U.S. DEPARTMENT OF EDUCATION

Inspector General's Semiannual Report to Congress, No. 54

October 1, 2006 - March 31, 2007

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

April 30, 2007

Dear Madam Secretary:

I am pleased to submit to you, in accordance with the *Inspector General Act of 1978* (the Act), this semiannual report on the activities of the Office of Inspector General for the six-month period ending March 31, 2007. This report highlights our most significant work from the last six months, and reflects our strong commitment to assisting the U.S. Department of Education in improving its programs and operations.

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

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

Sincerely,

John P. Higgins, Jr.

Enclosures

U.S. Department of Education

Office of Inspector General

Semiannual Report to Congress, No. 54

October 1, 2006 —March 31, 2007

Message to Congress

We are pleased to provide this semiannual report on the activities and accomplishments of the Office of Inspector General (OIG), U.S. Department of Education (Department) from October 1, 2006, through March 31, 2007, as required by the Inspector General Act of 1978. The audits, inspections, investigations, and other activities highlighted in this report illustrate our on-going commitment to promoting accountability, efficiency, and effectiveness in federal education programs and operations.

Over the last six months, OIG issued 46 audit, inspection, and alternative product reports. We identified over $447 million questioned costs and over $113 million unsupported costs. Audits, inspections, and investigations concluded during this reporting period continued to uncover problems with the Department's internal controls, placing federal funds at risk of waste, fraud, and abuse. Summaries of our work are highlighted in this report. As stated in our recent Management Challenges report, the success of an organization's mission and the achievement of its goals depend on how well it manages its programs. It cannot effectively manage its programs without establishing and maintaining appropriate internal controls and accountability. The Department must ensure that all entities involved in its programs are adhering to statutory and regulatory requirements, and that the offices responsible for administering these programs are providing adequate oversight of program participants.

In recent months, in response to our audits of the Reading First program and special allowance payments made to the student lender Nelnet, Inc., (Nelnet)–where we identified significant lapses in internal control, Secretary Spellings made a commitment to correcting the deficiencies identified in those audits. With Reading First, the Secretary agreed to fully implement our recommendations, and these improvements and corrective actions are already underway. In response to our audit of special allowance payments made to Nelnet, the Department reached a settlement that protects the taxpayers from potentially $882 million in future improper payments. Although we also recommended recovery of approximately $278 million in funds already paid to Nelnet, we are pleased that the Department accepted our audit findings and acted to protect the taxpayers from further losses. These issues are discussed in more detail in the pages of this Semiannual Report. Please know we are continuing our work in this area to protect the integrity of the Federal Family Education Loan program. We are also working with Department officials on implementation of new audit guidance, which was issued in late April.

Finally, as you work to reauthorize the *Elementary and Secondary Education Act of 1965*, as amended by the *No Child Left Behind Act of 2001* (NCLB), I would like to bring to your attention our significant body of work on a number of key provisions of the law. For the last six years, my office has worked to help the Department ensure NCLB dollars are allotted and used in accordance with the law and applicable regulations so they reach the intended recipients. We have released over 100 NCLB-related reports, providing recommendations for the Department to improve its administration of the programs or that of its grantees. In instances where we identified areas of the law that may need further clarification or enhancement, we have made suggestions for Congress to consider. Our final reports can be accessed via our website at www.ed.gov/offices/oig, and we are available to discuss them with you in more detail, should you require additional information.

Thank you for your continued support of our efforts. I look forward to working with the 110th Congress in furthering our goals and achieving our mission.

John P. Higgins, Jr.
Inspector General

Contents

Overview

The Office of Inspector General (OIG), for the period October 1, 2006, through March 31, 2007, continued its work to promote efficiency, effectiveness, and integrity in the programs and operations of the U.S. Department of Education (Department). Audits, inspections, and investigations concluded during this reporting period continued to uncover problems with the Department's internal controls, placing federal funds at risk of waste, fraud, and abuse. As we stated in our recent Management Challenges report, the success of an organization's mission and the achievement of its goals depend on how well it manages its programs. It cannot effectively manage its programs without establishing and maintaining appropriate internal controls. "Internal controls" are the plans, methods, and procedures aimed at helping an agency meet its goals and achieve its objectives, while minimizing operational problems. Only by improving its internal controls and demanding accountability by its managers, staff, contractors, and grantees, can the Department be an effective steward of the billions of taxpayer dollars supporting its programs and operations. America's students and taxpayers deserve nothing less.

The U.S. Congress has long recognized the importance of internal controls in federal program management, beginning with the *Budget and Accounting Procedures Act of 1950*, which placed responsibility for establishing and maintaining adequate systems of accounting and internal control upon the head of each agency. In 1982, Congress passed the *Federal Managers' Financial Integrity Act* (FMFIA), requiring federal agencies to establish internal controls over their programs and financial systems. The FMFIA also required the Comptroller General to issue standards for internal control in government. Passage of new laws and requirements for federal agencies, along with advancements in technology highlighted the need to update the standards through the years. In 1999, the Government Accountability Office (GAO) released "Standards for Internal Control for the Federal Government" that provides an overall framework to help agencies establish and maintain internal control, as well as identify and address major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement.

According to the GAO report, there are five standards for internal control: (1) control environment, which is the foundation for all other standards; (2) risk assessment; (3) control activities; (4) information and communications; and (5) monitoring. These standards define the minimum level of quality acceptable for internal control in government and provide the basis against which an agency's internal operations are to be evaluated. Work concluded over the last six months found that one or more of these standards was weak in the Department's management, monitoring, or oversight of the programs and operations we reviewed.

In the first section of our report, we provide a summary of our recent work in the area of elementary, secondary, and special education programs. A lapse in internal controls by the Department in these programs can have a significant impact on other entities involved in the programs. Perhaps nowhere is this more evident than in our recent reviews of the Reading First program, where weaknesses in all five internal control standards at the Department existed throughout the program. Following the release of our first report on the Reading First program, Secretary Spellings stated her intention to fully implement every one of our recommendations. You will find more on our Reading First work in this section of our report, along with highlights of our efforts in the area of elementary, secondary, and special education. This includes our continuing efforts to assess state educational agency (SEA) and local educational agency (LEA) compliance with requirements of the *Elementary* *and Secondary Education Act of 1965*, as amended (ESEA) by the *No Child Left Behind Act of 2001* (NCLB), such as the Migrant Education program, comparability of services requirements, and the reporting of graduation and dropout rates. Each of these areas relies heavily on the quality and reliability of data, which in turn relies heavily on an effective control environment to ensure the data is collected, maintained, and reported accurately. This section of the report also includes summaries of work identifying grantee accountability issues, and weaknesses in Department monitoring and oversight of its grantees, including $217 million in education funds that may well be at risk of waste, fraud, or abuse. This section also includes summaries of cases we have closed over the past six months involving fraud by individuals placed in positions of trust within the elementary, secondary, or special education community.

For 27 years, helping the Department to identify and reduce waste, fraud, or abuse, in the student financial assistance programs has been a top OIG priority. With $77 billion awarded last year through the student financial assistance programs and an outstanding loan portfolio of over $400 billion, the Office of Federal Student Aid (FSA) must provide adequate oversight and demand accountability from its staff, partners, and participants to help protect these taxpayer dollars from waste, fraud, and abuse. In the second section of this report you will find summaries of our recent work in this area. In our last Semiannual Report to Congress (SAR), No. 53, we discussed audit findings that identified significant lapses in management and accountability in the Federal Family Education Loan (FFEL) program, specifically a lack of an acceptable level of internal control by FSA's Financial Partners, and our audit of special allowance payments made to the student lender Nelnet, Inc. (Nelnet), which estimated that the lender was improperly paid more than $278 million, and could be improperly paid approximately $882 million more if its billings are not corrected. When dealing with a program of this size and complexity, employing effective internal controls is critical in order for the Department to provide reasonable assurance that its assets and programs are protected. To date, the Department has not taken any action on the recommendations included in our Financial Partners audit. Regarding our Nelnet audit, in January, the Department announced it had reached a settlement with Nelnet that prohibits any future special allowance payments to the lender at the 9.5 percent floor rate on loans that were not made from eligible sources of funds. Although we also recommended recovery of approximately $278 million in funds already paid to Nelnet, we are pleased that the Department accepted our audit findings and acted to protect the taxpayers from further losses. You will find more information on the settlement and related follow-up activities to the audit in this section of the report, along with summaries of some of the investigative cases we closed involving theft of student financial aid funds.

The third section of this report highlights the audits and reviews we completed on the Department's financial management and internal operations – areas where effective implementation of internal controls minimizes an agency's vulnerability to waste, fraud, and abuse. Since 2002, the Department has made progress in improving internal controls in its financial management, which have led to the agency receiving a "clean" audit opinion five years in a row. While this improvement is significant and noteworthy, recent audits of the Department's and FSA's financial management identified weaknesses in internal control, specifically in the area of information technology (IT) security. In addition, work concluded over the last six months shows continued inadequacies with the Department's internal monitoring and control activities—two of the five standards of internal control. Our results show a need for the Department to improve its physical controls to secure and safeguard vulnerable assets, as well as a need for improvements in its monitoring performance measures and indicators to ensure that its resources are used efficiently. The Department must also improve its controls to ensure that its contractors are delivering appropriate services. More discussion on these findings, as well as summaries of internal investigations that were closed during this reporting period can be found in this section of the report.

In the fourth section of our report, we provide an update on our work regarding funds being used to support education-related hurricane recovery efforts. Like most federal agencies, we consider stewardship of these funds to be one of our highest priorities. With such a large amount of funding needing to be distributed in a short amount of time, employing the five standards of internal control in this area is vital. As the bulk of our work in this area is still underway, we highlight only our completed work in this section of the report.

OIG constantly strives to improve its operations through our work with the IG community. In the fifth section of this report, we highlight a number of our contributions and the work we accomplished over the last six months within the IG community.

In the sixth and final section of this report, there is a compilation of tables of the audits, inspections and investigations we concluded during this reporting period, as required by the *Inspector General Act of 1978,* as amended.

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

Internal Controls and Accountability in State and Local Programs

The Department's elementary and secondary programs serve more than 14,600 school districts and approximately 54 million students attending more than 94,000 public schools and 27,000 private schools each year. In recent years, we have increased our resources in reviewing allegations of waste, fraud, or abuse in this area, and our findings have indicated a need for improved internal controls. Lapses in internal controls by the Department or any other entity engaged in K-12 programs can have a significant impact on other entities involved in the program. Perhaps nowhere is this more evident than in our recent reviews of the Reading First program, where a breakdown of all five internal control standards by the Department—lack of a control environment, failure to conduct an effective risk assessment, lack of control activities, poor information and communication, and an overall lack of monitoring by management existed throughout the program, negatively impacting the states, damaging the program's integrity, and leading to questions as to whether Department staff violated established prohibitions on influence over curriculum. In response to our work, Secretary Spellings has taken action to address the findings of our reports, and has already begun implementing our recommendations.

Recent work in other areas of elementary, secondary, and special education continue to show a need for improved internal controls, not only by the Department, but by grantees as well. During this report period, we continued our reviews of SEA compliance with requirements of the Migrant Education program, and the reporting of graduation and dropout rates. These issues rely heavily on the quality and reliability of data, which in turn rely heavily on effective internal controls to ensure data is collected and maintained accurately. This is an important issue, as the consequences of poor data quality can be serious for SEAs and LEAs: schools and districts could be erroneously defined as being in need of improvement or corrective action, and ultimately not making annual yearly progress goals. With so much dependent on data, ensuring data integrity is without question a critical aspect of NCLB.

Finally, we continue to uncover issues with accountability by grantees and weaknesses in Department internal control standards specifically related to monitoring and oversight. This includes education funds provided to other federal government agencies, such as the U.S. Department of the Interior's Bureau of Indian Affairs, where our work recently identified $217 million in education funds that may well be at risk of waste, fraud, or abuse. Below you will find more information on our recent work in the area of grantee accountability, as well as brief summaries of some of the significant investigative cases we closed over the last six months involving theft of federal education dollars by those in a position of trust to educate our children.

No Child Left Behind

Reading First

During this reporting period, we concluded our series of audits on the Reading First program. Reading First is a $1 billion per year program included in the NCLB, and was established to provide kindergarten through third grade reading programs that are based on scientifically based reading research. The goal of the program is to ensure that every student can read at grade level or above by the end of the third grade. In May 2005, OIG began receiving allegations about Reading First. The allegations indicated that the Department was

promoting and excluding specific programs and assessments, as well as using consultants with ties to these programs and assessments. We also received letters from members of Congress asking us to look into these allegations. OIG performed a series of reviews on various aspects of the program: (1) the Department's grant application process (discussed in SAR 53); (2) the Department's administration of selected aspects of the Reading First program; and (3) RMC Research Corporation's (RMC) administration of the Reading First program contracts. We also conducted three audits to assess state compliance with the Reading First provisions of the NCLB in (4) Georgia, (5) New York, and (6) Wisconsin. These audits sought to determine whether the SEA developed and used criteria for selecting the scientifically based reading research (SBRR) programs in accordance with laws, regulations, and guidance, and if it approved the LEAs applications in accordance with laws, regulations, and guidance.

Through our work we found that the Department: (1) appeared to inappropriately influence the use of certain programs and assessments; (2) failed to comply with statutory requirements and its own guidance; (3) obscured the requirements of the statute; and (4) created an environment that allowed real and perceived conflicts of interest. First, with regard to inappropriate influence, we found that the Department allowed certain activities that led, in part, to a perception that there was a Department approved list of reading programs and assessments. An example of this was the Reading Leadership Academies (RLAs). The Department and the National Institute for Literacy (NIFL) sponsored three RLAs to assist the states in preparing Reading First applications. The Department exercised control over the content and presenters for the RLAs. Of ten "Theory to Practice" presentations at the three RLAs, six contained information on the Direct Instruction program. The luncheon speaker for two of the RLAs also focused on the Direct Instruction program. Some participants in the RLAs expressed concerns about the content of the sessions. While the Department was aware of this issue, it failed to change course, resulting in similar comments concerning the third RLA. We also identified, after the conclusion of the state application process, instances where it appears that there may have been intervention by Department officials with regard to the programs that states and LEAs were choosing for Reading First.

With regard to the Department's compliance with the Reading First statute and its own guidance, the statute called for a balanced expert panel to review Reading First applications. The expert panel was to consist of a minimum of three experts nominated by the NIFL, the National Institute of Child Health and Human Development, the National Academy of Sciences, and the Department. Senior Department officials decided to use sub-panels for the review process and to create an "Advisory and Oversight Panel" with three representatives from each of the four organizations as required by the statute. The Advisory and Oversight Panel concept was never implemented and as a result the process used by the Department was not in accordance with the requirements of the statute, since none of the sub-panels created by the Department included representation from each of the four nominating organizations. In fact, the majority of the individuals on 15 of the 16 sub-panels were nominated by the Department, not by the other organizations, and 7 of the sub-panels were comprised of individuals nominated entirely by the Department. In addition, we found that the Department obscured the requirements of the statute by inappropriately including standards in the application criteria that were not based on the statutory language and excluding standards that were required by the statute.

With regard to conflict of interest, our work found that the Department did not place an appropriate level of emphasis on issues related to conflicts of interest. This can be seen in two specific areas. First, although not required, the Department developed a process to screen expert review panelists for conflicts of interest; however, the Department's process was not effective. The Department did not ask panelists if they were aware of any circumstances that might cause someone to question their impartiality. In addition, the Department did not review the panelists' resumes for potential conflicts of interest. Second, the Department's contractor, RMC, which was used to provide technical assistance to states and assist the states in preparing applications, did not adequately address conflict of interest issues. Neither RMC nor the Department ensured that the required organizational conflict of interest clause was included in its consultant and subcontractor agreements. In addition, RMC did not adequately vet technical assistance consultants for potential bias. As a result, during our work, we noted that appearances of bias or impaired objectivity existed.

Overall, our work shows that the Department failed to comply with all of the requirements within the statute and created requirements that were not required by the statute. In addition, the Department's actions call into question whether it violated provisions of the Department of Education's Organization Act (DEOA) and the ESEA that prohibit Department officials from exercising any direction or control over the curriculum or program of instruction of a school. Based on our findings, we made a number of recommendations, with which Secretary Spellings fully concurred and has already begun to implement. We also suggested that Congress consider clarifying whether reading programs need to have scientific evidence of effectiveness in order to be eligible for funding under Reading First and clarifying conflict of interest requirements in federally funded programs.

Below are summaries of the five Reading First reports we issued during this reporting period.

RMC Research Corporation Contracts: Our audit sought to determine whether: (1) RMC and its subcontractors (the technical assistance centers or TACs) provided appropriate assistance to SEAs and LEAs; (2) RMC (including subcontractors and employees) complied with its own and\or the contracts' conflict of interest (COI) requirements; and (3) RMC provided appropriate guidance and information to the TACs. Our audit disclosed that RMC did not adequately address COI issues during the first two contracts; did not include the required COI clause in its subcontracts and consulting agreements; did not adequately vet technical assistance providers for reading product relationships and affiliations; and did not have formal COI policies and procedures. Based on our findings, we recommended that the Department and RMC develop and implement formal COI policies and procedures for use in the current Reading First contract and any other current or future Department contracts, as well as determine and mitigate or neutralize any instances of bias or impaired objectivity that exist for all technical assistance providers. RMC concurred in principle with our finding and fully concurred with our recommendations.

Reading Leadership Academies: This review sought to determine whether the Department carried out its role, in accordance with applicable laws and regulations, in administering the RLAs and related meetings and conferences, its award process for the National Center for Reading First Technical Assistance (NCRFTA) contract, and its website and guidance for the Reading First program. Our audit disclosed that the Department generally administered its Reading First website and related guidance in accordance with applicable laws and regulations. As for the RLAs, we concluded that the Department did not have controls in place to ensure compliance with curriculum provisions of the DEOA and NCLB. We also found that the Department did not adequately assess issues of bias and lack of objectivity when approving individuals to be technical assistance providers before and after the NCRFTA contract was awarded. Based on our findings, we made a number of recommendations with which the Department concurred and proposed corrective action; however, it only agreed in part with our findings.

Georgia Reading First Program: We found that the Georgia Department of Education (GDOE) did not have written policies and procedures in place and did not adequately manage several areas of the LEA grant application process. We recommended that the Department require GDOE to develop written policies and procedures for its LEA and school grant application process to ensure it follows state and federal Reading First law, regulations, and guidelines in administering the Reading First grant application process and program. GDOE did not agree with all parts of our finding, but did concur with the recommendation.

New York Reading First Program: We found that although New York State Department of Education (NYSED) generally developed and used criteria for selecting the scientifically based reading research programs in accordance with the law as interpreted by the Department, NYSED did not approve LEA applications in accordance with laws, regulations and guidance. Specifically, NYSED could not provide support that approved LEAs, which received $216 million in Reading First funds, met requirements of the ESEA. NYSED also inappropriately used priority points to approve LEAs that received $118 million in Reading First funds, and did not follow established record retention requirements. Based on our findings, we made several recommendations, including that the Department require NYSED to provide support to demonstrate that the reading programs at each of the nine LEAs awarded Reading First subgrants meet the ESEA required activities or return the unsupported funds, and ensure that priority points are used in accordance with ESEA requirements and that all Reading First applications were scored correctly, or return $118 million of unallowable Reading First funds. NYSED concurred with all but two of our recommendations.

Wisconsin Reading First Program: We found that the Wisconsin Department of Public Instruction (WDPI) developed and used criteria for selecting the SBRR programs in accordance with the law as interpreted by the Department. WDPI, however, did not always approve the LEAs' applications in accordance with the law and regulations related to implementing high-quality programs. Based on our findings, we recommended that the Department require WDPI to provide support for nine of its Reading First funded programs that lacked sufficient documentation that the programs met eligibility requirements or return the funding provided to the LEA to the Department. We also recommended that it implement and follow policies and procedures to provide reasonable assurance that all funded LEA applications clearly demonstrate that the requirements of Reading First are met prior to receiving Reading First funds. WDPI concurred with our recommendations.

Supplemental Educational Services

The ESEA requires LEAs to offer supplemental educational services (SES) to students from low-income families when the students attend a Title I school that is in the second year of school improvement, or has been identified for corrective actions or restructuring. SES consists of tutoring, remediation, and other educational interventions that are designed to increase the academic achievement of students, and are in addition to instruction provided during the school day. SES providers must be approved by the state. Over the last several years, OIG has completed 11 reviews that evaluated SEA and LEA implementation of the SES provisions of the ESEA.

During this reporting period, we produced an in-depth report titled, *An OIG Perspective on the Supplemental Educational Services Provisions of the Elementary and Secondary Education Act*. The report was developed based on the knowledge obtained while conducting these reviews, and provides an OIG perspective on selected SES provisions in the ESEA and Department regulations. It discusses one issue relevant to the SES eligibility provisions of the ESEA and provides three alternatives to the current eligibility rules in the ESEA. Based on our work, we suggest that consideration be given as to whether the focus of SES eligibility should be on academic proficiency rather than family income.

The report also discusses one issue relevant to the Department's implementing regulations that currently prohibit schools or LEAs identified as in need of improvement from operating as SES providers. Even though the ESEA contains no specific prohibition, the Department's regulations currently prohibit any school or LEA identified as in need of improvement from operating as an SES provider. In contrast, the Department's SES guidance allows SES providers, including schools or LEAs not in improvement status operating as SES providers, to hire teachers from schools in improvement status for their SES operations. The Department's policy of not allowing schools or LEAs in improvement to operate as SES providers may override SEA authority to evaluate and approve SES providers operating in their states and may also unnecessarily increase the costs of delivering SES by eliminating school or LEA providers that could deliver SES at a lower cost than private providers. This policy may also reduce the provider options available to parents of eligible students. Therefore, we suggest that the Department reconsider its policy on this matter and explore strategies for evaluating the quality of each SES program operated by a school or LEA that is identified as in need of improvement.

Migrant Education Program

The Migrant Education Program (MEP), authorized within the NCLB, provides funds to states to support high quality education programs for migratory children and help ensure that migratory children who move among the states are not penalized in any manner by disparities among states in curriculum, graduation requirements, or state academic content and student academic achievement standards. Funds also ensure that migratory children are not only provided with appropriate education services (including supportive services) that address their special needs but also that such children receive full and appropriate opportunities to meet the same challenging state academic content and student academic achievement standards that all children are expected to meet. Funds are allocated to SEAs, based on each state's per pupil expenditure for education and counts of eligible migratory children, age 3 through 21, residing within the state. Over the last two years, OIG has conducted audits to determine SEA compliance with the child count provision. In SAR 52, we reported our findings in Georgia and Oklahoma; in SAR 53 we reported our findings in Arkansas; and during this reporting period, we concluded an audit in California. Our work in the MEP area identified problems with MEP student eligibility, and as a result, millions of dollars may have been appropriated to states for ineligible students.

California: Our audit sought to determine whether the California Department of Education (CDE) and selected MEP regions within the state have systems in place to ensure the accurate count of children eligible to participate in the MEP. California's MEP funding for award year 2003-2004 was $130,703,626. CDE reported to the Department a total of 312,062 participating children during the child count reporting period. Our audit found that while the CDE and the two MEP regions reviewed had systems in place to determine migrant child eligibility and report migrant child count, it included ineligible children in its migrant child count, a number of whom were not eligible to participate in the MEP because a "qualifying move" had not occurred. Based on our findings, we made several recommendations, including that the Department require CDE to issue more detailed guidance and training, consistent with policies, on the definition of "qualifying move." We also recommended that the Department require CDE to adjust its migrant child count for the time period reviewed and return to the Department any funds expended for ineligible children. CDE did not explicitly express concurrence with our findings, but expressed varying degrees of concurrence and non-concurrence with our recommendations, and described the corrective actions taken or planned to address the recommendations.

Performance Data – Reported Graduation and Dropout Rates

Over the last two years, OIG has examined SEA graduation and dropout rates included in the annual Consolidated State Performance Report (CSPR)–the system by which states apply for and report on multiple ESEA programs through a single consolidated application and report. Our audits looked to determine whether SEAs' required reporting of graduation and dropout rates were supported by reliable data and met the requirements of the ESEA. In SAR 52, we reported the results of our work in Texas; in SAR 53, we reported the results of our audit of South Dakota; and during this reporting period, we concluded reviews in Oklahoma and Washington state. While the data collection techniques in each state varied, each produced a similar result: issues of non-compliance with elements of data collection and reporting; and a lack of effective internal controls to ensure data reliability.

Oklahoma: We found that the Oklahoma State Department of Education (OSDE) met the requirements of ESEA by reporting graduation and dropout rates; however, it used a graduation rate formula that did not meet the requirements of the NCLB graduation rate definition. In addition, data used to calculate the dropout rates reported in its 2003-2004 CSPR was not reliable. We made a number of recommendations, including that the Department require OSDE to develop and provide necessary personnel with adequate training on graduation and dropout data collection and reporting, and to monitor graduation and dropout data collection and reporting at the state, district, and site level. OSDE concurred with our findings and recommendations.

Washington State: We found that the state complied with the requirements of ESEA by submitting a report; however, the student data used by the State of Washington Office of the Superintendent of Public Instruction (WOSPI) to calculate the reported rates was not reliable and the required definition of a "high school dropout" was not used to calculate the reported dropout rates. Based on our findings, we made a number of recommendations, including that the Department require WOSPI to adhere to the CSPR instructions for reporting dropout rates. WOSPI concurred with our findings and agreed to implement our recommendations.

Comparability of Services

To be eligible to receive Title I funds, an LEA must use state and local funds to provide services in Title I schools that, taken as a whole, are at least comparable to services provided in non-Title I schools. This is called "comparability of services," and ensures that an LEA uses state and local funds to provide services to Title I schools that are, essentially "comparable," or "the same" as the services that are provided to non-Title I schools. This ensures that Title I schools are not discriminated against in the distribution of local resources. Over the last six months, we concluded two audits to assess SEA compliance with this provision of the NCLB: one in Arizona, and another in Ohio. Our work identified a need for improved internal controls by SEAs and LEAs to ensure they are adhering to and complying with the statute, as well as a need for improved monitoring and oversight to ensure adherence to and compliance with the statute.

Arizona: Our work revealed that the Arizona Department of Education (ADE) needs to strengthen its monitoring of LEA compliance with the comparability requirement. ADE also needs to ensure that the LEAs reviewed as part of our audit are performing comparability determinations properly, including the use of appropriate and correct data. We made a number of recommendations, including that the Department require ADE to implement procedures to ensure LEA compliance with the NCLB comparability requirement, and require LEAs reviewed to submit all required documentation to support compliance or return that portion of the over $4 million in Title I funds ADE received that was disbursed to them should they fail to demonstrate comparability for the school year reviewed. ADE did not explicitly express concurrence with our findings, but it did describe the corrective actions it has taken or planned to take to address our recommendations.

Ohio: Our audit found that that the Ohio Department of Education (ODE) did not ensure that LEAs were reporting complete and accurate comparability information. ODE did not adequately monitor LEAs' compliance because it did not always use correct data when reviewing the LEAs' comparability reports. In addition, ODE did not ensure that each LEA developed and followed procedures for complying with comparability of services requirements during the school years we examined. As a result, ODE cannot ensure that the LEAs were reporting complete and accurate comparability information. Based on our findings, we made a number of recommendations, including that the Department require ODE to provide sufficient and verifiable documentation to support compliance with the comparability of services requirements or return to the Department funds that were allocated to non-comparable schools. ODE did not dispute our findings and generally concurred with all but one of our recommendations.

Schoolwide Plans

NCLB allows schools in an area with a poverty level of 40 percent or more, or in which at least 40 percent of enrolled students are from low-income families, to operate schoolwide programs. Schools operating schoolwide programs may use Title I funds to upgrade the entire educational program in a school in order to improve the academic achievement of all students, particularly the lowest-achieving students. The school must develop a comprehensive schoolwide plan in consultation with the LEA and its school support team or another technical assistance provider, and the school community. The comprehensive plan must: (1) describe how the school will implement the schoolwide program components; (2) describe how the school will use resources to implement the schoolwide program components; (3) include a list of SEA, LEA, and other federal programs for which the school will consolidate funds to use in its schoolwide program; and (4) describe how the school will provide individual student academic assessment results to parents. During this reporting period, we concluded two reviews in this area: one in Indiana and another in Michigan. The audits sought to determine: (1) if the SEAs and LEAs had adequate processes in place to ensure that schoolwide schools had schoolwide plans that included all required elements and that these schools implemented their schoolwide plans; (2) if the schoolwide plans for selected schools included all required elements; and (3) whether the selected schools implemented the elements included in their schoolwide plans. Our work identified weaknesses in monitoring and oversight to ensure adherence to and compliance with the statute.

Indiana: The Department allocated approximately $174 million in Title I funds to the Indiana Department of Education (IDE) for the 2005-2006 school year, where 160 schools operated schoolwide programs. We found that IDE and the two LEAs we reviewed (Indianapolis and East Chicago) had adequate processes in place to ensure that schools implemented the elements included in their schoolwide plans, but did not ensure that schoolwide plans included all required elements. We also found that the two schools we reviewed did not include all required elements in their schoolwide plans. Not ensuring that schoolwide plans include all required elements could potentially lead to decreased implementation of required schoolwide plan elements and schoolwide plans that are less likely to improve the academic achievement of all students. We made a number of recommendations, including that the Department require IDE ensure that both schools revise their schoolwide plans to include all required elements. IDE concurred with our findings and recommendations.

Michigan: The Department allocated approximately $424 million in Title I funds to the Michigan Department of Education (MDE) for the 2005-06 school year, where 902 schools in 250 LEAs operated schoolwide programs. Our audit found MDE and the four LEAs we reviewed generally had adequate processes in place to ensure that schools implemented the elements included in their schoolwide plans but did not ensure that schoolwide plans included all required elements. Similar to Indiana, we also found that the schools reviewed did not include all required elements in their schoolwide plans. Our recommendations for MDE mirrored those for IDE, including that the Department require MDE to ensure that all schools reviewed revise their schoolwide plans to include all required elements. We also recommended that the MDE provide guidance to all LEAs in Michigan on how to monitor schoolwide plans for inclusion and proper implementation of all required elements. MDE concurred with our findings and recommendations.

Grantee Accountability

Bureau of Indian Affairs and the Individuals with Disabilities Education Act

The Department provides funding for disadvantaged and disabled students to the Bureau of Indian Affairs (BIA) through the Department of the Interior (Interior). BIA is an agency within Interior. The BIA allocates these funds to elementary and secondary schools operated or funded by the Secretary of the Interior, including tribal-operated schools that are funded by the BIA. Overall, the Department provided $140 million in education funds to BIA in 2002 and $188 million in 2003. The Individuals With Disabilities Education Act (IDEA), Part B requires the Department to provide funds to the Secretary of the Interior to assist in providing special education and related services to children with disabilities. The Office of Indian Education Programs, located within the BIA, provides technical assistance to and has oversight responsibility for 185 BIA-funded elementary and secondary schools, and two post-secondary colleges.

During this reporting period, OIG concluded two audits in this area: one to determine whether BIA schools administered IDEA, Part B funds in accordance with requirements, laws, and regulations, and provided services to eligible children in accordance with the student's Individualized Education Program (IEP), and a second audit to determine whether the Department's oversight of Interior's IDEA, Part B programs was adequate to disclose potential problems. Our work identified a need for improved internal controls by both the Department and BIA, specifically in the area of monitoring and oversight, as their previous efforts have left millions of dollars at risk of waste, fraud, or abuse.

BIA Administration of IDEA, Part B: Our review covered the period July 1, 2001, through September 30, 2003. We selected seven BIA schools for review based upon the amount of IDEA, Part B funds received, student body population, and recommendations from officials at BIA. We found that the seven BIA schools reviewed did not administer IDEA, Part B funds in accordance with applicable requirements, laws, and regulations and were unable to demonstrate that 68 percent of the students in our sample received the planned special education and related services in accordance with their IEP. In addition, because the responsible agency within the BIA was unable to adequately account for the entire $111 million of IDEA, Part B funds appropriated during our audit period, we determined that other Department funds, totaling $217 million, also administered by Interior during the two-year audit period might be at risk.

Based on our findings, we made a number of recommendations, including that the Department obtain an assurance from BIA officials that the $111 million of IDEA, Part B funds was used to deliver educational assistance to the children with disabilities at all of the BIA funded schools and return any funds not used for those purposes. We also recommended that the Department coordinate with Interior to require BIA to account for the remaining $217 million in other Department funds it received during the audit period, or return those funds. The Department and BIA concurred with some of our findings and recommendations.

Department of Education's Oversight of Interior's IDEA, Part B Programs: We found that the Department did not provide adequate oversight of BIA's IDEA, Part B programs from September 2001 to September 2003. While it provided some programmatic oversight of BIA programs in the form of comments and feedback on the annual performance reports submitted by BIA, Department officials did not perform sufficient on-site visits to BIA schools or BIA offices. As a result, the Department was unaware of the inadequate documentation substantiating the special education and related services provided by the schools to children with disabilities, or the lack of accounting procedures at BIA to account for IDEA, Part B funds. Consequently, the Department was unable to take timely corrective action.

Because BIA did not adequately account for the IDEA, Part B funds and it functioned as the SEA for all other Department programs, we determined that all education funds administered by Interior, totaling over $328 million during this specific audit period, might be at risk. Subsequently, the Department has worked with BIA to develop a corrective action plan to address a variety of issues at BIA. The corrective action plan contains steps to address programmatic and fiduciary compliance including, but not limited to, improving administrative, organizational, and management capability and program and financial accountability. In addition, the Department has imposed certain conditions on BIA's continuing eligibility for IDEA, Part B funding. Based on our findings, we made a number of recommendations, including that the Department continue with the implementation of the current corrective action plan; but if BIA deviates from the plan, or fails to successfully complete the plan, the Department should evaluate whether to identify BIA as a high-risk entity. The Department concurred with several of our recommendations, and said it had taken steps to address a number of them.

Parental Information and Resource Center Grants

The Learning Exchange: In November, we released our final audit report that sought to determine whether The Learning Exchange's (LX), a non-profit educational consulting agency, expenditures for its Parental Information and Resource Center (PIRC) project were allocable, allowable, reasonable, and in accordance with approved budgets, and grant terms and conditions. We reviewed LX from its inception in October 2003, through the February 2006 termination of the grant's authorization. The PIRC grant program provides resources that grantees can use to assist the parents of children who attend Title I schools identified for improvement, corrective action, or restructuring. Our audit revealed that LX did not properly contract for services, incorrectly allocated employee compensation payments, spent PIRC grant funds for unallowable activities, and did not retain sufficient documentation to support PIRC expenditures and demonstrate it met federal requirements. The total amount of questioned costs came to over $436,000. Based on our findings, we made a number of recommendations, including that, because of the pervasiveness of LX's mismanagement of its PIRC grant, the Department consider initiating proceedings to debar LX from future participation in federal programs. LX disagreed with some of our findings, but generally justified its administrative failures by identifying extenuating circumstances and agreed to be debarred for a reasonable amount of time from federally funded contracts. It also committed itself to strengthening its internal control procedures.

Congressional Earmark Recipients

KIPP Foundation: During this reporting period, we concluded an audit to determine whether the Knowledge Is Power Program (KIPP) Foundation conducted six Congressionally-directed grants, totaling over $8 million, in accordance with applicable laws, federal regulations, and approved grant applications. KIPP is an educational program used to operate a nationwide network of free open-enrollment college-preparatory public schools in under-served communities. The KIPP Foundation (Foundation) is the national non-profit organization that supports the network. Our audit found that while the Foundation generally conducted the grants in accordance with the applicable law and approved grant applications, it did not fully comply with federal regulations when it included unallowable costs and costs lacking support documentation or budget approval in its charges to the grant accounts. The Department intended the funds awarded to the Foundation to be used to support the KIPP School Leadership Program, curriculum development, teacher training, and extended learning time at KIPP schools. While we did not identify any serious deficiencies that prevented the Foundation from achieving the grant goals, improvements to its control environment, specifically its financial management system, are needed to ensure that grant funds are used only for allowable and allocable costs. We made a number of recommendations with which KIPP concurred and agreed to implement our recommendations.

High-Risk Grantees

Virgin Islands: We conducted an audit to determine whether the Virgin Islands Department of Education (VIDE) ensured that Learning Point Associates (LPA) adequately met contract deliverables prior to payment by VIDE, and if it complied with applicable laws and regulations for the period of September 15, 2003, through September 30, 2005. VIDE entered into a $7.4 million fixed-price contract with LPA, a not-for-profit education consulting agency, in 2003 to develop a comprehensive, territory-wide plan to: give schools greater site-based authority to determine needs and apply funding; enhance school site-based management through greater community involvement and accountability; implement individual school programs; bring VIDE into compliance with requirements for Department programs; and utilize quantitative data for decision-making at the school level. We found that VIDE did not ensure that LPA completed contract deliverables in accordance with the contract. Although LPA did complete the contract deliverables, VIDE did not have sufficient controls in place to ensure that the contract deliverables were completed timely, accurately, and prior to payment. Based on our findings, we made a number of recommendations geared towards helping VIDE improve its internal controls, including that the Department require VIDE to develop and implement adequate contract administration policies and procedures, and ensure that future contracts contain adequate controls and information reporting requirements. VIDE concurred with our findings and recommendations.

Investigations

Our investigations into suspected fraudulent activity by SEAs, LEAs, and other federal education grantees have led to the arrest and conviction of a number of high-ranking state and local education employees—individuals who were in positions of public trust—for theft or misuse of federal education funds. We will continue to aggressively pursue those who seek to defraud federal education programs at the expense of our nation's students. Here are a few examples of our work in this area over the last six months.

Montana: A former education director of the Fort Peck Tribe, and her husband, the former Superintendent of Brockton Schools, were sentenced to prison terms, probation, and were ordered to pay restitution for charges related to theft of federal funds. They were each sentenced to 12 months incarceration, 3 years probation, and ordered to pay $12,000 in restitution. The former education director was ordered to pay an additional $1,855 in restitution. Our investigation, conducted jointly with the Interior OIG, found that the former education director conspired with her husband and her uncle, a former Tribal Consultant, to submit and approve payment of false invoices for various consulting services that were never performed. Additionally, the former director falsified her daughter's Free Application for Student Aid (FAFSA) by indicating she was a single mother with one income.

New York: A former Long Island Assistant Superintendent for Business of the William Floyd School District was sentenced for stealing approximately $675,000 in school and state pension funds over a six-year period. The former official received a combined two-to-six-year sentence on four counts of second-degree grand larceny, one count of third-degree grand larceny and two counts of money laundering. He was previously sentenced to 30 months incarceration on federal tax evasion charges for failing to report the stolen funds as income.

Pennsylvania: A former Philadelphia charter school principal and chief administrative officer at the Center for Economics and Law (CEL) was sentenced to 33 months incarceration for his role in a scheme to defraud the Philadelphia School District (PSD). The former official directed school employees to report students as enrolled who had dropped out of school, or who had transferred to out-of-state or private schools knowing that the PSD computer system could not readily track students once they left the district. As a result of the fraud, CEL was overpaid approximately $207,000. In addition to incarceration, the former principal was ordered to make full restitution, serve three years of supervised release, and is prohibited from holding any administrative position in an educational institution.

Internal Controls and Accountability in Student Financial Assistance Programs

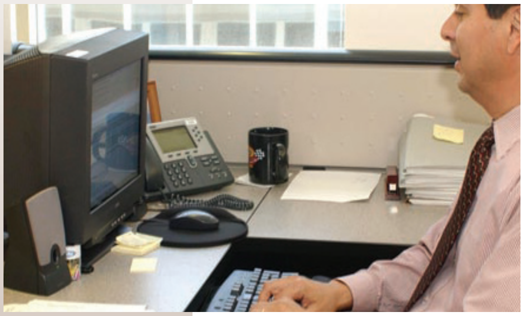
The Department's student financial assistance programs are large and complex. The loan and grant programs rely on over 6,000 postsecondary institutions, more than 3,000 lenders, 35 guaranty agencies and many contractors. With $77 billion awarded last year through the student financial assistance programs and an outstanding loan portfolio of over $400 billion, the Department must ensure that all entities involved in the programs are adhering to statutory and regulatory requirements. As the office responsible for administering the student aid program, FSA must provide adequate oversight and demand accountability from its staff, partners, and participants to help protect these dollars from waste, fraud, and abuse.

In SAR 53, we discussed two audits that identified significant lapses in management and accountability in the FFEL program: our audit on Financial Partners that revealed an unacceptable level of internal controls; and our audit of special allowance payments made to the student lender Nelnet, Inc., estimated that Nelnet was improperly paid more than $278 million in special allowance payments, and could be improperly paid about $882 million for the ineligible loans after June 2005, if its billings are not corrected. When dealing with a program of this size and complexity, and particularly as the student loan programs were on the GAO High-Risk List for more than a decade, effective internal controls are needed to provide reasonable assurance that its programs—and the taxpayer dollars that support them—are protected from waste, fraud, and abuse. Based on the findings of these two audits, we made a series of recommendations to help FSA and the Department correct deficiencies and improve internal controls. To date, FSA and the Department have taken only minimal steps to address our recommendations. This limited progress is discussed below, as well as summaries of other work we concluded in the student financial assistance arena over the last six months. In addition, we closed a number of investigative cases of theft of student financial aid funds by both those in positions of trust in schools, as well as by students themselves, which are highlighted below.

Follow-up to Audit of Special Allowance Payments Made to Nelnet

In January, the Department announced a settlement with the student lender Nelnet on loans billed at the 9.5 percent special allowance rate. As discussed in SAR 53, a 2006 OIG audit estimated that Nelnet was improperly paid more than $278 million in special allowance payments, and could be improperly paid an additional $882 million unless its billings are corrected. The Department's settlement prohibits any future special allowance payments to Nelnet at the 9.5 percent floor rate on loans that were not made from eligible sources of funds, which was one of our two recommendations. The Department did not, however, require Nelnet to pay back any overpayments already received, which was the second recommendation detailed in our September audit report.

Shortly after announcing the Nelnet settlement, the Department issued a "Dear Colleague" letter to participants in the student lender program, restating which loans are eligible for the 9.5 percent special allowance payment, as set forth in the Higher Education Act, as amended (HEA). The letter informed participants that the Department would require audits of all pending claims from lenders seeking the 9.5 percent special allowance payment, and that



the audits would be conducted by independent accounting firms. In addition, the "Dear Colleague" letter stated that if a lender complies with this provision of the law going forward, submits to an audit, and agrees to certify future special allowance payment billings, the Department would not require the lender to pay back any overpayments it may have received. The Department's decision has come under the scrutiny of Congress and the media, as it is unclear how much the Department may have overpaid these lenders. OIG staff has been working with FSA and the Department on new audit guidance for special allowance payments, which was issued in late April, and continues to conduct work in this area to protect the integrity of the federal student loan programs.

Audit Reports

Philander Smith College

During this reporting period, we concluded an audit to determine whether Philander Smith College (PSC) complied with the Title IV program requirements for student eligibility, verification, return of Title IV funds, and accounting for the Federal Perkins Loan program (Perkins) and the William D. Ford Federal Direct Loan program (Direct Loans). We determined that PSC often did not comply with the Title IV program requirements, and as a result did not meet the administrative capability standards for Title IV programs. Based on the significance of these findings, we concluded that the entire $11.4 million in Department funds that PSC expended during the audit review period might be at risk for similar misuse. Among our findings, we concluded that PSC: (1) did not account for or properly administer the Perkins Loan Funds; (2) did not return unearned Title IV funds; (3) failed to monitor the verification process and ensure that all required verifications were completed; (4) did not properly disburse or reconcile Direct Loan Program funds; and (5) did not report student status changes to the National Student Loan Data System.

Based on our findings, we made a number of recommendations, including that FSA require PSC to: (1) reconcile the Perkins Loan and Direct Loan Programs; (2) return funds to the Department for disbursements made to ineligible students; and (3) develop and implement adequate policies, procedures, and management controls. PSC agreed with our findings but did not agree with all of our recommendations.

FAFSA Verification

In 2006, OIG initiated a series of audits at nine Title IV participant schools to determine if the schools completed verification of applicant data and accurately reported verification results to the Department. As described in the Federal Student Aid Handbook 2005-2006, "Application and Verification Guide," when a school disburses a federal Pell Grant for a student, the school is required to report the verification status of the student's application to the Department's Common Origination and Disbursement (COD) system. The student verification status remains blank when the school has not performed verification because the application was not selected for verification. OIG reviewed nine schools: American University of Puerto Rico (Puerto Rico); ATI Technical Center (Texas); Boston College (Massachusetts); Cerritos Community College (California); East Carolina University (North Carolina); Morton College (Illinois); the College of New Rochelle (New York); the School of Art Institute of Chicago (Illinois); and Technical Career Institute (New York).

Our work revealed that all of the schools except the American University of Puerto Rico had policies and procedures in place that ensured FAFSA information was verified in accordance with applicable HEA provisions, federal regulations, and Department guidance; however, East Carolina University did not consistently adhere to the procedures. We found that all schools properly performed verification by following written policies and procedures, obtaining appropriate student-provided documentation, and accurately reporting changes in application information, but only four of the schools accurately reported student verification status to the COD. This is a critical step as it completes the process and lets the Department know that the verification has been completed. Based on our findings, we recommended that FSA require ATI Technical Center, Cerritos Community College, East Carolina University Morton College, and the School of Art Institute of Chicago to confirm that they are properly recording verification status in COD. For the American University of Puerto Rico, we recommended that FSA require the school to develop written policies and procedures for the verification process. The schools concurred with our findings and recommendations.

Investigations

Identifying and investigating fraud and abuse in the student financial assistance arena has always been a top OIG priority. The following are summaries of some of the more significant cases of student financial aid fraud that were closed over the last six months.

Fraud by Government Officials

A former North Carolina state representative was sentenced to 12 months probation and a $1,000 fine for making false statements to the government by providing false, fictitious documents to the Department in an attempt to convince Department officials that his student loan debt had been paid in full. As a result of our investigation, the representative paid off the remaining balance of his student loan obligations.

Fraud by School Officials

A former president and a former financial aid director of Morris Brown College were sentenced to prison terms, probation, and ordered to pay restitution for student financial aid fraud. The former officials fraudulently obtained student loans and grants from the Department and private lenders for ineligible and withdrawn students, and in some instances students that never attended the college. Our joint investigation with the FBI determined that between August 1999 and January 2002, more than 1,800 disbursements of federally insured loans and Pell grants were directed to the college on behalf of ineligible students.

A former men's basketball coach/instructor at Barton County Community College was sentenced to two years federal probation and ordered to pay over $26,000 in restitution for student financial aid fraud and mail fraud. The former coach prepared and submitted fraudulent time sheets representing that student athletes worked in the campus employment program and Federal Work Study program. He also participated in a scheme involving academic fraud by completing academic work on behalf of students/athletes enabling them to receive an associate's degree and to achieve eligibility to play basketball on a NCAA Division I basketball team.

A Cerritos College Assistant Football Coach, who was also the Student Judicial Affairs Coordinator, was sentenced to 24 months incarceration for falsifying dependency override documentation and residency certifications to obtain Title IV aid for over 25 ineligible players. Further, he falsified admission applications for out-of-state players so that they would not have to pay the higher tuition fees. In addition to incarceration, the former coach was sentenced to five years probation, ordered to pay over $70,000 to the Department and more than $20,000 to the Cerritos Community College, terminate his employment at the College, and never hold a position where he may have access to or control of public money.

Two school officials were sentenced to a combined 45 months of incarceration, six years of supervised release, and ordered to pay approximately $795,000 in restitution after pleading guilty to defrauding the Department and the U.S. Department of Health and Human Services. Our investigation disclosed that the owner of the California School of Medical Sciences (CSMS), authorized to receive federal financial aid, conspired with the General Manager of the Software Training Center (STC) to provide financial aid applications from current STC computer students in order to obtain federal funds for purported ultrasound courses at CSMS that the students never attended. To promote the fraud, the officials manufactured and forged student signatures on attendance records, course evaluation sheets and report cards showing that the students had enrolled and completed an ultrasound course that they in fact never attended.

Fraud by Students/Individuals

A former nursing student was sentenced to five years probation and ordered to pay over $16,000 in restitution for student financial aid fraud for her role in a grade-buying scheme at Southern University (SU). Our investigation disclosed that the nursing student allegedly paid a former SU Associate Registrar to alter her official transcripts by removing failing grades and/or adding passing grades for classes, some of which, she never attended. As a result, the nursing student illegally received approximately $10,500 in FFEL loans and $6,650 in Pell grants.

Identity Theft

A Boston man was sentenced to 18 months in prison and ordered to pay approximately $139,000 in restitution, including over $18,000 to the Department after pleading guilty to making false statements and Social Security fraud. The man fraudulently obtained federal student loans by using another person's identity, which allowed him to conceal his prior student loan default status. The remainder of the restitution order is owed to U.S. Department of Housing and Urban Development, and the Social Security Administration for fraudulently obtaining benefits from those agencies.

A Minnesota woman was sentenced to 12 months incarceration, 5 years of supervised release, and ordered to pay approximately $67,000 in restitution for financial aid fraud. Our investigation revealed that from 1993 through 2005, the woman fraudulently obtained federal and nonfederal student financial aid funds by enrolling in several academic institutions in the Minneapolis area using the identity of both her minor child and her deceased grandmother.

Internal Controls and Accountability in Financial Management and Department Operations

Internal controls serve as the first line of defense in safeguarding assets and in preventing and detecting fraud, abuse, and errors. Given the billions of dollars the Department distributes each year, Department managers must give top priority to improving internal controls in order to minimize the Department's vulnerability to waste, fraud, and abuse. Since 2002, the Department has made noteworthy progress by improving internal controls over its financial management. This has enabled the Department to receive a clean audit opinion for the last five years. While its improved financial management is helping the Department identify a number of problem areas and possible misappropriations of federal funds, work conducted during this reporting period shows continued inadequacies in its operations due to ineffective internal controls.

Lack of effective internal controls, including monitoring and most notably control activities–policies and procedures, techniques, and mechanisms that enforce management directives–leave federal funds and agency assets vulnerable to waste, fraud, and abuse. Work concluded during this report period shows a need for the Department to improve its physical control to secure and safeguard vulnerable assets, specifically its IT equipment. It must also improve its monitoring performance measures and indicators to ensure that its resources are used efficiently, and that its contractors are meeting all requirements and delivering appropriate services. By strengthening its internal controls in its internal operations, specifically its control activities, the Department can truly and efficiently utilize the taxpayer dollars with which it has been entrusted.

Financial Management

Financial Statement Audits

In November, we transmitted the final audit reports covering the Department's and FSA's Fiscal Year (FY) 2006 comparative financial statements, and the Department's FY2006 special-purpose financial statements. Ernst & Young, LLP, Certified Public Accountants (E&Y), conducted the audits and we performed oversight and monitoring procedures considered necessary to provide negative assurance that E&Y conducted the audits in accordance with standards. The Department and FSA each earned an unqualified or "clean" opinion on their respective comparative financial statements. The Reports on Internal Control for both the Department and FSA noted reportable conditions covering credit reform estimation and financial reporting processes, and controls surrounding information systems. Neither audit noted instances of noncompliance, exclusive of the *Federal Financial Management Improvement Act of 1996* (FFMIA); however, they did note that the Department's and FSA's financial management systems did not substantially comply with certain systems requirements of the FFMIA due to the control weaknesses surrounding information systems.

The audits found that the controls over credit reform estimation and financial reporting could be strengthened by: improving the analytical tools used for the loan estimation process; documenting, in detail, the programs written to develop the assumptions for the loan estimating model and document scenarios under which deviation from patterns of prior cash flows are appropriate; continuing to develop detailed operating procedures for the loan estimation process, which would include the step-by-step procedures that take place during the various phases of the process; and more fully implementing cohort reporting. The audits also found control weaknesses within information technology security and systems. These included, among others, weaknesses in access controls, configuration management, security incident handling procedures, and intrusion detection systems.

Additional Work

During this reporting period, we also transmitted the agreed-upon procedures report covering the Department's FY2006 Federal intragovernmental activity and balances. E&Y performed the engagements, and we performed oversight and monitoring, as stated above. The purpose of the intragovernmental activity and balances engagement was to perform certain agreed-upon procedures stated in the U.S. Department of Treasury's (Treasury) Financial Manual. This report was provided to Treasury's Financial Management Service and the GAO as required.

Drug Control Funds

As required by Section 1704(d) of Title 21, U.S. Code, and in accordance with the Office of National Drug Control Policy Circular Drug Control Accounting, we authenticated the Department's accounting of FY2006 drug control funds by expressing a conclusion on the reliability of each assertion made in the Department's accounting. Based upon our review, nothing came to our attention that caused us to believe that the Department's accounting and assertions were not fairly stated in all material respects.

Department Operations

Department's Competitive Sourcing/A-76 Competition

Competitive sourcing is a process that opens commercial activities performed by the government to competition between the public and private sectors. The competitive sourcing process is intended to improve the performance and efficiency of federal government activities. Federal regulations require agencies to hold a competition to select the best service provider for non-inherently governmental functions or commercial activities, which include human resources services. In 2002, the Department developed the "One-ED" project, a project intended to create a more efficient and effective organization. As part of One-ED, an employee team studied human resources and training functions to determine the most cost efficient way to deliver quality services. It ultimately decided that these functions could benefit from competitive sourcing. In 2003, the Department held a standard competition for the following human resources functions: staffing and hiring; employee relations; and training and development, which were awarded to the Department's Most Efficient Organization (MEO). MEO refers to the government's in-house organization, and may include a mix of federal employees and contract support. The MEO defined how it would be organized and managed, and proposed that it could perform the competed work for just over $38 million over five years. Department officials selected the MEO as the service provider after they concluded that it offered the best value solution compared to private sector proposals.

In 2006, we initiated an inspection to determine whether the MEO is meeting the performance requirements, and if it is meeting the cost savings. We were unable to determine if the MEO was meeting the performance requirements because it did not collect any data on 11 of the 12 performance requirements, and there has been no evaluation of the MEO's performance. We also found that the Department-wide savings reported to OMB were overstated by more than $5.1 million. Based on our findings, we recommended that the Department reconsider how to best provide the competed human resources and training functions and determine whether the MEO should continue. The Department concurred with our findings and recommendation, and has terminated the MEO.

Controls Over Excessive Cash Drawdowns By Grantees

Monitoring is not only one of the five standards for internal control, it is an integral part of grant administration. Further, according to the Department's Handbook for the *Discretionary Grant Process* (Handbook), "well-designed monitoring must also address the [Department's] fiduciary responsibility to ensure grantees' compliance with legal and fiscal requirements and to protect against fraud, waste and abuse." The *Handbook* directs the Department's program staff to pay particular attention to grantees' fiscal activities as part of its monitoring process by using the Grants Administration and Payment System (GAPS) as the primary tool. GAPS provides payment and expenditure reporting data on Department grantees. One of the available reports is the Excessive Drawdown Report, which assists program offices in identifying those discretionary grantees that may have violated cash management policies and regulations by drawing funds in excess of a grant's immediate cash needs. Our audit to determine whether the Department's controls identify and prevent excessive cash drawdowns by grantees found that the Department's controls did not effectively identify or prevent excessive cash drawdowns. As an example, we found that the Excessive Drawdown Reports did not identify 1,379 unique grants that met the excessive drawdown threshold criteria during FY2005. The net drawdown activity for these grants totaled $212 million. We also found that staff did not always fulfill its responsibility to ensure program offices monitored excessive drawdowns. As a result, the Department is not monitoring all grants for excessive drawdowns, and cannot ensure its grantees are compliant with fiscal requirements. Based on our findings, we made a number of recommendations aimed at correcting deficiencies in the Excessive Drawdown Report and staff follow-up, the Department agreed with all but one.

> **Specific Recommendations for OPE and OII:** In the course of our audit of excessive cash drawdowns by grantees, we determined that the Office of Innovation and Improvement (OII) and the Office of Postsecondary Education (OPE) had the largest number of potentially excessive drawdowns on the reports, with 236 and 189 drawdowns, respectively. Together, OII and OPE represented 425 of the 495 total drawdowns on the reports (86 percent). Prior to the release of our final report, we submitted a Management Information Report to each office providing immediate information that we believe may be beneficial in future oversight of excessive cash drawdowns made by OII and OPE grantees. In both instances, we found the offices did not always effectively respond to and resolve individual drawdowns on the Excessive Drawdown Reports. We recommended that the Department require both OII and OPE program staff ensure that all grants appearing on the Report are researched, excess cash balances are resolved, and the official grant file is documented accordingly.

Controls over Contract Monitoring for IES

During this reporting period, we concluded an audit to determine whether the Department's contract monitoring process ensures that contractors adhere to the requirements of the contract, and if it receives the products and services intended. We focused our review on the Institute of Education Sciences (IES), which was established by the *Education Sciences Reform Act* as an office within the Department in 2002. During the time period of our review, IES had the highest number of payments of any office within the Department, the highest number of active contracts, and the second highest amount of payments during this review period.

Our audit revealed that the Department's monitoring process for IES contracts did not always ensure contractors adhered to the specified requirements or that the Department received the products and services intended. Department staff did not adequately document receipt and acceptance of deliverables; they did not prepare written evaluations of contractor-submitted reports; nor did they appropriately review invoices prior to approving payment. This occurred because Department staff were not always familiar with regulations, policies and procedures, or with the terms of the contract they were assigned to monitor. All of the issues noted were also reported in OIG's previous audit of IES contract monitoring, which led us to conclude that the corrective actions taken by the Department in response to our prior audit were not always effective, and that further corrective actions are needed to improve monitoring in these areas. We made a number of new recommendations, in response to which the Department proposed corrective actions.

IT Equipment Inventory

The *Federal Property and Administrative Services Act of 1949*, as amended, requires that each federal agency maintain adequate inventory controls and accountability systems for property under its control. To assist in fulfilling this requirement, the Department conducts an annual physical inventory of its IT equipment, such as computers, printers, and monitors. The Department's Office of Management (OM) is responsible for maintaining control over the IT assets, and acquired the services of an inventory services contractor (ISC) to assist in conducting the IT equipment inventory for FY2005. According to the contract, the ISC was to collect and/or validate data on all applicable equipment, and provide computerized files to the Department so it could update its inventory system to ensure its data is current, complete, and accurate.

In November 2006, we concluded an audit to evaluate the process and results of this inventory. Our audit found that the Department could not support the results reported in the equipment inventory. The ISC reported 5,037 items as not found during the inventory process, 2,259 being desktop/laptop computers or servers. These items were not necessarily missing, as they may have been located in areas the contractor did not gain access to during the inventory, such as alternate work sites, items on property passes, or perhaps represented errors in bar code scanning. In its final report, the Department reported that 98.9 percent of the total items in the inventory were accounted for; only 411 items were reported as "unassigned" or not found. We attempted to validate the process for reconciling the 5,037 items initially not found by the ISC to the 411 items in the final results reported by the Department, and found that the Department did not have any documentation to support the final results. In addition, we found that the Department did not effectively manage its inventory contracts. Specifically, it did not ensure that the inventory met stated goals, and monitoring and documentation of contractor oversight was not adequate. As a result, the Department lacks assurance that the inventory and reconciliation processes were conducted appropriately and that inventory results were accurate. The Department concurred with our findings, and proposed corrective actions to address each of our recommendations.

Investigations

During this reporting period, significant settlements were reached with two Department vendors, as well as a former Department official. Below you will find summaries of these events.

Former Deputy Secretary Enters Into Settlement Agreement: On March 19, the U.S. Attorney's Office for Washington, D.C., acting on behalf of the Department, entered into a settlement agreement with a former Deputy Secretary. Under the terms of the settlement, the former official admitted liability and agreed to pay $50,000, the maximum amount allowed under law, for continuing to hold bank stock that he was required to sell under conflict-of-interest rules. Our investigation found that the former official held over 800 shares of Bank of America stock, a financial institution that participates in and benefits from the FFEL program. While he held this stock, he participated in policy matters that came before him in his official capacity at the Department that may have had a direct and predictable effect on Bank of America. The former official was informed by White House ethics officials that he would have to sell his bank stocks. The former official reluctantly agreed to sell his bank shares, and did sell other bank stock owned by his family; but he did not sell his more than 800 shares in Bank of America, despite repeated questions from ethics officials at the Department, and despite being informed by a financial advisor that his Bank of America shares had not been sold at the time his family's other bank shares had been sold. Through this settlement, the former official admitted his liability by virtue of his failure to divest his Bank of America shares as required.

$90,000 Settlement With Armstrong Williams: In October, Armstrong Williams agreed to pay $90,000 to settle allegations that his media relations company, the Graham Williams Group (GWG), submitted false claims to the Department under his contract to provide media services for the NCLB. This civil settlement is the result of joint inspection/investigation conducted by the OIG's Special Investigation Unit and the Operations Internal Audit Team in 2005.

$255,000 Settlement With Avaya Communications: In October 2006, a $255,000 settlement was reached with Avaya Communications concerning its responsibility for the acts of one of its former employees who was a participant in a wide-ranging conspiracy to defraud the Department. The settlement is a result of the contention that Avaya is liable for its former employee's participation in a scheme through which the Department was defrauded of more than $1 million. A previous settlement in this matter with the prime contractor, Verizon Federal, Inc., for $2 million dollars was reached in 2002.

Hurricane-Related Efforts

The Hurricane Education Recovery Act (HERA), passed as part of Public Law 109-148 in 2005, authorized three new grant programs to assist school districts and schools in meeting the educational needs of students displaced by Hurricanes Katrina and Rita, and to help schools closed as a result of the hurricanes to re-open as quickly and effectively as possible. These programs are: (1) the Immediate Aid to Restart School Operations program (Restart), funded at $750 million; (2) the Assistance for Homeless Youth (HY) program, funded at $5 million; and (3) the Temporary Emergency Impact Aid for Displaced Students (EIA) program, funded at $645 million. In addition, Public Law 109-148 included $200 million for students and institutions of postsecondary education affected by the hurricanes. In June 2006, Congress appropriated an additional $235 million for the Emergency Impact Aid programs, and an additional $50 million for postsecondary institutions and students in the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror*, *and Hurricane Recovery Act 2006*. At the close of reporting period, Congress was considering adding another $30 million for these programs for FY2007.

With such a large amount of funding needing to be distributed in critical areas in a short amount of time, effective internal controls, particularly risk assessment, is vital. That's why in 2005, prior to the disbursement of its hurricane-related funds, OIG worked closely with the Department, providing assistance and advice in matters relating to internal controls over HERA-related funding. This allowed OIG an opportunity to alert the Department to potential areas of risk or concern before the first HERA dollars were released, and provided the Department an opportunity to implement safeguards to help prevent waste, fraud, and abuse of these funds. Our emphasis was on appropriate monitoring, as well as accurate and reliable recordkeeping and reporting by grant recipients. We also advised the Department on issue areas identified by our regional audit teams, all in an effort to help ensure these vital dollars reach the intended recipients.

During this reporting period, OIG completed one audit, with eight additional efforts near completion. An additional audit is scheduled to begin later in FY2007. Pursuant to our policy to keep confidential the details of our ongoing work, below you will find a summary of our completed audit. When the other audits are finalized, we will report our findings to the U.S. Congress, the Department, and the general public.

Controls Over Hurricane Education Recovery Funding

In January 2007, we issued a Management Information Report to provide the Department with information that may be beneficial in ensuring HERA funds are appropriately expended. The information was gleaned from an audit we conducted to assess the adequacy of controls over funding for Restart, HY, and EIA. Our work noted that the Department had issued guidance and information consistent with legislative requirements, allocated funding using methodologies that were appropriate and reasonable, and developed and initiated implementation of monitoring plans. We did, however, find that the Department did not obtain supporting data to provide assurance of the accuracy of displaced student counts, which is used as the basis for allocation of funds under both the EIA and HY programs prior to the allocation of funds. Instead, the Department relied upon information and certifications provided by the SEAs, which the SEAs received from the LEAs, BIA-funded schools, and nonpublic schools. The Department also took steps to verify student counts during its EIA monitoring visits. Based on our findings, we suggested that the Department continue to obtain supporting information for displaced student counts during monitoring visits to help ensure that funds allocated for the EIA and HY programs were appropriate, and incorporate single audit reviews as they become available into the monitoring plan for each program.

Other Noteworthy Efforts

Nonfederal Audits

Participants in Department programs are required to submit annual audits performed by independent public accountants (IPAs). We perform quality control reviews (QCRs) of these audits to assess their quality. We completed 41 QCRs of audits conducted by 40 different IPAs, or offices of firms with multiple offices. We concluded that 19 (46 percent) were acceptable, 16 (39 percent) were technically deficient, and 6 (15 percent) were substandard.

President's Council on Integrity and Efficiency

PCIE Audit Committee

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

GAO/PCIE Financial Audit Manual Update: GAO and the Federal Audit Executive Council (FAEC) are working to update the GAO/PCIE Financial Audit Manual for recent changes to the auditing standards. First drafts of a number of manual chapters have been issued for comment with additional sections to follow shortly. The GAO/FAEC team hopes to issue the final document by the end of June 2007.

GAO/PCIE Financial Statement Audit Roundtable: In February 2007, the PCIE and GAO hosted the annual Financial Statement Audit Roundtable. Speakers discussed a wide range of issues affecting financial statement audits before a group of participants that included representatives from the PCIE, GAO, the OMB, the Chief Financial Officers' Council (CFOC), the Federal Accounting Standards Advisory Board and independent public accountants.

Joint CFOC/PCIE Working Group: In order to maximize the effectiveness and efficiency of the financial statement audits that each IG office is required to perform on its agency annually, the PCIE and the CFOC established a working group in January. The Working Group, chaired by OMB and composed primarily of Deputy CFOs and Assistant IGs for Audit, looks to address issues that arose during the FY2006 financial statement audit process, identify common problems and develop best practices. In March, the Working Group began its efforts to produce the best practices report, entitled, Best Practice Guide: Coordinating the Preparation and Audit of Federal Financial Statements. The Working Group is currently soliciting ideas and comments from the financial community, and looks to release its final report later this year.

New DVD on ID Theft

In January, OIG released its second DVD on the issue of identity theft in the student financial assistance arena. Entitled Identity Theft: It's Not Worth It, the DVD tracks how OIG Investigative Services, together with the U.S. Attorney's Office, U.S. Marshals Service, U.S Postal Inspection Service, and Truckee Meadows Community College, worked together to stop a $1 million financial aid fraud scam, spearheaded by a 64-year old grandmother. The DVD discusses how the woman—along with seven of her family members, including children and grandchildren—used the identities of more than 65 people to obtain almost $1 million in federal student aid at various colleges in Arizona, Colorado, Maryland, Nevada, and Texas through distance education programs. In 2003, OIG worked with the Arizona Department of Public Safety to produce FSA Identity Theft: We Need Your Help. This report featured an individual incarcerated for student aid fraud who describes the techniques he used to steal identities. To date, OIG has distributed nearly 100 DVDs to schools, lenders, and other participants in the student financial assistance programs.

Reporting Requirements of the Inspector General Act, As Amended		
Section	Requirement	Table Number
5(a)(1) and 5 (a)(2)	**Significant Problems, Abuses, and Deficiencies** Activities and Accomplishments	
5(a)(3)	**Uncompleted Corrective Actions** Recommendations Described in Previous SARs on which Corrective Action Has Not Been Taken	1
5(a)(4)	**Matters Referred to Prosecutive Authorities** Statistical Profile	7
5(a)(5) and 6(b)(2)	**Summary of Instances where Information was Refused or Not Provided**	
5(a)(6)	**Listing of Reports** OIG Audit Services Reports on Department Programs and Activities Other OIG Reports on Department Programs and Activities	2 3
5(a)(7)	**Summary of Significant Audits** Activities and Accomplishments	
5(a)(8)	**Audit Reports Containing Questioned Costs** OIG Issued Audit Reports with Questioned Costs	4
5(a)(9)	**Audit Reports Containing Recommendations for Better Use of Funds** OIG Issued Audit Reports with Recommendations for Better Use of Funds	5
5(a)(10)	**Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period** Unresolved Reports Issued Prior to October 1, 2006	6
5(a)(11)	**Significant Revised Management Decisions**	
5(a)(12)	**Significant Management Decisions with which OIG Disagreed**	
5(a)(13)	**Unmet Intermediate Target Dates Established by the Department** Under the *Federal Financial Management Improvement Act of 1996*	

Table 1: Recommendations Described in Previous SARs on Which Corrective Action Has Not Been Completed							
Section 5(a)(3) of the IG Act as amended requires a listing of each report resolved before the commencement of the reporting period for which management has not completed corrective action. The reports listed below are OIG internal and nationwide audit reports.							
Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target Date (Per Corrective Action Plan)
					Open	Closed	
NEW AUDITS SINCE LAST REPORTING PERIOD							
FSA							
A04E0006	Death and Total and Permanent Disability Discharges of FFEL and Direct Loan Program Loans (SAR 52, pg 27)	11/14/2005	2/24/2006		2	2	9/30/2007
A11F0004	Security Review of the Virtual Data Center – Fiscal Year 2005 (SAR 51, pg 26)	9/29/2005	11/21/2005		1	10	8/15/2007
Office of the Chief Financial Officer (OCFO)							
A17F0004	Financial Statement Audits Fiscal Years 2005 and 2004 U.S. Department of Education (SAR 52, pg 28)	11/15/2005	1/12/2006		1	4	3/30/2007
Office of the Chief Information Officer (OCIO)							
A19F0009	Telecommunications Billing Accuracy (SAR 52, pg 28)	2/1/2006	3/22/2006		7	0	9/30/2008
Office of Planning, Evaluation & Policy Development (OPEPD)							
A11E0003	Audit of the Department's Performance Based Data Management Initiative (SAR 51, pg 28)	9/29/2005	3/28/2006		0	14	*
AUDITS REPORTED IN PREVIOUS SARs							
Office of the Deputy Secretary (ODS)							
A09E0014	Departmental Actions to Ensure Charter Schools' Access to Title I and *IDEA* Part B Funds (SAR 50, pg 22) *(Office of Elementary and Secondary Education (OESE) and the Office of Special Education and Rehabilitative Services (OSERS) also designated as action official)*	10/26/2004	1/10/2005		3	3	3/30/2007

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Date Resolved	Total Monetary Findings	Number of Recommendations Open	Number of Recommendations Closed	Latest Target Date (Per Corrective Action Plan)
OCFO							
A19D0007	Audit of the Department of Education's Followup Process for External Audits (SAR 50, pg 22)	3/31/2005	8/8/2005		6	4	11/30/2007
Office of Management (OM)							
A19D0008	Audit of the Department's Management of the Federal Employees' Compensation Act Program (SAR 50, pg 23)	3/30/2005	5/13/2005	$14,366	0	16	*

* Closure of audits was not completed in AARTS by the end of reporting period (3/31/2007).

Table 2: OIG Audit Reports on Department Programs and Activities (October 1, 2006, through March 31, 2007)

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

Report Number	Report Title	Date Issued	Questioned Costs *	Unsupported Costs	No. of Recomm-endations
AUDIT REPORTS					
FSA					
A06F0018	Philander Smith College's Administration of Title IV Student Financial Assistance Programs Needs Improvement	11/2/06	$476,167		20
A09G0023	Cerritos Community College's Verification of Applicant Information Submitted on the Free Application for Federal Student Aid	3/26/07			1
A09G0026	Morton College's Verification of Applicant Information Submitted on the Free Application for Federal Student Aid	3/26/07			2
A09G0027	School of the Art Institute of Chicago's Verification of Applicant Information Submitted on the Free Application for Federal Student Aid	3/26/07			2
A09G0028	Boston College's Verification of Applicant Information Submitted on the Free Application for Federal Student Aid	1/17/07			None
A09G0029	ATI Technical Training Center's Verification of Applicant Information Submitted on the Free Application for Federal Student Aid	3/26/07			3

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recomm-endations
A09G0030	Technical Career Institutes' Verification of Applicant Information Submitted on the Free Application for Federal Student Aid	1/17/07			None
A09G0031	The College of New Rochelle's Verification of Applicant Information Submitted on the Free Application for Federal Student Aid	1/17/07			None
A09G0032	American University of Puerto Rico's Verification of Applicant Information Submitted on the Free Application for Federal Student Aid	3/26/07			1
A09G0033	East Carolina University's Verification of Applicant Information Submitted on the Free Application for Federal Student Aid	3/26/07	$1,464		6
A17G0004	Financial Statement Audits Fiscal Years 2006 and 2005 Federal Student Aid *(OCFO also designated as an action official)*	11/15/06			5
<u>OCFO</u>					
A07G0013	Parental Information and Resource Center Grant at The Learning Exchange *(Office of Innovation and Improvement (OII) also designated as an action official)*	11/16/06	$436,664		7
A09G0010	KIPP Foundation's Administration of the Fund for the Improvement of Education Grants *(OII also designated as an action official)*	12/6/06	$4,391		6
A17G0003	Financial Statement Audits Fiscal Years 2006 and 2005 U.S. Department of Education *(FSA also designated as an action official)*	11/15/06			5
A17G0005	Financial Statement Audits for Fiscal Years 2006 and 2005 U.S. Department of Education Special Purpose Financial Statements	11/17/06			None
A19F0025	Controls Over Excessive Cash Drawdowns By Grantees	12/18/06			9
A19G0004	Controls Over Contract Monitoring for Institute of Education Sciences Contracts *(IES also designated as an action official)*	12/14/06			6

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recomm-endations
OESE					
A02F0023	Virgin Islands Department of Education Administration of the Learning Point Associates Contract	1/30/07			2
A02G0002	Audit of New York State Education Department's Reading First Program	11/3/06	$118,340,582	$97,491,672	8
A02G0009	Mid-Hudson Migrant Education Outreach Program	1/31/07			None
A03F0022	RMC Research Corporation's Administration of the Reading First Program Contracts *(OCFO also designated as an action official)*	3/7/07			3
A03G0006	The Department's Administration of Selected Aspects of the Reading First Program *(OCFO also designated as an action official)*	2/22/07			3
A04G0003	Review of the Georgia Reading First Program	1/18/07			1
A05G0011	Wisconsin Department of Public Instruction's Reading First Program	10/20/06		$5,844,522	2
A05G0015	Ohio Department of Education's Title I, Part A, Comparability of Services Requirement	11/13/06		$315,012	6
A05G0018	Michigan Schools' Implementation of Schoolwide Plans Under the NCLB	11/6/06			3
A05G0034	Indiana Schools' Implementation of Schoolwide Plans Under the NCLB	3/15/07			5
A06G0008	Data Quality Review of the Oklahoma Consolidated State Performance Report	10/23/06			5
A09F0024	California Department of Education's Migrant Education Program	12/1/06	**		6
A09G0009	Data Quality Review of Washington Consolidated State Performance Reports	11/14/06			7
A09G0020	Arizona Department of Education's Oversight of the ESEA, Title I, Part A Comparability of Services Requirement	3/26/07		$10,185,915	11

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recomm-endations
OM					
A19G0007	Audit of the Department of Education FY2005 IT Equipment Inventory *(OCFO also designated as an action official)*	11/29/06			8
OSERS					
A06F0019	Results of five audits of the IDEA, Part B requirements at schools under the supervision of the U.S. Department of Interior's Bureau of Indian Affairs *(Report was addressed to the Bureau of Indian Education, Department of the Interior)*	3/28/07	$328,000,000		6
A06G0002	Results of our audit of the IDEA, Part B requirements at schools under the supervision of the Department of Interior's Bureau of Indian Affairs *(Report was addressed to the Deputy Secretary of Education, also designated as an action official)*	3/30/07			4
ALTERNATIVE PRODUCTS					
OCFO					
B17G0006	Federal Intragovernmental Activity and Balances Agreed-Upon Procedures Report *(Attestation Report)*	12/19/06			***
X17H0002	Final Management Letter Fiscal Years 2006 and 2005 Financial Statement Audits U.S. Department of Education and Federal Student Aid *(Management Information Report - OCIO and FSA also designated as action officials)*	12/15/06			***
OCIO					
A19-H0003	Closure of Audit to Determine the Accuracy of Amounts Billed to the U.S. Department of Education Under the Education Network Contract (GS-35F-4381G) by Computer Sciences Corporation *(Audit Closeout Letter)*	3/22/07			None
OESE					
X19G0003	Controls over Hurricane Education Recovery Funding *(Management Information Report - State and Local No. 07-03)*	1/31/07			***

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recomm-endations
OII					
X19F0025	Controls Over Excessive Cash Draws by Grantees *(Management Information Report - State and Local No. 07-01)*	10/16/06			***
Office of Postsecondary Education (OPE)					
X19G0010	Controls Over Excessive Cash Drawdowns by Grantees *(Management Information Report - State and Local No. 07-02)*	11/15/06			***
OPEPD					
B17H0001	Office of Inspector General's Independent Report on the U.S. Department of Education's Detailed Accounting of Fiscal Year 2006 Drug Control Funds, dated January 24, 2007 *(Attestation Report)*	1/29/07			None

* For purposes of this schedule, questioned costs may include other recommended recoveries. Please see footnote 3 under Table 4 for additional information regarding questioned and unsupported costs.

** We identified significant numbers of ineligible children in this report, but did not project estimated questioned costs. We recommended that more thorough reviews be conducted to determine the total numbers of ineligible children and the return of funds expended for the ineligible children found.

*** *Attestation Report B17G0006* made 2 *suggestions* that are not tracked for audit resolution purposes.
Management Information Report X17H0002 made 53 recommendations - 4 to the Department, 47 to FSA, and 2 to both. (Management information reports usually make "suggestions" instead of recommendations that are not tracked for audit resolution purposes.)
Management Information Report X19F0025 made 2 suggestions that are not tracked for audit resolution purposes.
Management Information Report X19G0010 made 3 suggestions that are not tracked for audit resolution purposes.
Management Information Report X19G0003 made 4 suggestions that are not tracked for audit resolution purposes.

DESCRIPTION OF ALTERNATIVE PRODUCTS

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

Audit closeout memoranda/letters are issued to provide written notification to auditees of audit closure when the decision is made to close an assignment without issuing an audit report.

Interim audit memoranda are used to notify Department management or the audited entity of a serious and urgent condition or issue identified during an on-going audit assignment when there is a strong likelihood that waiting until the audit report's issuance would result in the loss of an opportunity to prevent or curtail significant harm to the Department's interest. *One interim audit memorandum* was issued during the SAR 54 period. It is OIG policy to include interim audit memoranda in our product count but not individually identify them in SAR Table 2, nor post them on the OIG Internet/Intranet website due to their pre-decisional and interim nature.

Management information reports provide Department management with information derived from audits (when the issuance of an audit report is not appropriate) or special projects that may be useful in its program administration or conduct of program activities.

Table 3: Other OIG Reports on Department Programs and Activities (October 1, 2006, through March 31, 2007)		
Section 5(a)(6) of the IG Act, as amended requires a listing of each report completed by OIG during the reporting period.		
Report Number	Report Title	Date Issued
FSA		
L02G0019	Relocation of Irma Valentín-Utuado to Mayagüez *(Alert Memorandum Student Financial Assistance No. 07-01)*	3/12/07
OCIO		
L19G0009	Conflicting Responsibilities Included in the EDNet Contract Performance Work Statement *(Alert Memorandum Operations Internal Audit No. 06-03 – OS and OCFO also designated as action officials)*	2/16/07
OESE		
S09G0007	An OIG Perspective on the Supplemental Educational Services Provisions of the Elementary and Secondary Education Act *(Special Project)*	11/28/06
OM		
I13-G0004	Review of the Department's Competitive Sourcing/A-76 Competition *(Inspection Report – OCFO also designated as action official)*	2/28/07

DESCRIPTION OF TABLE 3 PRODUCTS

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

Inspections are analyses, evaluations, reviews or studies of the Department's programs. The purpose of an inspection is to provide Department decision makers with factual and analytical information, which may include an assessment of the efficiency and effectiveness of their operations, and vulnerabilities created by their existing policies or procedures. They are performed in accordance with the 2005 President's Council on Integrity and Efficiency Quality Standards for Inspections appropriate to the scope of the inspection.

Special projects are work that result in the issuance of a product or report that is not conducted in full compliance with the audit, inspection, or investigation standards.

Table 4: OIG Issued Audit Reports with Questioned Costs[1]

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

		Number	Questioned[2] Costs	Unsupported [3] Costs
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	56	$454,870,025[4]	134,184,860[4]
B.	Which were issued during the reporting period	9	$561,096,389	$113,837,121
	Subtotals (A + B)	65	$1,015,966,414	$248,021,981
C.	For which a management decision was made during the period	23	$36,967,841	$27,055,127

		Number	Questioned Costs*	Unsupported Costs
	(i) Dollar value of disallowed costs		$36,967,841	$27,055,127
	(ii) Dollar value of costs not disallowed		$0	$0
D.	For which no management decision was made by the end of the reporting period	42	$978,998,573	$220,966,854
E.	For which no management decision was made within six months of issuance	33	$417,902,184	$107,129,733

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

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

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

[4] SAR 48 had recognized questioned costs of $37,452 for audit report A05-D0029 issued 10/31/03. When the Department resolved the audit during the SAR 54 period, it reallocated the $37,452 as $13,331 questioned costs and $24,121 unsupported costs. Therefore, we have adjusted these figures accordingly.

Table 5: OIG Issued Audit Reports with Recommendations for Better Use of Funds*

Section 5(a)(9) of the IG Act as amended requires for each reporting period a statistical table showing the total number of audit reports and the total dollar value of recommendations that funds be put to better use by management.

		Number	Dollar Value
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	5	$1,123,048,776
B.	Which were issued during the reporting period	0	$0
	Subtotals (A + B)	5	$1,123,048,776
C.	For which a management decision was made during the reporting period		
	(i) Dollar value of recommendations that were agreed to by management	2	$230,721,199
	(ii) Dollar value of recommendations that were not agreed to by management	0	$0
D.	For which no management decision has been made by the end of the reporting period	3	$892,327,577
E.	For which no management decision was made within six months of issuance	3	$892,327,577

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

Table 6: Unresolved Reports Issued Prior to October 1, 2006

Section 5(a)(10) of the IG Act as amended requires a listing of each report issued before the commencement of the reporting period for which no management decisions had been made by the end of the reporting period. (Status below represents comments provided by the Department, comments agreed to, or documents obtained from the Department's tracking system, AARTS.)

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
New Since Last Reporting Period				
FSA				
A04E0009	Review of Financial Partners' Monitoring and Oversight of Guaranty Agencies, Lenders, and Servicers *(OPE also designated as action official)* (SAR 53, pg 24)	9/29/06		17
	Status: *FSA informed us that it does not concur with the recommendation, as explained in writing to the IG from the COO.*			
A07F0017	Special Allowance Payments to Nelnet for Loans Funded by Tax-Exempt Obligations (see note 1) (SAR 53, pg 24)	9/29/06	$278,000,000	2
	Status: *FSA informed us that based on the settlement agreement between the Department and Nelnet, this audit should be considered closed. Audit will be removed from the overdue listing after all actions are completed in AARTS.*			
OCIO				
A11G0002	System Security Review of the Education Data Center FY2006 (SAR 53, pg 25)	9/28/06		14
	Status: *OCIO informed us that resolution is pending, OIG concurrence with Finding 1, Rec 3.*			
OESE				
A02F0005	New Haven School District's Administration of Title I, Part A Summer and After School Programs (SAR 53, pg 25)	4/11/06	$3,780,000	4
	Status: *OESE informed us that the audit is pending resolution. Program reviewing voluminous workpapers and rebuttals submitted by Connecticut.*			
A02F0017	Puerto Rico Department of Education, Salinas School District's Administration of Title I Funds (SAR 53, pg 25)	7/25/06	$20,071	5
	Status: *OESE informed us that the Risk Management Team (RMT) is resolving the audit.*			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommen-dations
A05F0018	The School District of the City of Detroit's Administration of Parental Involvement Funds Under the *NCLB* (SAR 53, pg 25)	6/22/06	$930,448	8
	Status: *OESE informed us that the program determination letter was signed and dated on March 31, 2007. Audit will be removed from the overdue listing after all actions are completed in AARTS.*			
A06F0016	Arkansas Department of Education's Migrant Education Program (SAR 53, pg 25)	8/22/06	$877,000	2
	Status: *OESE informed us that the audit is on administrative stay 5/22/07. AARTS data: does not show that the audit is on administrative stay. Anticipated resolution date is 5/22/2007.*			
A06F0021	Data Quality Review of the South Dakota Consolidated State Performance Report (SAR 53, pg 25)	6/7/06		2
	Status: *OESE informed us that the audit is a pending discussion with OIG.*			
Reported in Previous SARs				
FSA				
A02E0003	The University of the Virgin Islands' Administration of Title IV Student Financial Assistance Programs Needs Improvement (SAR 51, pg 25)	4/8/05	$102,077	25
	Status: *PDL was issued on 9/25/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.*			
A03F0001	School Eligibility Channel's Initial Review and Quality Control Review Process for Electronic Submissions of Institutions' Financial Statements Through the Department's eZ-Audit System (SAR 51, pg 25)	9/20/05		
	Status: *No status change. FSA informed us that OIG and FSA are negotiating over one corrective action on which OIG has non-concurred.*			
A04B0015	Review of Cash Management and Student Financial Assistance Refund Procedures at Bennett College *(OPE designated as collateral action office for this report)* (SAR 45, pg 16)	9/26/02	$997,313	7
	Status: *FSA informed us it is currently working on this audit.*			
A04B0019	Advanced Career Training Institute's Administration of the Title IV *HEA* Programs (SAR 47, pg 13)	9/25/03	$7,472,583	14
	Status: *FSA informed us that the audit should be closed by 9/30/2007 in AARTS.*			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommen-dations
A04E0001	Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown, TN (SAR 49, pg 14)	9/23/04	$2,458,347	7
	Status: *FSA informed us that on 3/1/2007 OCFO-PAG signed the administrative stay memo extending the administrative stay until 6/10/2007. Required administrative stay requests and/or extensions have not been generated through AARTS.*			
A05E0013	Audit of the Administration of the Student Financial Assistance Programs at the Ivy Tech State College Campus in Gary, Indiana, During the Period July 1, 2002, through June 30, 2003 (SAR 50, pg 21)	2/25/05	$1,645,160	3
	Status: *FSA informed us that the audit is currently being reviewed by FSA Chicago Case Team.*			
A0670005	Professional Judgment at Yale University (SAR 36, pg 18)	3/13/98	$5,469	3
	Status: *FSA informed us that it is waiting on policy decision to address and resolve this finding in the final audit determination letter.*			
A0670009	Professional Judgment at University of Colorado (SAR 37, pg 17)	7/17/98	$15,082	4
	Status: *FSA informed us that it is waiting on policy decision to address and resolve this finding in the final audit determination letter.*			
A06D0018	Audit of Saint Louis University's Use of Professional Judgment for the Two-Year Period from July 2000 through June 2002 (SAR 50, pg 21)	2/10/05	$1,458,584	6
	Status: *FSA informed us that on 3/1/2007 OCFO-PAG signed the administrative stay memo extending the administrative stay until 6/23/2007. Required administrative stay extension request has not been generated through AARTS.*			
A0723545	State of Missouri, Single Audit Two Years Ended June 30, 1991	4/1/93	$1,048,768	18
	Status: *FSA informed us that there is no change in status.*			
A0733123	State of Missouri, Single Audit Year Ended June 30, 1992	3/7/94	$187,530	18
	Status: *FSA informed us that there is no change in status.*			
A09D0024	American River College's Compliance with Student Eligibility Requirements for Title IV Student Aid Programs (SAR 50, pg 21)	12/1/04	$3,024,665	3
	Status: *FSA informed us that the audit is currently being reviewed by its San Francisco Case Team.*			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommen-Dations
A09F0008	University of Phoenix's Processing of Return of Federal Student Aid for *HEA*, Title IV Programs (SAR 51, pg 26)	12/22/05	(see note 2)	3
	Status: *FSA informed us that the audit is currently being reviewed by its San Francisco Case Team.*			
N0690010	Inspection of Parks College's Compliance with Student Financial Assistance Requirements (SAR 40, pg 18)	2/9/00	$169,390	1
	Status: *FSA previously informed us that FSA Dallas Case Team denied school's recertification on December 31, 1999. School closed February 5, 2000.*			
OCFO				
A02E0008	U.S. Department of Education Funds Disbursed for New York City Department of Education Telecommunication Services (SAR 51, pg 26)	6/14/05	$6,756,824	8
	Status: *No comments were provided to OIG.*			
A03F0010	The Education Leaders Council's Drawdown and Expenditure of Federal Funds (SAR 52, pg 8) *(OII also designated as action official)*	1/31/06	$760,570	12
	Status: *No comments were provided to OIG.*			
A05D0041	University of Illinois at Chicago's Upward Bound Project *(OPE also designated as action official)* (SAR 50, pg 22)	12/20/04	$223,057	8
	Status: *OCFO informed us that it is reviewing additional information provided by the auditee.*			
A05E0002	Audit of the University of Illinois at Chicago's Student Support Services Program *(OPE also designated as action official)* (SAR 50, pg 22)	12/15/04	$260,050	6
	Status: *OCFO informed us that it is reviewing additional information provided by the auditee.*			
A05E0018	University of Illinois at Chicago's Upward Bound Math and Science Project *(OPE also designated as action official)* (SAR 50, pg 22)	12/17/04	$274,493	7
	Status: *OCFO informed us that it is reviewing additional information provided by the auditee.*			
A07D0002	Audit of the Talent Search Program at Case Western Reserve University (SAR 47, pg 14)	7/11/03	$212,428	5
	Status: *OCFO informed us that it is continuing to work with OPE to resolve the monetary findings in the audit report.*			
A09F0010	Pittsburg Pre-School and Community Council, Inc.'s Use of Early Reading First and Migrant Education Even Start Grant Funds (SAR 52, pg 9) *(OESE also designated as action official)*	3/17/06	$910,217	21
	Status: *OCFO informed us that it has been working with OGC in drafting questions for the auditee to respond to.*			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommen-dations
A09F0020	Sheldon Jackson College's Administration of Fund for the Improvement of Postsecondary Education Grants (SAR 52, pg 11) *(OPE also designated as action official)*	2/24/06		2
	Status: *OCFO informed us that it has been working with OGC and OPE in preparing a draft program determination letter.*			
OESE				
A02E0031	Wyandanch Union Free School District's *ESEA*, Title I, Part A and Title II Non-Salary Expenditures for the Period July 1, 1999, through June 30, 2004 (SAR 51, pg 27)	9/14/05	$6,802,887 (see note 3)	8
	Status: *Previously reported, the Program Determination Letter (PDL) was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.*			
A04F0011	Audit of the Georgia Department of Education's Migrant Education Program (SAR 52, pg 4)	1/12/06		7
	Status: *OESE informed us that the audit is pending a Departmental review.*			
A05C0012	Audit of East Cleveland City Schools' Administration of the 21st Century Community Learning Centers Grant at Kirk Middle School for the Period June 1, 1998, through December 31, 2001 (SAR 45, pg 18)	9/18/02	$349,637	9
	Status: *OESE informed us that the audit is pending a Departmental review.*			
A06E0008	Audit of the Title I Funds Administered by the Orleans Parish School Board for the Period July1, 2001, through December 31, 2003 (SAR 50, pg 23)	2/16/05	$73,936,273	7
	Status: *OESE informed us that the audit is pending a Departmental review.*			
A06E0012	Audit of the Title I Funds Administered by the Caddo Parish School District, for the Period July 1, 2001, through December 31, 2003 (SAR 50, pg 23)	12/7/04	$488,314	1
	Status: *OESE informed us that OIG has concurred with the PDL. Program Office is finalizing the PDL.*			
A06E0017	Title I Funds Administered by the Beauregard Parish School District, for the Period July 1, 2001, through December 31, 2003 (SAR 50, pg 23)	12/16/04	$540,443	5
	Status: *OESE informed us that OIG has concurred with the PDL. Program is finalizing the PDL.*			
A06E0018	Title I Funds Administered by the East Baton Rouge Parish School District for the Period July 1, 2001, through December 31, 2003 (SAR 51, pg 27)	6/8/05	$148,246 (see note 4)	4
	Status: *OESE informed us that the audit is pending a Departmental review.*			

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommen-dations
A06F0013	Oklahoma State Department of Education's Migrant Education Program (SAR 52, pg 4)	3/21/06	$509,000	3
	Status: *Pending resolution due to Oklahoma implementing a corrective action plan for MEP as it pertains to a defect rate on its child eligibility determination.*			
A07F0014	The U.S. Department of Education's Activities Relating to Consolidating Funds in Schoolwide Programs Provisions (SAR 52, pg 10)	12/29/05		4
	Status: *Internal Audit. OESE informed us its response was submitted to OIG 12/28/05. Ongoing Corrective Action (CAP) status. Final Audit Report was issued on 12/29/2005. OIG agreed with the proposed corrective action plan on 2/2/07, but the audit has not been submitted for resolution through AARTS.*			
OPE				
A07B0011	Audit of Valencia Community College's Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement (SAR 47, pg 15)	5/8/03	$1,822,864	5
	Status: *OPE informed us it continues to work on this audit.*			
OSERS				
A02B0014	Audit of the Puerto Rico Vocational Rehabilitation Administration (SAR 45, pg 18)	6/26/02	$15,800,000	5
	Status: *OSERS agrees that the audit is open.*			
A02E0020	The Virgin Islands Department of Health's Administration of the Infants and Toddlers Program *(see note 5)* (SAR 51, pg 28)	9/28/05		17
	Status: *OSERS agrees that the audit is open.*			
Note 1 -	Audit Report A07F0017 contained a one-time better use of funds (BUF) of $882,000,000			
Note 2 -	Audit Report A09F0008 identified a one-time BUF of $10,000,000			
Note 3 -	Audit Report A02E0031 identified recommended adjustments of $5,913,394			
Note 4 -	Audit Report A06E0018 reported that $1,000 related to a check writing error was recovered during the audit. This money was not included in questioned or unsupported costs			
Note 5 -	We identified $327,577 in one-time BUF in audit A02E0020			

Table 7: Statistical Profile: October 1, 2006, to March 31, 2007	Six-Month Period Ending 3/31/2007
OIG Audit Reports Issued	34
Questioned Costs	$447,259,268
Unsupported Costs	$113,837,121
Recommendations for Better Use of Funds	$0
Other OIG Products Issued *(2 Alert Memoranda, 2 Attestation Reports, 1 Audit Closeout Letter, 1 Inspection, 1 Interim Audit Memorandum, 4 Management Information Reports, 1 Special Project)*	12
OIG Audit Reports Resolved By Program Managers	44
Questioned Costs Sustained	$9,912,714
Unsupported Costs Sustained	$27,055,127
Additional Disallowances Identified by Program Managers	$14,314,236
Management Commitment to the Better Use of Funds	$230,721,199
Investigative Case Activity	
Cases Opened	87
Cases Closed	71
Cases Active at the End of the Reporting Period	382
Prosecutorial Decisions - Accepted - Denied	191 92 99
Investigative Results	
Indictments/Informations	57
Convictions/Pleas	59
Fines Ordered	$12,600
Restitution Payments Ordered	$3,373,295.95
Civil Settlements/Judgements (number)	6
Civil Settlements/Judgements (amount)	$482,452
Recoveries	$91,324.50
Forfeitures/Seizures	0
Savings	$246,620.69

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