Taken in Response to Issues Reported During the Office of Inspector General's Contract Monitoring Audits of Student Financial Assistance Information Technology Contracts (SAR 41, pg. 22)	*	9
<i>Status: OCFO has agreed with some of the recommendations in the report and is exploring options to address the other unresolved issues.</i>			
<u>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION</u>			
A01-90006 September 27, 2000	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Even Start Program (SAR 41, pg. 22)	\$181,305	18
<i>Status: Resolution will be through the Department's Cooperative Audit Resolution and Oversight Initiative.</i>			
A01-90007 September 27, 2000	Puerto Rico Department of Education Needs Major Improvement in its Administration of the Governor's Safe and Drug-Free School Program (SAR 41, pg. 22)	\$82,452	17
<i>Status: Resolution will be through the Department's Cooperative Audit Resolution and Oversight Initiative.</i>			
<u>OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES</u>			
A09-A0001 September 22, 2000	Arizona Department of Education Management Controls Over IDEA, Part B-Special Education Performance Data (SAR 41, pg. 23)	*	7
<i>Status: The Office of Special Education and Rehabilitative Services (OSERS) is working with the Arizona Department of Education to address the issues cited in the report.</i>			
<u>STUDENT FINANCIAL ASSISTANCE</u>			
A02-70010 June 6, 2000	Drake Business Schools Corporation - Refunds of Unearned Tuition, Fees and Other Institutional Charges (SAR 41, pg. 23)	\$72,493	11
<i>Status: Case team is working with OIG and the Office of the General Council (OGC) on this audit.</i>			
A03-90005 September 15, 2000	Computer Dynamics Institute Incorporated's Eligibility to Participate in the Title IV Programs (SAR 41, pg. 23)	\$6,410,913	6
<i>Status: Case team is working with OIG and OGC on this audit.</i>			
A05-90052 September 14, 2000	Mount Senario College's Administration of the Title IV, HEA Program for the Period July 1, 1998 through June 30, 1999 (SAR 41, pg. 23)	\$40,942	12
<i>Status: Case team is working with OIG and OGC on this audit.</i>			
A05-90054 September 28, 2000	Audit of the Title IV, Higher Education Act Programs Administered by Cleveland State University, Cleveland, Ohio (SAR 41, pg. 23)	\$86,189	9
<i>Status: Placed in Administrative stay on March 29, 2001. Case team is working with OIG and OGC on this audit.</i>			

* - Non-monetary findings only.

SAR - Semiannual Report

Note: Status comments provided by Department.

Unresolved Reports Issued Prior to October 1, 2000 (cont.)

Report Number/ Date Issued	Report Title (Prior SAR No. and Pg.)	Total Monetary Findings	Number of Recommendations
STUDENT FINANCIAL ASSISTANCE (cont.)			
A06-90004 August 7, 2000	Review of Student Financial Aid Compliance at Success Institute of Business (SAR 41, pg. 23)	\$2,245,416	3
<i>Status: Case team is working on this audit.</i>			
A06-90012 August 8, 2000	Review of Student Financial Aid Compliance at the International Institute of Chinese Medicine (SAR 41, pg. 23)	\$66,034	4
<i>Status: Case team is working on this audit.</i>			
Reported in Previous Semiannual Report			
OFFICE OF THE CHIEF FINANCIAL OFFICER			
A04-80009 May 28, 1999	Assessment of Direct Loan Consolidation Program and Administration and Operations by EDS, Inc. since December 1, 1997 (SAR 39, pg.24)	*	6
<i>Status: Student Financial Assistance (SFA) and OCFO have agreed to resolve some of the recommendations in this report. SFA and OCFO will explore the other recommendations and provide a response.</i>			
A07-80018 May 6, 1999	Audit of Title IV Wide Area Network Contract - National Computer Systems, Iowa City, IA (SAR 39, pg. 4)	\$249,900	6
<i>Status: All recommendations were addressed in a corrective action plan developed for ACN A07-A0014. OCFO is working with OIG to resolve this audit.</i>			
A07-90003 March 15, 2000	Audit of the Central Processing System Contract (SAR 40, pg.19)	\$90,600	5
<i>Status: All recommendations were addressed in a corrective action plan developed for ACN A07-A0014. OCFO is working with OIG to resolve this audit.</i>			
A07-90017 March 16, 2000	Audit of Compliance with Cost Accounting Standards for Travel - National Computer Systems, Iowa City, IA (SAR 40, pg. 19)	*	4
<i>Status: OCFO is in communication with the National Computer Systems (NCS) and has requested copies of revised travel policies.</i>			
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION			
A02-50200 November 14, 1997	The Puerto Rico Department of Education Must Institute a Time Distribution System (SAR 36, pg.13)	*	1
<i>Status: Resolution will be through the Department's Cooperative Audit Resolution and Oversight Initiative.</i>			
STUDENT FINANCIAL ASSISTANCE			
A06-70005 March 13, 1998	Professional Judgment at Yale University (SAR 36, pg.18)	\$5,469	3
<i>Status: Case team is awaiting the outcome of another OIG audit that dealt with professional judgment which has been appealed to the Department.</i>			
A06-70009 July 17, 1998	Professional Judgment at University of Colorado (SAR 37, pg. 17)	\$15,082	4
<i>Status: Case team is awaiting the outcome of another OIG audit that dealt with professional judgment which has been appealed to the Department.</i>			
A06-80013 March 6, 2000	Hallmark Institute of Aeronautics' Compliance with the 85 Percent Rule (SAR 40, pg. 18)	\$5,204,586	3
<i>Status: Case team is working with OIG in resolving 85/15 issues.</i>			
A06-90011 February 8, 2000	Review of Collection Activities at Unger and Associates (SAR 40, pg. 18)	\$833,897	4
<i>Status: Case team is working on this.</i>			

* - Non-monetary findings only.

SAR - Semiannual Report

Note: Status comments provided by Department.

Unresolved Reports Issued Prior to October 1, 2000 (cont.)

Report Number/ Date Issued	Report Title (Prior SAR No. and Pg.)	Total Monetary Findings	Number of Recommendations
STUDENT FINANCIAL ASSISTANCE (cont.)			
A07-23545 April 1, 1993	State of Missouri, Single Audit Two Years Ended June 30, 1991	\$1,048,768	18
<i>Status: This is a single audit report prepared by the State Auditor of Missouri that covered two years ended June 30, 1991. SFA is in the process of resolving the Missouri audits. Some of the findings involve political issues and require further discussions.</i>			
A07-33123 March 7, 1994	State of Missouri, Single Audit Year Ended June 30, 1992	\$187,530	18
<i>Status: This is a single audit report prepared by the State Auditor of Missouri that covered the year ended June 30, 1992. SFA is in the process of resolving the Missouri audits. Some of the findings involve political issues and require further discussions.</i>			
A09-10005 September 10, 1993	California Student Aid Commission: The Commission's Loans in Repayment Were Overstated by \$1.5 Billion (SAR 27, pg. 17)	\$41,100,000	5
<i>Status: SFA will be issuing a letter to the OIG stating they disagree with the recommendation to remit \$16.4 million.</i>			
A09-33114 December 24, 1993	State of California, Single Audit Report Fiscal Year 1990-1991 in Accordance with Federal OMB Circular A-128	\$4,191,032	6
<i>Status: This is a single audit report prepared by Office of Auditor General, State of California that covered the period 7/1/90 to 6/30/91. SFA will be issuing a letter to the OIG stating they disagree with the recommendations.</i>			
A09-70015 September 9, 1998	Associated Technical College (ATC) Eligibility of Institutions to Participate in Title IV Programs & Other Issues (SAR 37, pg. 16)	\$8,600,000	7
<i>Status: Case team is working with OIG in resolving 85/15 issues.</i>			
A09-80023 December 21, 1998	Academy Pacific Business & Travel College Eligibility to Participate in Title IV Programs (SAR 38, pg. 20)	\$6,649,689	3
<i>Status: Case team is working with OIG in resolving 85/15 issues.</i>			
A09-90011 February 28, 2000	Platt College-San Francisco Administration of Title IV Programs (SAR 40, pg. 18)	\$191,721	10
<i>Status: Case team is working with OIG and OGC since school has to reconstruct its records.</i>			
N06-90010 February 9, 2000	Inspection of Parks College's Compliance with Student Financial Assistance Requirements (SAR 40, pg. 18)	\$169,390	1
<i>Status: Case team is working on this.</i>			

* - Non-monetary findings only.

SAR - Semiannual Report

Note: Status comments provided by Department.

Investigation Services Cumulative Actions

Defendant/ Subject	Indicted/ Information	Convicted	Sentenced	Adjudicated Value
<u>SCHOOL CASES</u>				
Armijo, Luis	X			
Bennett, Patti	X	X		
Bilieandean, Constantina	X	X		
Burruss, William	■	■	X	\$196,798
Carrandy, Mirium	X			
Case, Angela	X	X		
Castlevetere, Bruno	X			
Cobb, Orestes	■	X	X	\$14,370
Farah, Albert	■	■	X	\$19,119
Fields-Ellingboe, Eva	X	X		
Frost, Alan	■	■	X	\$1,919,082
Frost, Ann	■	X		
Hall, Linda Higgs	X	X		
Hampton, Susan	X			
Harmon, Kathryn	X	X		
Hightower, Cecelia	X	X		
House, James	■	X		
Jackson, Pam	■	■	X	\$23,405
Kraus, James	X			
Long, Cynda	X	X	X	\$2,141
Mathis, Sharon	X			
Miller, Kalyne	■	■	X	\$1,411,729
Nespereira, Elena	■	X		
Olowu, King	X	X		
Sam, Osmara	■	X		
Santa, Donna	X	X		
Snumpert-Harris, Rochelle	X			
Singh, Rajiv	X			
Sosa-Funes, Jose	■	X		
Strain, Daniel	■	X		
Sumner, Toni	■	■	X	\$6,400
Taylor, Daniel	X			
Thorp, Richard	X			
Torres, Alina	■	X		
Torres, Gabriel	■	X		
Torres, Marcial	■	■	X	\$2,465,631
Valle, Hiran	X	X		
Weaver, Judy	■	■	X	\$100
Whetstone, Edward	■	X		
TOTAL VALUE SCHOOL CASES:				\$6,058,775

■ - Action reported in previous period.

X- Action reported in current period.

Investigation Services Cumulative Actions (cont.)

Defendant/ Subject	Indicted/ Information	Convicted	Civil Matters	Adjudicated Value
<u>CONSULTANT AND CLIENT CASES</u>				
Atwater, Regina			X	\$9,873
Bagwell, Antoinette			X	\$1,854
Barnes, Terenya			X	\$8,014
Barry, Shawtora			X	\$18,890
Bell-Johnson, Geraldine	X			
Bluford, Nanielle			X	\$5,400
Boyd, Patricia & Carl			X	\$11,550
Boynes, Lemonica			X	\$11,570
Brady, Anthony			X	\$10,340
Brownlow, Atesha			X	\$13,784
Burnett, Dechazlon			X	\$9,104
Burton, John			X	\$4,180
Carlvin, Antoine			X	\$3,658
Casey, Donald	X			
Celestin, Horace	X			
Chappelle, Gloria			X	\$16,400
Chappelle, Grant			X	\$9,450
Chappelle, Katherine			X	\$10,875
Clark, Elizabeth	X			
Cole, Solithia & Jacqueline			X	\$13,400
Cordoza, Mario			X	\$1,852
Cross, Sena & Tyrena			X	\$10,600
Crowder, Chastity			X	\$2,056
Durrell, Erica			X	\$13,400
Duren, Wendy			X	\$3,679
English, Jonel			X	\$10,340
Garner, Patricia	X			
Goins, Kelli			X	\$11,070
Gooden, Audrea			X	\$8,440
Graham, Dan			X	\$1,590
Gray, Aisha			X	\$17,320
Green, Kenyatta			X	\$5,206
Green, Robert	X			
Guy, Tanisha			X	\$16,720
Hall, Karen			X	\$9,364
Harper, Kibbi & Dorothy			X	\$13,000
Harris, Gloria	X			
Holloway, Fred	X	X		
Hunter, Patrick			X	\$6,820
Jernigan, Rachel			X	\$5,359
Jones, Darnell	X			
Jones, Jessica			X	\$11,340
Jones, Sharon	X			
Lacy, Michelle			X	\$7,800
Lockhart, Derrick			X	\$2,300
Lots, Courtney			X	\$6,710
Martin, Emma	X			

■ - Action reported in previous period.

X - Action reported in current period.

**Investigation Services
Cumulative Actions (cont.)**

Defendant/ Subject	Indicted/ Information	Convicted	Civil Matters	Adjudicated Value
<u>CONSULTANT AND CLIENT CASES CONT.</u>				
Martin, Peter	X			
McCauley, Stephanie			X	\$8,790
Meyers, Timothy			X	\$7,080
Modock, Quentin			X	\$4,400
Norman, Lloyd	X			
Olsen, Barbara	X			
O'Connor, Daisy	X			
Patterson, Latonyna, LaMas & Anita			X	\$18,480
Patterson, Llewellyn, Nedra, Nicole			X	\$9,740
Perry, Derrell			X	\$8,556
Pugh, David			X	\$11,078
Randle, James & LaToyna			X	\$14,020
Ray, Henry	X			
Rockwell, Kelli			X	\$11,920
Ross, Julia			X	\$9,080
Snipes, Marlon	X			
Smith, Frances	X			
Smith, Myles	X			
St. Clair, Nathaniel	X			
St. Clair, Lillie	X			
Stewart, Queen	X			
Stone, Tamara			X	\$18,980
Taylor, Oscar			X	\$6,940
Tice, Janice			X	\$12,120
Thomas, Burma	X			
Thompson, Kaylea			X	\$8,320
Waller, Kimberly			X	\$4,640
Ward, Patricia	X			
Washington, Marcus	X			
White, Samantha			X	\$9,188
Williams, Marcia			X	\$1,990
Williams, Sean & Loren			X	\$13,620
Williams, Viola			X	\$2,780
Yarn, Carol			X	\$9,740
Young, Arthur	X			
Young, Tyrone			X	\$7,620
TOTAL VALUE CONSULTANT CASES:				\$522,390
<u>CIVIL CASES</u>				
Knauss, James			X	\$22,500
Rappaport, Donald			X	\$20,000
Schroeder, Frederick			X	\$31,740
SLMA Corp.			X	\$3,400,000
TOTAL VALUE CIVIL CASES:				\$3,474,240
<u>ASSET FORFEITURE CASES</u>				
IMPAC AID				\$61,000
TOTAL VALUE ASSET CASES:				\$61,000

■ - Action reported in previous period.

X - Action reported in current period.

Investigation Services Cumulative Actions (cont.)

Defendant/ Subject	Indicted/ Information	Convicted	Sentenced	Adjudicated Value
<u>SFA RECIPIENT CASES</u>				
Bauldwin, Linda	■	■	X	\$13,287
Doan, Susan	X	X		
Doan, Albert	X	X		
Doan, Andrew	X	X		
Dorcy, Erline	X	X	X	\$1,500
Elsayed, Tamer	X	X	X	\$31,981
Hansen, Gregory	X			
Holloway, Bobbie	X	X	X	\$27,728
Johnson, Basham	X	X	X	\$44,900
Junior, Jermaine	X	X	X	\$60
McHenry, JoLynn	X			
Mova, Houman	X	X		
Parra, Alberto	X			
Perkins, Lisa	X			
Salama, Badi	■	■	X	\$204,118
Tran, Anh	X	X	X	\$32,211
Warner-Washington, Jennifer	■	X		
TOTAL VALUE SFA CASES:				\$355,785
<u>FOREIGN STUDY FFEL PROJECT</u>				
Akhtar, Jabir	■	X	X	
Heidari, Alieza	X		X	
Hines, Sharon	■	X	X	\$28,613
Odom, Denise	X		X	
Wilson, Patrick	■	X	X	\$183,938
TOTAL VALUE FOREIGN STUDY FFEL CASES:				\$212,551
<u>NON-SFA CASES</u>				
Archeleta, Debra	■	■	X	\$2,500
Buckler, Marianne	X	X		
Carver, Bruce	■	X		
Cousin, William	X	X		
Huguet, Edmond	■	X		
Mansour, Suray	■	X		
McKay, Jimmy	■	X	X	\$70,742
Mitchell, Margaret	X	X	X	\$31,709
Morgan, Lewis	X	X		
Morgan, Susan	X	X		
Smith, Roy	■	■	X	\$152,981
Sinnette, Lynn	X	X	X	\$106,847
Vasquez, Christopher	X	X	X	\$76,497
Yerby, Gerald	X	X		
TOTAL VALUE NON-SFA CASES:				\$441,276

■ - Action reported in previous period.

X - Action reported in current period.

Collections from Audits and Investigations

The House Report (H.R. 105-635) to accompany H.R. 4274, directs the Inspector General of the Department of Education to submit reports detailing recoveries and savings generated by its work. The following tables reflect that information.

AUDIT

FY	Reports Issued With		Reports Recommended		Management Decision	Write-Offs Adjustments	Collected/Recovered	Balance
	Quest/Unsupp	Quest/Unsupp Recommended	Quest/Unsupp Resolved	Quest/Unsupp Resolved				
1998	11	\$17,011,401	7	\$6,125,638	\$1,630,691	\$0	\$1,630,691	\$0
1999	11	\$69,804,793	9	\$62,905,204	\$33,901,896	\$0	\$73,768	\$33,828,128
2000	21	\$72,886,717	8	\$57,347,948	\$57,130,772	\$0	\$1,804,374	\$55,326,398
2001	9	\$22,566,142	0	\$0	\$0	\$0	\$0	\$0
TOTAL	52	\$182,269,053	24	\$126,378,790	\$92,663,359	\$0	\$3,508,833	\$89,154,526

INVESTIGATION

FY	Cases ¹	Fines, Restitutions, Settlements and Judgments	Amount Collected Current Period	Amount Collected Prior Period(s)	Amount Collected
1998	293	\$48,208,055	\$37,127	\$31,174,373	\$31,211,500
1999	138	\$19,154,906	\$23,441	\$7,080,673	\$7,104,114
2000	148	\$37,311,157	\$9,469	\$27,647	\$37,116
2001	70	\$10,974,577	\$8,077	\$0	\$8,077
TOTAL	649	\$115,648,695	\$78,114	\$38,282,693	\$38,360,807

¹ Number of cases for which collection was ordered during the fiscal year.

Statistical Profile

October 1, 2000 - March 31, 2001

<u>OIG AUDIT REPORTS ISSUED</u>	22
Questioned Costs	\$13,954,699
Unsupported Costs	\$8,611,443
Recommendations for Better Use of Funds	\$0
<u>OTHER OIG PRODUCTS</u>	12
<i>(Inspections, Action Memoranda, Information Reports, Advisory Reports, Special Studies, and Field Pricing Reviews)</i>	
<u>OIG AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS</u>	29
Questioned Costs Sustained	\$6,949,890
Unsupported Costs Sustained	\$7,768,256
Additional Disallowances Identified by Program Managers	\$3,326,600
Management Commitment to the Better Use of Funds	\$0
<u>INVESTIGATIVE CASE ACTIVITY</u>	
Cases Open	133
Cases Closed	90
Cases Active at End of Period	399
Prosecutorial Decisions	108
- Accepted	83
- Declined	25
<u>INVESTIGATION RESULTS</u>	
Indictments/Information	64 ¹
Convictions/Pleas	54 ²
Fines Ordered	\$84,307 ³
Restitution Payments Ordered	\$7,017,189 ⁴
Civil Settlement/Judgments (#)	54
Civil Settlement/Judgments (\$)	\$3,996,627
Savings	\$9,927,711

¹ Includes 10 cases that were not reported in the last Semiannual Report.

² Includes 13 cases that were not reported in the last Semiannual Report.

³ Includes \$5,000 that was not reported in the last Semiannual Report.

⁴ Includes \$25,288 that was not reported in the last Semiannual Report.