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U.S. Department of Education
Office of Inspector General

Semiannual Report to Congress: No. 48
October 1, 2003 - March 31, 2004

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Office of Inspector General**



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UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

April 29, 2004

Dear Mr. Secretary:

I am pleased to submit to you, in accordance with the Inspector General Act of 1978 (Public Law 95-452, as amended, section 5(b)), this semiannual report on the activities of the Department's Office of Inspector General (OIG) for the six-month period ending March 31, 2004.

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

The Inspector General Act requires you to transmit this report within 30 days to the appropriate congressional committees and subcommittees, together with a report containing any comments you wish to make. Your report should also include the statistical tables specified in section 5(b)(2) and (3), 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).

Sincerely,

John P. Higgins, Jr.

Enclosure

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

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INSPECTOR GENERAL'S MESSAGE TO CONGRESS

We are pleased to provide this semiannual report on the accomplishments of the Office of Inspector General (OIG), U.S. Department of Education (Department), from October 1, 2003 through March 31, 2004. During this period, we issued 71 audit and inspection reports and memoranda and closed 94 investigations. We provided Congress with an analysis of issues for consideration in its reauthorization of the Higher Education Act and conducted several briefings on our proposals for congressional staff.

Our March 2003 audit of Educational Credit Management Corporation identified the need for the Department to recall \$103 million of excess funds. At the time of our final audit, the Department concurred with our recommendation. In February 2004, the Department recalled the funds, resulting in the return of \$103 million to the U.S. Treasury.

We continue our campaign to raise public awareness about the threat of identity theft among students and other participants in the Department's student financial assistance programs. OIG special agents gave identity theft presentations at major Federal Student Aid national conferences and at regional conferences for financial aid administrators. We submitted articles about our identity theft efforts that were published in a number of publications, including the Federal Bureau of Investigation Bulletin and Fraud Busters, publications of the FBI and the Federal Trade Commission, respectively. We provided identity theft prevention tips to many campus security websites and in many publications and websites for student financial assistance participants. Our special agents also continued to pursue cases in which identity thieves attempted to rob students of their financial aid.

In response to the importance of maintaining the security and integrity of the Department's information systems, we established a new unit that combines audit, investigative, and computer evidence recovery resources. This unit will work to identify risks to the Department's systems, to analyze computer data to determine fraud indicators, and to investigate and prevent computer hacking.

Our independent oversight and recommendations are essential to the Department's mission and goals and to helping ensure that education dollars reach the intended recipients. We look forward to continuing to work with the Secretary and the Congress in improving the Department's programs and operations.

John P. Higgins, Jr.
Inspector General

Activities and Accomplishments

The Office of Inspector General (OIG) for the period October 1, 2003 through March 31, 2004, continued its work to improve the programs and operations of the Department of Education (Department) and to protect their integrity. Detailed information is available on our website at <http://www.ed.gov/about/offices/list/oig>.

STUDENT AID PROGRAMS

The Department's student financial assistance programs award over \$65 billion annually. The Department also oversees a loan portfolio approaching \$300 billion. Because they are structurally risky and continue to be on the General Accounting Office's high risk list, we direct a significant portion of our investigative and audit work to these programs. We continue to find fraud and abuse by program participants as well as weaknesses in program administration.

IDENTITY THEFT

OIG special agents aggressively pursue individuals who attempt to steal federal education dollars by robbing students of their identity. In cooperation with Federal Student Aid (FSA), we have launched an intensive outreach campaign to alert college students and graduates about how to prevent identity theft. At the forefront of this effort is a web resource with information about preventing and reporting identity theft involving federal education dollars, www.ed.gov/misused. The site recorded more than 50,000 hits between October 2003 and March 2004.



Howard University President H. Patrick Swygert, Secretary Rod Paige, FSA Chief Operating Officer Theresa S. Shaw, Inspector General John P. Higgins, Jr. and Howard University students.

In collaboration with FSA, we are providing identity theft prevention information in monthly billing statements to millions of direct loan borrowers, in publications for schools and students, and on many campus security websites. Secretary of Education Rod Paige announced this effort at a press conference at Howard University with Inspector General John P. Higgins, Jr., University President H. Patrick Swygert, and FSA Chief Operating Officer Theresa S. Shaw.

We recognized the need to alert students and others about identity theft based on the increasing number of identity theft cases in the nation. Our investigative work demonstrated that Department funds are also targets of identity thieves. Some examples of our cases follow:

Two individuals whose arrest we reported in our previous semiannual report have pled guilty. One individual used more than 50 different identities, typically those of inmates serving long prison terms, to obtain more than \$300,000 in student aid. Another individual whose arrest we reported previously, pled guilty after he received approximately \$160,000 in student loans by claiming that he and his brother were graduate students. Under a plea agreement, this individual has agreed to pay full restitution.

Our investigation of one individual resulted in his guilty plea after he used his son's Social Security number to obtain more than \$90,000 in student aid. This joint investigation with the National Center for Missing and Exploited Children, the Social Security Administration OIG, and the Federal Bureau of Investigation developed evidence that this individual kidnapped his one-month old son and used his son's identity to receive federal student aid. After nearly 21 years, the son was reunited with his birth mother and siblings in November 2003.



Fraudulent applications for student aid seized by OIG special agents.

An individual in Chicago received a six-month sentence and was ordered to pay more than \$40,000 restitution after she stole and used the identity of her son's father to obtain financial aid for her son. Our joint investigation with the Social Security Administration OIG resulted in a guilty plea by another individual who fraudulently used someone else's Social Security number to obtain student loans after defaulting on loans she received using her own name and Social Security number. In another case, an individual in Arizona was indicted by a federal grand jury after allegedly using two different Social Security numbers to obtain more than \$40,000 in student aid.

COHORT DEFAULT RATES

Although cohort default rates provide the information required under the Higher Education Act (HEA), they do not appear to provide decision-makers with sufficient information on defaults in the Title IV loan programs. We analyzed data for borrowers in the 1996 through 1999 cohorts and found that cohort default rates do not appear to reflect general trends in defaults in the year following the two-year cohort period. The Higher Education Amendments of 1998 changed the definition of default for loans from a 180-day delinquency to a 270-day delinquency.

We found that the definition's change may have resulted in the 1998 and 1999 cohort default rates being materially lower than they would have been. We also found that the percentage of borrowers in deferment or forbearance more than doubled between the 1996 and 1999 cohorts. If these borrowers were excluded from the calculation because they could not default, the effect would be a material increase in cohort default rates.

We recommended that the Department support amendments to the HEA to revise the calculation of cohort default rates to address our findings, and that it calculate and publish a life-of-cohort default rate for each cohort. We also recommended that defaults that were excluded as a result of the definitional changes contained in the 1998 amendments be included in the cohort default calculation. In addition, we recommended that borrowers who are in forbearance or deferment status should be excluded from the calculation until they are subject to a risk of default on their loans. Implementing these recommendations

would help ensure that cohort default rates provide more comprehensive, complete, accurate information to reflect general trends in defaults. The Department did not disagree with our findings, but noted concerns with our recommendations. ("Audit to Determine if Cohort Default Rates Provide Sufficient Information on Defaults in the Title IV Loan Programs," ED-OIG/A03-C0017; December 22, 2003)

PELL GRANT ADMINISTRATION

At the Alexander Institute in Minnesota, we identified serious deficiencies in the school's administration of the Pell Grant program. We found that the school lacked an adequate system to account for its Pell funds or to document students' eligibility to receive them, and lacked written policies and procedures for administering the program. Although the school asserted that these deficiencies had been corrected, our audit disclosed that they had not been.

We recommended that the Department instruct Alexander Institute to document each disbursement made during the audit period or refund approximately \$1.7 million, the entire amount it received in Pell funds between September 28, 2000 and June 30, 2003, if it is unable to document disbursements. The Department imposed an emergency action and initiated a termination action against the school, based on the school's loss of accreditation subsequent to our audit. ("Audit of the Administration of the Federal Pell Grant Program by The Alexander Institute, St. Paul, Minnesota, during the period September 28, 2000, through June 30, 2003," ED-OIG/A05-D0020; December 11, 2003)

MONITORING PRIVATE COLLECTION AGENCIES

Our audit of the Department's monitoring of private collection agencies (PCAs) it contracts with for collection and resolution of defaulted student loans found that the Department needs to improve monitoring of its PCA contractors. We found ineffective monitoring by the Department in five areas. Specifically, staff did not effectively track complaints, perform desk audits, conduct site visits for technical assistance and training, review deliverables, or maintain contract files. As a result of inadequate monitoring, the Department may not be able to effectively support its position in contract disputes, litigation, or Congressional inquiries. FSA generally agreed with our recommendations and stated that it is implementing steps to improve monitoring and oversight of PCAs. ("Audit of the Department of Education's (Department) Monitoring of Private Collection Agency Contractors," ED-OIG/A19-D0002; December 23, 2003)

MONITORING PROVIDERS OF COLLECTION SERVICES

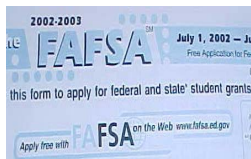
We audited the New Jersey Higher Education Student Assistance Authority's (HESAA) monitoring of the ten special counsels providing collection services to it to determine if HESAA's procedures were adequate to monitor the special counsels. We noted several areas needing improvement including inadequate monitoring to ensure compliance with laws and regulations. We also found that all collections were not remitted to HESAA on a timely basis. HESAA agreed with most of our findings and recommendations. ("Audit of the New Jersey Higher Education Student Assistance Authority's (HESAA) Monitoring of Law Firms (Special Counsels) Providing Collection Services to HESAA," ED-OIG/A07-C0032; March 3, 2004)

TITLE IV ELIGIBILITY

Our audit at the National Education Center - Spartan School of Aeronautics (NEC) found that NEC disbursed approximately \$312,000 in Title IV aid to students enrolled in ineligible programs. We recommended that the Department require NEC to ensure that funds are not disbursed to students until program eligibility is established. We also

recommended that it refund about \$268,000 to lenders and approximately \$45,000 to the Department. NEC did not concur with our finding or recommendations. ("National Education Center - Spartan School of Aeronautics' Compliance with Student Financial Assistance Program Eligibility Requirements," ED-OIG/A06-D0016; February 19, 2004)

TITLE IV ELIGIBILITY FRAUD



Our investigation involving seventeen defendants who fraudulently applied for approximately \$285,000 in Stafford loans resulted in a thirty-one count indictment. Two of these individuals assisted fifteen people in preparing false documents misrepresenting themselves as graduate students to enable them to obtain loans they were not eligible to receive. Six defendants have pled guilty in this case as of March 31, 2004.

A teacher who was president of the school board in a local district in Illinois was found guilty by a jury after submitting fraudulent financial aid applications enabling her son to receive more than \$10,000 in grants he was not eligible to receive. Her son has pled guilty in this case.

FRAUD BY SCHOOL OFFICIALS AND PROGRAM PARTICIPANTS

OIG special agents investigate fraud by school officials and other individuals who seek to obtain student aid illegally. Our investigation of the owner of a debt collection agency in Arizona who allegedly conspired with his employees in submitting fraudulent applications for consolidated student loans resulted in a federal grand jury indictment. The indictment states that this scheme illegally generated more than \$1 million in commissions and caused a \$1.4 million loss to the Department.

A former accountant at LeMoyne Owen College in Tennessee was sentenced to 12 months incarceration and ordered to pay more than \$227,000 as a result of our investigation revealing that she issued approximately \$230,000 in checks to friends and relatives who then paid kickbacks to her. Eight other individuals in this case have pled guilty, received jail sentences, and been ordered to pay restitution for their roles in this scheme. A former college comptroller in the Marshall Islands was sentenced to 10 years incarceration and ordered to pay nearly \$400,000 restitution after using his position to write and negotiate checks for cash.

BUDGET AND PERFORMANCE INTEGRATION

Accurate and reliable data are essential to the goal of linking program performance and budget decisions. Our audits of state educational agencies have found that some lack adequate controls to ensure that the performance data reported to the Department are accurate, reliable, and complete.

DATA RELIABILITY

Our audit at the Kentucky Department of Technical Education found that Kentucky's controls were inadequate to ensure that data submitted to the Department were complete, accurate, and reliable and that three sub-recipients we examined also had inadequate controls. We recommended that the Department require Kentucky to take appropriate corrective action. Kentucky generally agreed with our findings and recommendations. ("Kentucky Department of Technical Education's Management Controls Over Perkins III Performance Data Needs Strengthening," ED-OIG/A04-D0007; October 20, 2003)

MANAGEMENT CONTROLS FOR SCORING STATE ASSESSMENTS



We conducted a study to provide information for the Department in helping states to ensure data quality and reliability. We determined that the Department should consider developing and issuing best practices for management controls over scoring of the state assessments required under the No Child Left Behind Act of 2001. ("Best Practices for Management Controls Over Scoring of the State Assessments Required Under the No Child Left Behind Act of 2001," ED-OIG/X05-D0016; February 3, 2004)

ELEMENTARY, SECONDARY, AND HIGHER EDUCATION PROGRAMS

Our work in elementary, secondary, and special education programs disclosed weaknesses in program administration by state and local educational agencies and in schools' adherence to program requirements, and a continuing need for careful monitoring by the Department.

CHARTER SCHOOLS' ACCESS TO AND USE OF FEDERAL FUNDS

We conducted several audits to determine if charter schools received and expended federal funds in three programs according to applicable statutes and regulations.

Our audit of 20 Arizona charter schools' use of funds under Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA) and Part B of the Individuals with Disabilities Education Act (IDEA) found that, contrary to the law and regulations, the Arizona Department of Education (ADE) provided Title I and IDEA funds directly to private, for-profit entities. We recommended that the Department instruct ADE to refund approximately \$1.1 million and cease providing Title I and IDEA funds directly to such entities. We also recommended that ADE be instructed to return the funds it provided to for-profit charter schools after our audit period.

ADE disagreed with our recommendations and asserted that federal law does not preclude for-profit charter schools from receiving federal funds. We did not change our position. The Department has not resolved this issue and has been working with Arizona officials to gather more information before making a decision. We also found that two Arizona charter schools expended Title I funds improperly. ("Audit of 20 Arizona Charter Schools' Uses of U.S. Department of Education Funds for the Period October 1, 2000, through September 30, 2001," ED-OIG/A05-D0008; November 6, 2003)

Our audits of Arizona charter schools receiving federal funds under the Charter Schools Program (CSP) disclosed that Cesar Chavez Middle School and Aztlan Academy could not support expenditures of about \$184,000 and \$148,000, respectively. In addition, we reported that Cesar Chavez Middle School used approximately \$13,000 for unallowable purposes. We also reported that Sonoran Desert School and Sonoran Science Academy used approximately \$37,000 and \$19,000, respectively, for unallowable purposes.



We recommended that the Department require Cesar Chavez and Aztlan Academy to refund approximately \$197,000 and \$148,000, respectively, and regularly reconcile the amount of CSP funds received with the amount spent. Officials from both schools did not comment on our report. ("The Cesar Chavez Middle School's Use of U.S. Department of Education Federal Funds for the period July 1, 2001, through June 30, 2002," ED-OIG/A05-D0018; October 30, 2003. "The Aztlan Academy's Use of U.S. Department of Education Funds for the Period July 1, 2001, through June 30, 2002," ED-OIG/A05-D0023; October 14, 2003. "The Sonoran Desert School's Use of U.S. Department of Education Funds for the Period September 1, 2001, through August 31, 2002," ED-OIG/A05-D0029; October 31, 2003. "The Sonoran Science Academy's Use of U.S. Department of Education Funds for the Period August 1, 2001, through July 31, 2002," ED-OIG/A05-D0028; November 19, 2003)

At the California Department of Education (CDE), we found that CDE and three of the four local educational agencies (LEAs) we reviewed did not provide sufficient information to existing charter schools on requirements pertaining to expansion dates and on the definition of "significant expansion of enrollment." CDE also did not have adequate procedures to ensure that Title I allocations to charter school LEAs were timely and proportionate. CDE concurred with these findings and our recommendations.

We also found that CDE could not document that 65 charter school LEAs had approved LEA plans. CDE stated that it is assessing this finding and our recommendation. ("Charter Schools' Access to Title I and IDEA, Part B Funds in the State of California," ED-OIG/A09-D0018; March 29, 2004)

At the New York State Education Department (NYSED), we found that NYSED needed to take steps to ensure that LEAs comply with applicable federal laws and regulations. Specifically, NYSED should ensure that LEAs provide charter schools with meaningful information about timely access to funds. NYSED concurred with the finding and generally agreed with our recommendations. ("Charter Schools Access to IDEA, Part B Funds in the State of New York," ED-OIG/A09-D0014; November 19, 2003)

PUERTO RICO DEPARTMENT OF EDUCATION

Our audits of expenditures by the Puerto Rico Department of Education (PRDE) disclosed that PRDE had allowed approximately \$148 million in Title I and Special Education funds to lapse for the grant award years 1997 through 2001. We also reported \$82.8 million in lapsed grant funds for other programs at PRDE. In addition, we found that PRDE could not provide supporting documentation for nearly \$123,000 in transportation expenditures in Special Education funds and had improperly expended almost \$50,000 in Title I funding.

The Department designated PRDE as a "high-risk" grantee two years ago because of problems in PRDE's fiscal and program accountability, including late submission of Single Audits, failure to adhere to procurement regulations and procedures, lack of proper

internal controls, and actions leading to the indictments of the former Puerto Rico Secretary of Education and other associated individuals.

We recommended that PRDE provide evidence to the Department of any valid obligations associated with the lapsed funds and implement procedures to better track grant funding from the Department. We also recommended that PRDE refund to the Department the improperly expended funds we identified. PRDE stated that it is working with the Department on these issues. ("Puerto Rico Department of Education's Title I Expenditures for the period July 1, 2002 to December 31, 2002," ED-OIG/A02-D0014; March 30, 2004 and "Puerto Rico Department of Education's Special Education Expenditures for the period July 1, 2002 to December 31, 2002," ED-OIG/A02-D0020; March 30, 2004)

ADMINISTRATION OF 21ST CENTURY COMMUNITY LEARNING CENTERS GRANTS

Our audits of four grantees' administration of the 21st Century Community Learning Centers (CCLC) grants found that all four grantees did not properly account for and use 21st Century grant funds. All four 21st CCLC grantee audits were suggested by the Department because of concerns about the administration of these particular programs. Our review of Alum Rock Union Elementary School District's charges to the CCLC grant found that it improperly used grant funds totaling approximately \$65,000. We found that Project ASCEND (Drew, Mississippi) charged the grant for approximately \$100,000 in unallowable costs and about \$147,000 in unsupported costs. We identified more than \$55,000 in questioned costs and over \$400,000 in unsupported costs in Gonzales, California, as well as approximately \$62,000 in unsupported costs in New York.

We recommended that the Department require Alum Rock to submit student attendance documentation for the grant extension period, assess whether it provided services to a sufficient number of students, and return more than \$17,000. The school district concurred with some of our findings and recommendations and disagreed with others. ("Alum Rock Union Elementary School District's Administration of the 21st Century Community Learning Centers Grant," ED-OIG/A09-D0012; March 17, 2004)

For Project ASCEND, we recommended that the Department require the consortium to refund the identified unallowable costs, not claim nearly \$69,000 for unallowable costs for contracted professional services, and provide sufficient documentation to support approximately \$147,000 or refund that amount to the Department. Project ASCEND officials generally agreed with our findings and recommendations and stated that they have started corrective action.

("Project ASCEND (After School and Community Enrichment for a New Direction,") ED-OIG/A06-D0017; February 11, 2004)



We recommended that the Department require Gonzales to return approximately \$55,000 that was charged improperly to its grant. We recommended that New York either provide sufficient documentation supporting approximately \$61,000 or return that amount to the Department. ("Gonzales Unified School District's Administration of the 21st Century

Community Learning Centers Grant No. S287A000704," ED-OIG/A09-D0015; December 19, 2003. "Audit of the New York City Department of Education (NYCDOE), Manhattan High Schools Superintendent's District's (District) Administration of the 21st Century Community Learning Centers (21st CCLC) Program," ED-OIG/A02-D0007; November 24, 2003)

TALENT SEARCH

Our audits of Talent Search programs at three entities found that in each case, the program may have served fewer participants than it was funded to serve or provided services to ineligible participants. At the Communities in Schools of San Antonio, San Antonio, Texas, we recommended that the Department require the organization to refund more than \$298,000, the entire amount expended during the 2001-2002 budget period, and follow procedures to ensure that only those participants receiving eligible services are counted as Talent Search participants, and that those services are properly documented. Communities in Schools of San Antonio did not concur with our finding or refund recommendation. ("Talent Search Program at Communities in Schools of San Antonio," ED-OIG/A07-D0015; January 29, 2004)

At Wahupa Educational Services, California, we recommended that the Department require Wahupa to refund \$122,900, a portion of the amount expended for its Talent Search program during the 2001-2002 budget period, and follow established procedures to ensure that only those participants receiving eligible services are counted as Talent Search participants. Wahupa did not concur with our findings or refund recommendation. ("Talent Search Program at Wahupa Educational Services," ED-OIG/A07-D0009; November 25, 2003) Our findings at the University of New Hampshire were similar, but did not involve monetary recommendations. The university stated that it recognized that more complete documentation is required. ("Talent Search Program at University of New Hampshire," ED-OIG/A07-D0001; January 15, 2004)

ELIGIBILITY FOR GEAR UP

Our audit of GEAR UP at the University of Illinois at Chicago (UIC) determined that the program did not serve the number of participants it was funded to serve and that its partnership did not provide the required matching funds. We recommended that the Department require UIC to refund all the funds, more than \$1 million, received during the first three years of the grant. UIC agreed with some of our findings but disagreed with the refund recommendation. ("The University of Illinois at Chicago's (UIC) Gaining Early Awareness and Readiness for Undergraduate Programs Project," ED-OIG/A05-D0017; January 14, 2004)

We also audited the administration of GEAR UP at Magdalena Municipal Schools in New Mexico. We found several problems in Magdalena's administration of this program including improper use of grant funds and scholarship awards to ineligible students. Magdalena agreed to refund \$16,500 in scholarships to ineligible students based on our finding. ("Audit of Magdalena Municipal Schools' Administration of the Gaining Early Awareness and Readiness for Undergraduate Programs Grant for the period September 15, 2000, through September 30, 2003," ED-OIG/A06-D0027; March 30, 2004)

ADMINISTRATION OF TRIO PROGRAMS

Our audits of administration of TRIO programs by a non-profit corporation and by a university disclosed problems in both. The North Alabama Center for Educational Excellence (NACEE) used TRIO funds improperly. For example, NACEE used TRIO

funds to pay for employee performance awards and for supplies and failed to maintain documentation to support certain expenditures. It also violated the conflict of interest regulations regarding payment for rental space at its central office. We recommended that the Department require NACEE to return improper payments and submit documentation for certain costs. We also recommended that the Department take appropriate action to protect future grant funds. NACEE disagreed with some of our findings and recommendations. ("North Alabama Center for Educational Excellence's Administration of the TRIO Programs Needs Improvement," ED-OIG/A04-D0001; November 24, 2003)

At Stillman College, we found that the school used more than \$300,000 in TRIO funds that it documented as program expenditures. We also found that the college lacked adequate controls over the expenditure of TRIO funds and did not have adequate accounting controls for reporting program expenditures. We recommended that the Department require Stillman to return excess funds and establish effective controls for TRIO expenditures. Stillman disagreed with the amount of undocumented program expenditures, but stated that it was implementing a new accounting system to correct issues our audit noted. ("Stillman College's Administration of the Federal TRIO Programs Needs Improvement," ED-OIG/A04-C0019; December 30, 2003)

CONTROLS OVER INFORMATION ON ALTERNATIVE TEACHER CERTIFICATION

We audited the Education Resources Information Center (ERIC) Clearinghouse on Teaching and Teacher Education (CTTE) at the American Association of Colleges for Teacher Education at the request of the Chairman of the House Education and Workforce Committee. Our objective was to determine if ERIC CTTE had adequate management controls to ensure that it had disseminated a range of information on alternative teacher certification from January 1, 2002 through June 30, 2003. We concluded that ERIC CTTE had adequate management controls during the period, and had provided unbiased information on alternative teacher certification. ("Audit of the American Association of Colleges for Teacher Education's Administration of the ERIC Clearinghouse on Teaching and Teacher Education," ED-OIG/A03-D0021; March 8, 2004)

FRAUD IN OTHER EDUCATION PROGRAMS

Our ongoing investigation of fraud and misuse of vocational rehabilitation funds resulted in Abilities of Florida (AFI), a provider of vocational rehabilitation services, repaying the Department more than \$500,000 in vocational rehabilitation program funds. Two former State of Florida employees have pled guilty; these employees created false payment vouchers to obtain vocational rehabilitation benefits and property for themselves and family members. Their supervisor has resigned her position.

Our investigation of the illegal diversion of \$1.9 million in Impact Aid funds to private bank accounts resulted in a federal jury finding two individuals who participated in this scheme guilty. Five other individuals have pled guilty in the case. These individuals changed the bank information used for depositing the Impact Aid funds to the school districts that should have received these funds, to accounts some of them controlled.

The former Perkins Vocational Education Grant administrator at a community college in Wisconsin was sentenced to 30 months in federal prison and ordered to pay more than \$900,000 in restitution after he submitted false claims inflating the number of students he counseled and the services that were provided to increase the amount of grant funds paid to the college.

FINANCIAL MANAGEMENT

Financial accountability is inextricably linked to program integrity and effectiveness. Without accurate and timely financial information, the Department cannot reliably assess how, and how well, the billions of dollars in education program and operational funds it disburses and spends are used.

FINANCIAL STATEMENT AUDIT

We transmitted this year's final audit reports covering the Department's and Federal Student Aid's FY 2003 comparative financial statements eleven weeks ahead of the statutory due date. Ernst & Young, LLP, Certified Public Accountants, conducted the audits, and we monitored them to ensure their compliance with Government Auditing Standards and their timely completion.

Both the Department and FSA earned an unqualified opinion on their comparative financial statements. The Report on Internal Control for both entities noted reportable conditions covering credit reform estimation and financial reporting and controls surrounding information systems. The Report on Compliance with Laws and Regulations in both cases noted that neither the Department's nor FSA's financial management system substantially complied with the Federal Financial Management Improvement Act due to control weaknesses surrounding information systems.

INTERNAL CONTROL WEAKNESSES

Two former Department employees were sentenced following our investigation of their scheme to steal approximately \$163,000 by charging goods and services for personal use to their government credit cards. These employees also asked Department vendors or contractors to create false invoices for services not rendered. One of these employees received a sentence of 33 months incarceration and was ordered to pay more than \$146,000 restitution. The other employee received six months incarceration and was ordered to pay more than \$13,000 restitution. Two employees of one of the vendors involved pled guilty and were sentenced to three years probation. A contractor also pled guilty and was sentenced to five years probation and ordered to pay over \$34,000 restitution.



EXPANDED ELECTRONIC GOVERNMENT

As the Department offers increasingly expanded electronic access to its student aid programs, in response to legislation enacted over the last five years to guide federal efforts toward electronic government, it must also address the risks inherent in such access.

ELECTRONIC SIGNATURE

Our audit of the Department's implementation of electronic authentication signature procedures for select direct loan and Pell grant transactions found that the Department needs additional measures to reduce the risk of program fraud, waste, and abuse that could arise from the possible misuse of its computer systems that use a Personal Identification Number (PIN) for authentication and electronic signatures. We made several recommendations, including improvements in periodic risk evaluations, enhancement to technical controls, and enhancements to user warnings and notices to keep PINs confidential. ("Implementation of Electronic Signatures for Select FSA Transactions," ED-OIG/A11-D0002; March 31, 2004)

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

In response to the President's Management Agenda, the Department developed the One-ED Report and the strategic investment process that was intended to examine all work functions in the Department within a three-year period. It also issued the Blueprint for Management Excellence that identified numerous action steps intended to improve the strategic management of human capital within the Department.

ONE-ED STRATEGIC INVESTMENT PROCESS

Our inspection of the Phase I implementation of the One-ED strategic investment process identified several concerns, including a lack of data to support activity-based costing models; a lack of customer input into proposed re-engineering solutions; and a lack of information on how quality will be improved, and how optimum staffing levels and cost of competitive sourcing were determined.

Most critically, the strategic investment process has not served its anticipated purpose of informing the Department's human capital planning process. The process has taken much longer than originally envisioned and relatively few business functions have been covered to date. In addition, the information produced has been extremely limited, in part because the re-engineering efforts have tended to focus on very small segments of the business functions performed by an individual component.

The Department has stated that it has made some improvements in the process and is continuing to examine the need for further modifications.

HUMAN CAPITAL ACTION ITEMS

We initiated 20 inspections of human capital action items identified by the Department as "completed." Our inspections focused on whether the action item was completed as stated, and whether the action as completed helped the Department accomplish the underlying objective in the Secretary's Blueprint for Management Excellence.

Our inspections of seven action items determined that in each instance, the action item was either only partially completed or not completed at all. Specifically, we concluded that the Department has not completed Blueprint action items for: a workforce plan; a restructuring analysis; an estimate of the impact of workforce restructuring on improving program performance; and an analysis of how to improve citizen access.

The Management Improvement Team responsible for the implementation of the Blueprint acknowledged that "all of the activities outlined in One-ED have not been accomplished as originally envisioned and therefore it has not had the intended effect on the organization." The Department recently announced plans to initiate a comprehensive human capital planning process.

OTHER ACTIVITIES AND ACCOMPLISHMENTS

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 54 QCRs of audits conducted by 53 different IPAs, or offices of firms with multiple offices. We concluded that 30 (56%) were acceptable, 19 (35%) were technically deficient, and 5 (9%) were substandard.

We also referred three IPAs to appropriate State Boards of Accountancy and/or the American Institute of Certified Public Accountants for possible disciplinary action. Two of the referrals were made for substandard work, in one case because the IPA was practicing without the required Certified Public Accountant certificate. The referrals for substandard work were based on QCRs reported in a prior semiannual report.

**INTERGOV-
ERNMENTAL
SINGLE AUDIT
PROJECT**

We are leading the National Project to Statistically Measure the Quality of Single Audits, a multi-year interagency project, under the auspices of the President's Council on Integrity and Efficiency. The purpose of the project is to assess the quality of single audits submitted to the federal government by grant recipients. We are working with the Office of Management and Budget, six other federal agencies, and three State Auditors and have begun substantive planning for the project which will be conducted beginning in late 2004.

Reporting Requirements of the Inspector General Act, as amended

Section	Requirement	Table Number	Page Number
5(a)(1) and 5(a)(2)	Significant Problems, Abuses, and Deficiencies		
	Activities and Accomplishments		1
5(a)(3)	Uncompleted Corrective Actions		
	Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	1	14
5(a)(4)	Matters Referred to Prosecutive Authorities		
	Investigation Services Cumulative Actions (October 1, 2003 to March 31, 2004)	7	27
	Statistical Profile	8	32
5(a)(5) and 6(b)(2)	Summary of Instances Where Information Was Refused or Not Provided		
5(a)(6)	Listing of Audit Reports		
	ED/OIG Audit Services Reports on Education Department Programs and Activities	2	15
5(a)(7)	Summary of Significant Audits		
	Activities and Accomplishments		
5(a)(8)	Audit Reports Containing Questioned Costs		
	Inspector General Issued Audit Reports with Questioned Costs	4	20
5(a)(9)	Audit Reports Containing Recommendations That Funds Be Put to Better Use		
	Inspector General Issued Audit Reports with Recommendations for Better Use of Funds	5	21
5(a)(10)	Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period		
	Unresolved Reports Issued Prior to October 1, 2003	6	21
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 Semiannual Reports on Which Corrective Action Has Not Been Completed

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target Date
					Open	Closed	
Section 5(a)(3) of the Inspector General Act as amended requires a listing of each report resolved before the commencement of the reporting period for which management has not completed corrective action. The reports listed below are OIG internal and nationwide audit reports.							
NEW AUDITS SINCE LAST REPORTING PERIOD							
Office of the Chief Financial Officer (OCFO)							
A07-B0016	The Department's Management Controls Over Discretionary Grants Need to be Strengthened to Ensure Grant Accountability (SAR 45, pg. 17)	9/26/02	1/31/03		3	2	9/30/04
A19-B0009	Audit to Evaluate the U.S. Department of Education's Process for Identifying and Monitoring High-Risk Contracts that Support Office of Educational Research and Improvement (OERI) Programs (SAR 45, pg. 2)	9/20/02	2/28/03		6	14	4/16/04
Office of the Chief Information Officer (OCIO)							
A07-C0001	Audit of Enterprise Architecture (SAR 45, pg. 3)	9/30/02	1/31/03		2	2	6/30/04
Office of Federal Student Aid (FSA)							
A03-B0001	Audit Procedures at Federal Student Aid (FSA) for Monitoring the Ability-to-Benefit (ATB) Test Publishers Approved by the U.S. Department of Education (ED): American College Testing (ACT), The College Board, CTB/McGraw-Hill and Wonderlic, Inc. (Wonderlic) (SAR 45, pg. 9)	8/22/02	3/7/03		1	3	10/31/04
AUDITS REPORTED IN PREVIOUS SEMIANNUAL REPORTS							
Office of the Chief Financial Officer (OCFO)							
A03-B0018	Audit of the U.S. Department of Education's Discretionary Grants Monitoring Process (SAR 44, pg. 3)	10/24/01	3/26/02		2	0	9/30/04
Office of Federal Student Aid (FSA)							
A05-A0025	Great Lakes Higher Education Guaranty Corporation's (Great Lakes Guaranty) Administration of the Federal Family Education Loan (FFEL) Program Federal and Operating Funds (SAR 42, pg. 22)	3/30/01	1/31/02		4	3	12/31/04
A06-A0020	Audit of the Effectiveness of the Department's Student Financial Aid Application Verification Process (SAR 44, pg. 7)	3/28/02	6/30/02		*	4	*
* Documentation supporting closure of corrective actions were unavailable for the Department to close audit prior to end of reporting period (3/31/2004).							

Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (October 1, 2003 to March 31, 2004)

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
Section 5(a)(6) of the Inspector General Act of 1978 as amended requires a listing of each report completed by OIG during the reporting period. During this period, ED/OIG Audit Services issued 58 products. These include 41 audit reports and 17 alternative products ¹ , which include 3 attestation reports, 4 interim audit memoranda, 2 alert memoranda, 1 management information report, 6 audit closeout memoranda/letters, and 1 memorandum relating to results of preaward audit services performed. The audit reports and alternative products ² are listed below.					
AUDIT REPORTS					
Institute of Education Sciences (IES)					
A03-D0021	Audit of the Education Resources Information Center (ERIC) Clearinghouse on Teaching and Teacher Education (CTTE) at the American Association of Colleges for Teacher Education (AACTE)	3/8/04			0
Office of the Chief Financial Officer (OCFO)					
A02-D0007	Audit of the New York City Department of Education (NYCDOE) Manhattan High Schools Superintendent's District's (District) Administration of the 21 st Century Community Learning Centers (21 st CCLC) Program	11/24/03		\$61,776	7
A03-D0011	Audit of Raytheon's Administration of the National Student Loan Data System Contract	12/3/03		\$78,905	4
A04-C0019	Stillman College's Administration of the Federal TRIO Programs Needs Improvement	10/15/03	\$313,545		10
A04-D0001	North Alabama Center for Educational Excellence's Administration of the TRIO Programs Needs Improvement (<i>Office of Postsecondary Education (OPE) also designated as action official</i>)	11/24/03	\$553,220	\$324,164	14
A04-D0013	Stillman College's Administration of the Title III, Part B, Strengthening Historically Black Colleges and Universities Program (<i>OPE also designated as action official</i>)	12/30/03	\$76,151		4
A05-D0017	Audit of the University of Illinois at Chicago's (UIC) Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) project (<i>OPE also designated as action official</i>)	1/14/04	\$1,018,212		4
A05-D0018	Audit of the Cesar Chavez Middle School's (School) use of U.S. Department of Education (ED) funds for the period July 1, 2001, through June 30, 2002 (2001-2002 fiscal year) (<i>Office of Innovation and Improvement (OII) also designated as action official</i>)	10/30/03	\$13,099	\$183,706	3
A05-D0023	Audit of the Aztlan Academy's (Academy) use of U.S. Department of Education (ED) funds for the period July 1, 2001, through June 30, 2002 (2002 fiscal year) (<i>OII also designated as action official</i>)	10/14/03		\$148,440	2
A05-D0026	Audit of the Country Gardens Charter School's (School) use of U.S. Department of Education (ED) funds for the period October 1, 2001, through September 30, 2002 (project period) (<i>OII also designated as action official</i>)	10/10/03			2

Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (October 1, 2003 to March 31, 2004) (Cont.)

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
A05-D0027	Audit of the James Madison Preparatory School's (School) use of U.S. Department of Education (ED) funds for the period July 1, 2001, through June 30, 2002 (2001-2002 fiscal year) (<i>OII also designated as action official</i>)	11/21/03	\$5,540		2
A05-D0028	Audit of the Sonoran Science Academy's (Academy) use of U.S. Department of Education (ED) funds for the period August 1, 2001, through July 31, 2002 (project period) (<i>OII also designated as action official</i>)	11/19/03	\$19,534		2
A05-D0029	Audit of the Sonoran Desert School's (School) use of U.S. Department of Education (ED) funds for the period September 1, 2001, through August 31, 2002 (project period) (<i>OII also designated as action official</i>)	10/31/03	\$37,452		4
A05-D0037	Audit of the Future Teachers of Chicago/Illinois' (Future Teachers) Teacher Recruitment Grant No. P336C020025 (Grant) for the period October 1, 2002, through June 30, 2003 (<i>OPE also designated as action official</i>)	3/23/04	\$365,296		3
A06-D0017	Audit of the 21st Century Community Learning Centers (21st Century) grant to Project ASCEND (After School and Community Enrichment for a New Direction) for the period June 1, 2001, through March 31, 2003 (<i>Office of Elementary and Secondary Education (OESE) also designated as action official</i>)	2/11/04	\$169,247	\$147,386	3
A06-D0027	Audit of Magdalena Municipal Schools' (Magdalena) administration of the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) grant for the period September 15, 2000, through September 30, 2003 (<i>OPE also designated as action official</i>)	3/30/04	\$17,430	\$4,333	5
A07-D0001	Audit of the Talent Search Program at the University of New Hampshire	1/15/04			1
A07-D0009	Audit of the Talent Search Program at Wahupa Educational Services (Wahupa)	11/25/03	\$122,900		4
A07-D0015	Audit of the Talent Search (TS) program at Communities in Schools of San Antonio (CIS)	1/29/04	\$298,349		4
A09-D0012	Alum Rock Union Elementary School District's Administration of the 21st Century Community Learning Centers Grant No. S287A000487 (<i>OESE also designated as action official</i>)	3/17/04	\$65,523	\$139,741	11
A09-D0015	Gonzales Unified School District's Administration of the 21st Century Community Learning Centers Grant No. S287A000704 (<i>OESE also designated as action official</i>)	12/19/03	\$55,682	\$418,323	4
A17-D0001	United States Department of Education: Office of the Chief Financial Officer Contracting and Purchasing Operations Compliance with Appropriation Law	10/6/03	\$28		9

Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (October 1, 2003 to March 31, 2004) (Cont.)

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
A17-D0007	Audits of the U.S. Department of Education's financial statements for fiscal years 2003 and 2002 (<i>Included in ED FY 2003 Performance and Accountability Report - Office of Management/Office of the Chief Information Officer (OM/OCIO) also designated as action official</i>)	11/14/03			8
A17-E0002	MANAGEMENT LETTER Fiscal Years 2003 and 2002 Financial Statement Audits U.S. Department of Education and Federal Student Aid (<i>OM/OCIO and Office of Federal Student Aid (FSA) also designated as action officials</i>)	12/22/03			9
A19-C0004	Audit of Funds Not Recovered Due to the Statute of Limitations (<i>Office of General Counsel (OGC) also designated as action official</i>)(<i>See note at end of table</i>)	1/6/04			14
Office of Elementary and Secondary Education (OESE)					
A02-D0014	Puerto Rico Department of Education's (PRDE) Title I Expenditures for the period, July 1, 2002 to December 31, 2002 (<i>See note at end of table</i>)	3/30/04	\$49,536		9
A02-D0016	New York City Department of Education's Use of Computer Equipment to Support the E-Rate Program	3/30/04			1
A05-D0008	Audit of 20 Arizona charter schools' uses of U.S. Department of Education (ED) funds for the period October 1, 2000, through September 30, 2001 (<i>Office of Special Education and Rehabilitative Services (OSERS) also designated as action official</i>)	11/6/03	\$1,218,839	\$46,104	10
A05-D0021	Audit of the Detroit City School District's (District) administration of Title I, Part A (Title I) of the Elementary and Secondary Education Act of 1965, as amended (the Act), Set-Aside programs for the period July 1, 2002, through May 31, 2003	11/21/03	\$278,414		10
Office of Federal Student Aid (FSA)					
A05-D0020	Audit of the Administration of the Federal Pell Grant (Pell) program by The Alexander Institute (Institute) during the period September 28, 2000, through June 30, 2003	12/11/03		\$1,718,869	1
A06-D0016	Audit of National Education Center-Spartan School of Aeronautics' compliance with Student Financial Assistance program eligibility requirements, under Title IV of the Higher Education Act of 1965, as amended (HEA)	2/19/04	\$312,149		4
A07-C0032	Audit of the New Jersey Higher Education Student Assistance Authority's (HESAA) monitoring of law firms (special counsels) providing collection services to HESAA	3/3/04	\$11,059		10
A11-D0002	Audit of the Implementation of Electronic Signatures for Select Federal Student Aid (FSA) Transactions (<i>OM/OCIO also designated as action official</i>)	3/31/04			8
A17-D0008	AUDITED FINANCIAL STATEMENTS U.S. Department of Education Federal Student Aid Years Ended September 30, 2003 and 2002	11/14/03			8

Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (October 1, 2003 to March 31, 2004) (Cont.)

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
A19-D0002	Audit of the Department of Education's (Department) monitoring of private collection agency contractors (<i>OCFO also designated as action official</i>)	12/23/03			6
Office of Innovation and Improvement (OII)					
A09-D0018	Charter Schools' Access to Title I and IDEA, Part B Funds in the State of California (<i>OESE also designated as action official</i>)(<i>See note at end of table</i>)	3/29/04			12
Office of Management (OM)					
A19-C0005	Audit of the Accuracy and Completeness of Personnel Data	11/12/03			9
Office of Postsecondary Education (OPE)					
A03-C0017	Audit to Determine if Cohort Default Rates Provide Sufficient Information on Defaults in the Title IV Loan Programs (<i>FSA also designated as action official</i>)	12/22/03			4
Office of Special Education and Rehabilitative Services (OSERS)					
A02-D0020	Puerto Rico Department of Education's (PRDE) Special Education Expenditures for the period, July 1, 2002 to December 31, 2002 (<i>See note at end of table</i>)	3/30/04		\$122,901	9
A09-C0025	Charter Schools Access to IDEA, Part B Funds in the State of New York	11/19/03			5
Office of Vocational and Adult Education (OVAE)					
A04-D0007	Kentucky Department of Technical Education's Management Controls Over Perkins III Performance Data Needs Strengthening	10/20/03			8
ALTERNATIVE PRODUCTS					
Office of the Chief Financial Officer (OCFO)					
A05-D0042	Survey of the Illinois State Board of Education's (ISBE) monitoring and resolution of Local Education Agency (LEA) single audits for the period July 1, 2001, through June 30, 2002 (<i>Audit Closeout Letter</i>)	11/24/03			
A17-E0003	AGREED-UPON PROCEDURES REPORT Fiscal Year 2003 Federal Agencies' Centralized Trial-Balance System (<i>Attestation Report</i>)	12/22/03			
A17-E0004	FEDERAL INTRAGOVERNMENTAL ACTIVITY AND BALANCES AGREED-UPON PROCEDURES REPORT (<i>Attestation Report</i>)	1/23/04			
Office of the Deputy Secretary (ODS)					
S03-E0005	Office of Inspector General's Independent Report on the U.S. Department of Education's Detailed Accounting of Fiscal Year 2003 Drug Control Funds, dated January 21, 2004 (<i>Attestation Report</i>)	1/27/04			
Office of English Language Acquisition (OELA)					
A19-E0010	Audit of Audit Followup Process - External Audits (<i>Audit Closeout Letter</i>)	3/16/04			

Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (October 1, 2003 to March 31, 2004) (Cont.)

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
Office of Elementary and Secondary Education (OESE)					
X05-D0016	Best Practices for Management Controls Over Scoring of the State Assessments Required Under the No Child Left Behind Act of 2001 (<i>Management Information Report State and Local No. 04-01</i>)	2/3/04			1**
Office of Federal Student Aid (FSA)					
A04-D0016	Comparison of FFEL and FAFSA Data (<i>Audit Closeout Memorandum</i>)	3/5/04			
A05-E0010	Audit Survey of Cincinnati State Technical and Community College's (College) Title IV, Higher Education Act of 1965, as amended, (HEA) programs (<i>Audit Closeout Letter</i>)	1/27/04			
Office of Postsecondary Education (OPE)					
A04-D0022	Review of Greenville Technical College's Title III Program (<i>Audit Closeout Letter</i>)	12/8/03			
A19-E0011	Audit of Audit Followup Process - External Audits (<i>Audit Closeout Letter</i>)	3/16/04			

* For purposes of this schedule, questioned costs would also include other recommended recoveries.

** These are suggestions and not recommendations and will not be tracked or follow the audit resolution process.

Note - We identified \$7,383,859 in better use of funds in audit A19-C0004; \$151,205,677 in better use of funds in audit A02-D0014; \$5,600,000 in better use of funds in audit A09-D0018; \$79,515,522 in better use of funds in audit A02-D0020; and \$629,328 in better use of funds in an alert memorandum that was not identified individually.

¹DESCRIPTION OF ALTERNATIVE PRODUCTS

Interim audit memoranda/letters are used to notify ED 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 ED interest.

Alert memoranda are prepared when auditors identify a serious condition requiring immediate ED management action that is either outside the agreed-upon objectives of an on-going audit assignment or is identified while engaged in work not related to an on-going assignment when an audit report will not be issued.

Management information reports provide ED 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.

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.

Preaward audit services are provided by OIG in response to requests by ED contracting or program office staffs. These normally include making an assessment of an offeror's accounting system and performing field pricing support.

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 or non-financial subjects and can be part of a financial audit or performance audit. They include the examination, review, or performance of agreed-upon procedures on a subject matter or an assertion about a subject matter and reporting on the results.

²The 4 interim audit memoranda, the 2 alert memoranda, and the 1 preaward audit services memorandum are not identified individually as they are not publicly distributed and are not posted on the OIG Internet website.

Table 3: Other ED/OIG Reports on Education Department Programs and Activities (October 1, 2003 to March 31, 2004)

Report Number	Title of Report	Date Issued
I13C0017	Emergency Evacuation of People with Disabilities in Department of Education Facilities	12/8/03
I13D0014	Guard Quality Assurance Issues at the Mary E. Switzer Building	2/27/04
I13D0019	One ED Report	2/13/04

Table 3: Other ED/OIG Reports on Education Department Programs and Activities (October 1, 2003 to March 31, 2004) (Cont.)

Report Number	Title of Report	Date Issued
I13D0026	Completion of Blueprint for Management Excellence Action Items 63 & 71: Develop an Overarching Vision of Human Capital and Estimate the Impact of Restructuring on Improving Performance	3/9/04
I13E0007	Completion of Blueprint for Management Excellence Action Item 181: Establish a New Strategic Investment Office	3/9/04
I13E0005	Completion of Blueprint for Management Excellence Blueprint Action Item 171: Policy on Probationary Employees	3/11/04
I13D0021	Completion of Blueprint for Management Excellence Action Items 65 & 66: Workforce Planning, Restructuring and Implementation	3/15/04
I13E0013	Completion of Blueprint for Management Excellence Action Items 153, 154 & 155: Organizational Layers, Supervisory Ratio and Improved Citizen Access	3/15/04
I13E0008	Completion of Blueprint for Management Excellence Action Item 172: Annual Review of Position Descriptions	3/22/04
I13E0004	Completion of Blueprint for Management Excellence Action Item 126: Revision and Completion of New Disciplinary Standards	3/24/04
I13D0022	Completion of Blueprint for Management Excellence Action Item 179: Implementation of New Employee Survey Process	3/26/04
I13E0009	Completion of Blueprint for Management Excellence Action Item 218: Communication of the Department's Values, Desired Outcomes of One ED and Desired Behaviors of Managers and Employees	3/30/04
I13E0003	Completion of Blueprint for Management Excellence Action Item 169: Publication of Special Hiring Authorities	3/31/04

Table 4: Inspector General Issued Audit Reports with Questioned Costs

		Number	Questioned ¹ Costs	Unsupported ² Costs
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted) ³	65	\$309,322,216 ³	\$40,877,270
B.	Which were issued during the reporting period	<u>26</u>	<u>\$8,395,853</u>	<u>\$3,394,648</u>
	Subtotals (A + B)	91	\$317,718,069	\$44,271,918
C.	For which a management decision was made during the reporting period	12	\$144,616,636	\$859,929
	(i) Dollar value of disallowed costs		\$144,588,386	\$859,929
	(ii) Dollar value of costs not disallowed		\$28,250	\$0
D.	For which no management decision has been made by the end of the reporting period	79	\$173,101,433	\$43,411,989
E.	For which no management decision was made within six months of issuance	53	\$164,705,580	\$40,017,341

¹Costs are questioned because of either an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds, or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. Other recommended recoveries, included in questioned costs, are funds recommended for reasons other than being questioned or unsupported. The category is usually used for findings involving recovery of outstanding funds, revenue earned on federal funds, or any interest due ED resulting from the auditee's use of funds. Amounts reported for this category are combined with questioned costs for reporting in the Semiannual Report to Congress.

²Unsupported costs are costs that, at the time of the audit, were not supported by adequate documentation. Unsupported costs are combined with Questioned Costs for reporting in the Semiannual Report to Congress.

³Beginning Balance for Questioned Costs was increased by \$40,000 (A05-C0014) to coincide with database.

Table 5: Inspector General Issued Audit Reports with Recommendations For Better Use of Funds

		Number	Dollar Value
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	1	\$690,232
B.	Which were issued during the reporting period	5	\$244,334,386
	Subtotals (A + B)	6	\$245,024,618
C.	For which a management decision was made during the reporting period	1	\$7,383,859
	(i) Dollar value of recommendations that were agreed to by management		\$7,383,859
	(ii) Dollar value of recommendations that were not agreed to by management		\$0
D.	For which no management decision has been made by the end of the reporting period	5	\$237,640,759
E.	For which no management decision was made within six months of issuance	4	\$236,950,527

Table 6: Unresolved Reports Issued Prior to October 1, 2003

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
Section 5(a)(10) of the Inspector General Act as amended requires a listing of each report issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period.				
New Since Last Reporting Period				
Office of the Chief Financial Officer (OCFO)				
A04-C0020	Contract Closeout Audit of Office of Educational Research and Improvement Contract No. RJ96006001 at Appalachia Educational Laboratory (SAR 47, pg. 14) <i>Status: OCFO has informed us that a modification and a letter requesting return payment of \$85,547 has been prepared. OCFO is in the process of preparing a program determination letter and audit clearance document to complete the audit.</i>	7/28/03	\$344,530	2
A05-D0019	Audit of the C.I. Wilson Academy I's (Academy) use of U.S. Department of Education (ED) funds for the period July 1, 2001, through June 30, 2002 (2001-2002 school year) (Office of Innovation and Improvement (OII) also designated as action official for this report) (SAR 47, pg. 14) <i>Status: OCFO has informed us that a draft program determination letter is with the Office of the General Counsel (OGC) for review and comment. OCFO expects to resolve the audit by June 30, 2004.</i>	9/22/03	\$33,827	3
A05-D0030	Audit of the C. I. Wilson Academy II's (Academy) use of U.S. Department of Education (ED) funds for the period July 1, 2001, through June 30, 2002 (project period) (OII also designated as action official for this report) (SAR 47, pg. 14) <i>Status: OCFO informed us that a draft program determination letter is with OGC for review and comment. OCFO expects to resolve the audit by June 30, 2004.</i>	9/26/03	\$63,189	3
A06-C0034	Audit of the Texas Education Agency's (TEA) Treatment of the Costs of Unused Accrued Vacation Leave of Retiring or Separating Employees (terminal leave) for the period September 1, 1999, through August 31, 2002 (SAR 47, pg. 14) <i>Status: OCFO informed us that they are working to resolve the audit.</i>	7/8/03		2
A06-D0014	Audit of the 21 st Century Community Learning Centers (21 st Century) grant to Mt. Judea Public School (Mt. Judea) for the period June 1, 2000, through January 31, 2003 (SAR 47, pg. 14) <i>Status: OCFO informed us that OCFO/Post Audit Group (OCFO/PAG) has several boxes of documentation recently received from the auditee. OCFO expects to resolve the audit by September 30, 2004.</i>	9/29/03	\$397,500	2

Table 6: Unresolved Reports Issued Prior to October 1, 2003 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A07-D0002	Audit of the Talent Search Program at Case Western Reserve University (CWRU) (SAR 47, pg. 14) <i>Status:</i> OCFO informed that they are currently discussing with OPE the issue involving the number of students served by this project grant. OCFO expects to resolve the audit by June 30, 2004.	7/11/03	\$212,428	5
A09-C0026	Northwest Indian College Administration of the U.S. Department of Education, Office of Vocational and Adult Education Grant No. V101A990026 (SAR 47, pg. 14) <i>Status:</i> Office of Vocational and Adult Education (OVAE) informed us that the audit was placed on administrative stay on March 8, 2004, and staff is reviewing auditor's working papers and drafting a program determination letter.	9/30/03	\$632,241	6
Office of Elementary and Secondary Education (OESE)				
A02-C0011	The Virgin Islands Department of Education - St. Thomas/St. John School District's Control of Equipment Inventory (<i>Office of Special Education and Rehabilitative Services (OSERS) and OVAE also designated action officials for this report</i>) (SAR 47, pg. 15) <i>Status:</i> Staff from OESE, OCFO, OSERS, and OVAE are involved in a team effort to resolve the audit.	6/5/03	\$1,451,218	6
A02-C0012	The Virgin Islands Department of Education Did Not Manage Its Federal Education Funds (SAR 47, pg. 15) <i>Status:</i> Staff from OESE, OCFO, OSERS, and OVAE are involved in a team effort to resolve the audit.	9/30/03	\$1,542,928	18
A02-C0017	Puerto Rico Department of Education's Administration of Contracts with the League of United Latin American Citizens National Educational Service Center (<i>OVAE also designated as action official for this report</i>) (SAR 47, pg. 15) <i>Status:</i> The audit is in Cooperative Audit Resolution and Oversight Initiative (CAROI).	6/10/03	\$115,390	5
A05-C0029	Audit of Minnesota's local educational agencies' (LEA) allocations of Elementary and Secondary Education Act, as amended, Title I, Part A, funds to schools for the period July 1, 2001, through June 30, 2002 (2001-2002 school year) (SAR 47, pg. 15) <i>Status:</i> The audit was placed on administrative stay on March 31, 2004. OESE is working to resolve the audit.	9/30/03	*	2
A05-D0009	Audit of Cleveland Municipal School District's Set-Aside Funds for District-Wide Activities (SAR 47, pg. 15) <i>Status:</i> The audit was placed on administrative stay on March 31, 2004. OESE is working to resolve the audit.	8/6/03	\$43,067	7
A06-C0031	Audit of the Migrant Education Program at the Florida Department of Education (SAR 47, pg. 15) <i>Status:</i> OESE informed us that a program determination letter was issued March 31, 2004. The audit will be removed in the next Semiannual Report.	5/2/03		3
A06-C0032	Kansas Department of Education's Compliance with the Priority for Services Requirements of the Migrant Education Program (SAR 47, pg. 15) <i>Status:</i> OESE informed us that a program determination letter was issued March 31, 2004. The audit will be removed in the next Semiannual Report.	5/15/03		3
A06-C0033	California Department of Education's Compliance with the Priority for Services Requirements of the Migrant Education Program (SAR 47, pg. 15) <i>Status:</i> OESE informed us that a program determination letter was issued March 31, 2004. The audit will be removed in the next Semiannual Report.	5/30/03		3

Table 6: Unresolved Reports Issued Prior to October 1, 2003 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A09-D0014	Charter Schools' Access to Title I Funds in the State of New York (<i>OII is also designated as action official for this report</i>) (SAR 47, pg. 15) <i>Status: The audit was placed on administrative stay on March 31, 2004. OESE is working to resolve the audit.</i>	7/28/03		6
Office of Federal Student Aid (FSA)				
A02-B0026	Audit of Taylor Business Institute's Administration of Title IV Student Financial Assistance Programs (SAR 47, pg. 13) <i>Status: Audit is being reviewed by FSA New York Case Team.</i>	7/8/03	\$2,089	5
A04-B0018	Alcorn State University's Administration of Title IV Student Financial Assistance Programs Needs Strengthening (SAR 47, pg. 13) <i>Status: FSA informed us that the audit was resolved on January 30, 2004. The audit will be removed in the next Semiannual Report.</i>	8/15/03	\$342,505	24
A04-B0019	Advanced Career Training Institute's Administration of the Title IV Higher Education Act Programs (SAR 47, pg. 13) <i>Status: Audit is being reviewed by FSA Atlanta Case Team.</i>	9/25/03	\$7,469,328	14
A06-C0035	Audit of Flight Safety Academy's compliance with Student Financial Assistance Citizenship and Program Eligibility Requirements, under Title IV of the Higher Education Act of 1965, as amended (HEA) (SAR 47, pg. 13) <i>Status: FSA informed us that the audit was resolved on March 5, 2004. The audit will be removed in the next Semiannual Report.</i>	9/29/03	\$5,666,525	3
A07-C0030	Address Match using the Department's Student Financial Assistance (SFA) Application Processing and Disbursement Systems - the Federal Student Aid's (FSA) Central Processing System (CPS) and the National Student Loan Data System (NSLDS) (SAR 47, pg. 13) <i>Status: FSA staff are working with the Office of Inspector General (OIG) on resolving one final outstanding issue.</i>	8/25/03		2
Office of Postsecondary Education (OPE)				
A07-B0011	Audit of Valencia Community College's Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement (SAR 47, pg. 15) <i>Status: OPE informed us that they are working on resolving this audit.</i>	5/8/03	\$1,822,864	5
Reported in Previous Semiannual Report				
Office of the Chief Financial Officer (OCFO)				
A03-C0001	Contract closeout audit of costs claimed for Temple University's (TU) Laboratory for Student Success (LSS), Contract Number RJ96006201, for the period December 11, 1995, through December 16, 2000 (SAR 46, pg. 13) <i>Status: OCFO informed us that the contract has been reconciled. OCFO is in the process of preparing a program determination letter and audit clearance document to complete the audit.</i>	10/25/02		1
A04-C0014	Audit of Kentucky State University's (KSU) compliance with the administration of the Title III, Part B, Strengthening Historically Black Colleges and Universities Program (SAR 46, pg. 14) <i>Status: OCFO informed us that a program determination letter was issued on March 30, 2004. The audit will be removed in the next Semiannual Report.</i>	3/12/03	\$28,083	4
A05-C0026	Audit of Northeastern Illinois University's (NEIU) Administration of the Developing Institutions - Hispanic-Serving Institutions (HSI) grant for the period October 1, 2000, through October 31, 2002 (SAR 46, pg. 14) <i>Status: OCFO informed us that this audit was transferred to OPE for resolution.</i>	2/25/03	\$478,261	2

Table 6: Unresolved Reports Issued Prior to October 1, 2003 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A07-C0031	Audit of the Talent Search Program at Luther College (SAR 46, pg. 14) <i>Status: OCFO informed us that OCFO/PAG is revising the draft program determination letter. OCFO expects to resolve the audit by June 30, 2004.</i>	3/28/03	\$219,567	4
Office of Elementary and Secondary Education (OESE)				
A01-90006	Puerto Rico Department of Education Needs Major Improvements in Its Administration of the Even Start Program (SAR 41, pg. 22) <i>Status: CAROI team effort working on resolution.</i>	9/27/00	\$181,305	18
A01-A0004	Puerto Rico Department of Education Did Not Administer Properly a \$9,700,000 Contract with National School Services of Puerto Rico (SAR 42, pg. 21) <i>Status: CAROI team effort working on resolution.</i>	3/28/01	\$7,841,493	14
A02-50200	The Puerto Rico Department of Education Must Institute a Time Distribution System (SAR 36, pg. 13) <i>Status: CAROI team effort working on resolution.</i>	11/14/97		1
A02-B0012	Puerto Rico Department of Education Did Not Administer Properly Title I Contracts with National School Services of Puerto Rico for the 1999/2000 and 2000/2001 School Years (SAR 43, pg. 11) <i>Status: CAROI team effort working on resolution.</i>	9/28/01	\$8,412,280	10
A02-B0025	Puerto Rico Department of Education Did Not Administer Properly Three Contracts with R.V. Research and Management Group, Inc. (SAR 45, pg. 18) <i>Status: CAROI team effort working on resolution.</i>	9/12/02	\$2,146,023	10
A02-C0019	The Virgin Islands Department of Education-St. Croix School District's Control of Equipment Inventory (OSERS also designated as action official for this report) (SAR 46, pg. 13) <i>Status: Staff from OESE, OCFO, OSERS, and OVAE are involved in a team effort to resolve the audit.</i>	3/31/03	\$1,017,416	7
A03-B0023	Audit of Caroline Wilder Harris (C.W. Harris) Elementary School's Federal Grant Expenditures for the period July 1, 1999, through June 30, 2001 (SAR 45, pg. 18) <i>Status: OESE informed us that a program determination letter was issued on September 30, 2003. The audit will be removed in the next Semiannual Report.</i>	9/17/02	\$43,159	2
A05-B0011	Audit of the Title I, Part A, Targeted Assistance Schools Grant (Grant) Administered by the Mount Clemens Community Schools District (District) for the July 1, 1997, through June 30, 1998, Award Year (SAR 45, pg. 18) <i>Status: OESE informed us that they are currently developing a program determination letter.</i>	8/2/02	\$338,571	4
A05-C0012	Audit of East Cleveland City Schools' (ECCS) Administration of the 21 st Century Community Learning Centers (21 st Century) Grant at Kirk Middle School (Kirk) for the period June 1, 1998, through December 31, 2001 (SAR 45, pg. 18) <i>Status: The audit was placed on administrative stay on March 29, 2004. OESE is working to resolve the audit.</i>	9/18/02	\$349,637	9
A05-C0022	Audit of Community Consolidated School District 62's (District) administration of the 21 st Century Community Learning Centers (21 st Century) Grant for the period June 1, 2000, through May 31, 2002 (Office of the Under Secretary (OUS) also designated as action official for this report) (SAR 46, pg. 13) <i>Status: The audit was placed on administrative stay on March 29, 2004. OESE is working to resolve the audit.</i>	2/24/03	\$126,709	3

Table 6: Unresolved Reports Issued Prior to October 1, 2003 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
Office of Federal Student Aid (FSA)				
A03-A0022	Audit of Commissioned Sales and Course Length at Wesley College (SAR 44, pg. 14) <i>Status: FSA and OGC are working on a settlement agreement with this school now that regulatory changes have been made about commissioned sales and course length.</i>	1/15/02	\$1,431,560	5
A03-B0013	Audit of the Ability-to-Benefit (ATB) Testing Process at Lincoln Technical Institute, Inc. (LTI), Philadelphia, PA (SAR 45, pg. 16) <i>Status: FSA informed us that the audit was resolved on October 31, 2003. The audit will be removed in the next Semiannual Report.</i>	5/10/02	\$256,946	9
A04-B0015	Review of Cash Management and Student Financial Assistance Refund Procedures at Bennett College (OPE designated as collateral action office for this report) (SAR 45, pg. 16) <i>Status: FSA informed us that the audit was resolved on March 14, 2003. The audit will be removed in the next Semiannual Report.</i>	9/26/02	\$997,313	7
A05-A0030	Audit of Commissioned Sales at Olivet Nazarene University (SAR 43, pg. 11) <i>Status: FSA and OGC are working on a settlement agreement with this school now that regulatory changes have been made about commissioned sales.</i>	5/21/01	\$3,299,891	4
A05-B0003	Audit of Commissioned Sales and Course Length at Benedictine University (SAR 44, pg. 14) <i>Status: FSA and OGC are working on a settlement agreement with this school now that regulatory changes have been made about commissioned sales and course length.</i>	12/31/01	\$221,988	5
A05-B0004	Indiana Wesleyan University, Adult and Professional Studies Administration of Title IV Programs, Marion, Indiana (SAR 43, pg. 11) <i>Status: FSA and OGC are working on a settlement agreement with this school now that regulatory changes have been made about commissioned sales and course length.</i>	9/28/01	\$31,682,782	5
A05-B0014	Audit of Course Length at Olivet Nazarene University (SAR 43, pg. 12) <i>Status: FSA and OGC are working on a settlement agreement with this school now that regulatory changes have been made about course length.</i>	9/28/01		4
A05-B0019	Audit of Course Length at Trinity Christian College (Trinity) (SAR 45, pg. 16) <i>Status: FSA and OGC are working on a settlement agreement with this school now that regulatory changes have been made about course length.</i>	9/17/02	\$111,061	3
A05-C0015	Audit of American School of Technology's Administration of the Title IV, HEA Programs, Columbus, Ohio (SAR 46, pg. 12) <i>Status: Audit is still being reviewed by FSA Chicago Case Team.</i>	3/21/03	\$1,311,249	13
A06-70005	Professional Judgment at Yale University (SAR 36, pg. 18) <i>Status: Awaiting a policy decision to address and resolve this finding in the final audit determination letter.</i>	3/13/98	\$5,469	3
A06-70009	Professional Judgment at University of Colorado (SAR 37, pg. 17) <i>Status: Awaiting a policy decision to address and resolve this finding in the final audit determination letter.</i>	7/17/98	\$15,082	4
A06-A0001	Interactive Learning Systems' Administration of the Title IV Student Financial Assistance Programs (SAR 43, pg. 12) <i>Status: FSA informed us that the audit was resolved on March 23, 2003. The audit will be removed in the next Semiannual Report.</i>	7/20/01	\$990,828	7
A06-A0003	International Business College's Administration of Title IV Student Financial Assistance Programs (SAR 42, pg. 22) <i>Status: FSA informed us that they are working to resolve this audit.</i>	3/28/01	\$461,035	4

Table 6: Unresolved Reports Issued Prior to October 1, 2003 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A06-A0024	Audit of Commissioned Sales and Course Length at Southern Wesleyan University (SAR 45, pg. 16) Status: FSA informed us that they are working to resolve this audit.	9/4/02	\$19,451,123	5
A06-B0012	Audit of Los Angeles City College's Compliance with the Title IV, Student Financial Assistance, Verification Requirements (SAR 44, pg. 15) Status: FSA informed us that the Final Audit Determination letter was mailed on January 27, 2003. However when the Audit Accountability and Resolution Tracking System (AARTS) was implemented, the audit was inadvertently closed at the direction of the OCFO, and FSA could not enter the necessary closure information into AARTS by September 30, 2003. The audit will be removed in the next Semiannual Report.	11/14/01	\$14,072	3
A06-B0014	Audit of United Education Institute's Compliance with the Title IV, Student Financial Assistance, Verification Requirements (SAR 43, pg. 12) Status: FSA informed us that the Final Audit Determination letter was mailed on February 27, 2003. However when AARTS was implemented, the audit was inadvertently closed at the direction of the OCFO, and FSA could not enter the necessary closure information into AARTS by September 30, 2003. The audit will be removed in the next Semiannual Report.	9/6/01	\$7,285	1
A06-C0018	Gretna Career College's Administration of the Title IV Student Financial Assistance Programs (SAR 46, pg. 12) Status: FSA informed us that the audit was resolved on October 28, 2003. The audit will be removed in the next Semiannual Report.	12/19/02	\$1,383,470	6
A07-23545	State of Missouri, Single Audit Two Years Ended June 30, 1991 Status: FSA Chief Financial Officer (CFO) met with FSA Chief Operating Officer(COO) and other officials in OPE to decide how to resolve this audit.	4/1/93	\$1,048,768	18
A07-33123	State of Missouri, Single Audit Year Ended June 30, 1992 Status: FSA/CFO met with senior officials in FSA/COO and OPE to decide how to resolve this audit.	3/7/94	\$187,530	18
A07-90035	Audit of Commissioned Sales at William Penn University (SAR 43, pg. 12) Status: FSA and OGC are working on a settlement agreement with this school now that regulatory changes have been made about commissioned sales.	5/15/01	\$5,023,447	4
A07-A0030	Baker University School of Professional and Graduate Study's Administration of Title IV Federal Student Aid Programs (SAR 45, pg. 17) Status: FSA and OGC are working on a settlement agreement with this school now that regulatory changes have been made about commissioned sales.	9/19/02	\$15,716,275	7
A07-A0031	Fontbonne University Options Program's Administration of Title IV Federal Student Aid Programs (SAR 45, pg. 17) Status: FSA and OGC are working on a settlement agreement with this school now that regulatory changes have been made about commissioned sales.	9/30/02	\$12,441,490	7
A07-B0001	Audit of Course Length at William Penn University (SAR 43, pg. 12) Status: FSA and OGC are working on a settlement agreement with this school now that regulatory changes have been made about course length.	9/28/01		4
A07-B0002	Audit of the National Student Loan Program's Establishment of the Federal Family Education Loan Program Federal and Operating Funds (SAR 45, pg. 17) Status: FSA issued a program determination letter on March 31, 2004, and the audit is going through the resolution process. The audit will be removed in the next Semiannual Report.	9/27/02	\$2,672,941	10

Table 6: Unresolved Reports Issued Prior to October 1, 2003 (Cont.)

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A09-70015	Associated Technical College (ATC) Eligibility of Institutions to Participate in Title IV Programs & Other Issues (SAR 37, pg. 16) <i>Status: FSA/SEC/CMO senior managers are thoroughly reviewing the 90/10 calculations before approving the final audit determination letter.</i>	9/9/98	\$8,600,000	7
N06-90010	Inspection of Parks College's Compliance with Student Financial Assistance Requirements (SAR 40, pg. 18) <i>Status: FSA Dallas Case Team denied school's recertification on December 31, 1999. School closed February 5, 2000.</i>	2/9/00	\$169,390	1
Office of Safe and Drug-Free Schools (OSDFS)				
A01-90007	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Governor's Safe and Drug-Free Schools Program (SAR 41, pg. 22) <i>Status: OSDFS informed us that CAROI team is working on resolving all OIG and single audits from Puerto Rico at this time.</i>	9/27/00	\$82,452	17
Office of Special Education and Rehabilitative Services (OSERS)				
A02-B0014	Audit of the Puerto Rico Vocational Rehabilitation Administration (PRVRA) (SAR 45, pg. 18) <i>Status: OSERS informed us that they are currently developing a program determination letter to resolve the findings.</i>	6/26/02	\$15,800,000	5
* Audit identified better use of funds for \$690,232 for A05-C0029. Note - Status comments reflect either documents received, comments agreed to, or comments provided by the Department.				

**Table 7: Investigation Services Cumulative Actions
(October 1, 2003 to March 31, 2004)**

Summary of Investigation	Subject Name	Action This Period*	Fines/ Restitutions	Civil Recoveries
INSTITUTIONAL FRAUD				
Failure to Make Refunds/Refund Fraud				
Former owners of training center and technical school fraudulently obtained more than \$54,000 in Pell Grant and Direct Loan funds	Patricia Bedford	Convicted: 10/21/03		
	Melissa Blalock	Convicted: 10/21/03		
Instructing Students How to Falsify FAFSAs				
Minister acting as financial aid consultant assisted students and parents in preparing fraudulent applications for student aid	Ozel Clifford Brazil	Sentenced: 10/20/03	\$717,579	
School Employee Theft				
Individuals participated in scheme to illegally receive more than \$200,000 in student aid refunds	Monica Hopson	Sentenced: 2/25/04	\$200	
	Roger Williams	Sentenced: 2/26/04	\$200	
	Joe Lee Williams	Sentenced: 2/26/04	\$35,823	
	Leigh Stingley Webb	Convicted: 3/29/04		
Former college accountant issued checks to family members and friends who paid kickbacks to her	Vanessa Neal	Sentenced: 3/2/04	\$227,341	
Former financial aid officer at nursing school submitted and processed 46 fraudulent FFEL applications. Aid officer's associate participated in the scheme which resulted in more than \$248,000 in fraudulent FFEL disbursements	Amy Schachter	Sentenced: 10/20/03	\$221,625	
	Lisa Herrmann	Sentenced: 11/6/03	\$105,250	

**Table 7: Investigation Services Cumulative Actions
(October 1, 2003 to March 31, 2004) (Cont.)**

Summary of Investigation	Subject Name	Action This Period*	Fines/ Restitutions	Civil Recoveries
Former college comptroller embezzled approximately \$641,000 by using his position to write and negotiate checks	Louiston Louis	Sentenced: 10/1/03	\$403,373	
Individual participated in scheme to illegally receive more than \$200,000 in student aid refunds	Dianne Taylor	Sentenced: 1/22/04	\$31,685	
Former financial aid director at photography school submitted fraudulent FFEL applications and received \$14,000	Keith Magee	Sentenced: 10/21/03	\$19,251	
Individual participated in scheme to illegally receive more than \$200,000 in student aid refunds	Antonio Burton	Sentenced: 1/28/04	\$25,662	
Individual participated in scheme to illegally receive student aid refunds and obtained \$20,000	Denozanna Moore	Sentenced: 1/7/04	\$20,386	
Former beauty school employee allegedly stole Pell Grant funds	Gertie Boswell	Arrested: 12/18/03		
<i>Former Perkins Grant administrator at community college submitted false claims enabling school to illegally receive approximately \$189,000</i>	Thomas Flaschberger	Sentenced: 3/30/04	\$901,777	
Fraudulent Work-Study				
Former student, with assistance of financial aid employees, was allegedly involved in a scheme to embezzle work-study funds	Sandra Perry	Indicted: 12/18/03		
Former financial aid counselor at community college created false time sheets and coerced students to pay him kickbacks	Celious Barner	Convicted: 2/19/04		
Former student employed in work-study office involved in scheme to embezzle work-study funds	Robert Jones	Convicted: 12/10/03		
Collusion Between Officials and Students				
Individual conspired with school financial aid director and received kickbacks from student loan checks from nine individuals he recruited to illegally receive student aid	Milow LeBlanc	Sentenced: 11/24/03	\$175,950	
Individual conspired with school financial aid director and received kickbacks from student loan checks from six individuals he recruited to illegally receive student aid	David Carlton Edwards	Sentenced: 11/3/03	\$74,100	
RECIPIENT FRAUD				
Falsification of Income				
Individual falsified income to receive student aid	Kayce N. Ofodile	Sentenced: 12/4/03	\$8,750	
Father and daughter falsified income to receive approximately \$5,800 in Pell Grants	Lizete Villasenor	Civil Complaint: 11/12/03		
	Miguel Villasenor	Civil Complaint: 11/12/03		
Former student falsified marital status to obtain loans and grants	Nicole Osborne	Sentenced: 1/5/04	\$9,813	
Former student falsely claimed disability to cancel more than \$21,000 in student loans	Tonya D. Ryans	Sentenced: 12/16/03	\$25,569.34	
Family falsified parent's marital status and other information to obtain student aid	Charles Keefer	Civil Filing: 2/13/04		
	Bonnie Keefer	Civil Filing: 2/13/04		
	Anne Keefer	Civil Filing: 2/13/04		
	Beth Keefer	Civil Filing: 2/13/04		
Falsification of Identity/Identity Theft				
Former student used another person's name and Social Security number to obtain direct and PLUS loans	Toccaro Bates	Sentenced: 11/24/03	\$14,100	

**Table 7: Investigation Services Cumulative Actions
(October 1, 2003 to March 31, 2004) (Cont.)**

Summary of Investigation	Subject Name	Action This Period*	Fines/ Restitutions	Civil Recoveries
Individual used two different identities to obtain approximately \$42,000 in student aid	Victor Byrd	Indicted: 3/16/04		
Individual used his brother's identity to obtain approximately \$12,000 student loan and home mortgage of more than \$141,000	Luis Scaccabarozzi	Indicted: 2/27/04		
Individual stole identity of son's father to obtain more than \$28,000 in loans and grants for her son	Clara Abbas	Sentenced: 2/23/04	\$43,726	
Illegal immigrant bought identity papers and used new identity to obtain approximately \$92,000 in student aid	Berg Hyacinthe	Sentenced: 11/7/03	\$13,224	
Individual allegedly kidnapped his son and used son's identity to obtain approximately \$94,000 in student aid	Brent Austin	Convicted: 1/5/04		
<i>Former inmate used more than 50 different identities to obtain more than \$300,000 in student loans and grants</i>	John Edward Christensen	Convicted: 1/20/04		
Individual used alias to cash student aid refund checks	Tasha Gordon	Sentenced: 10/9/03	\$78,355	
Individual allegedly allowed illegal alien to use his identity to obtain more than \$40,000 in student aid	John McCahon	Indicted: 1/8/04		
Career criminal known to have at least 16 aliases, allegedly used another person's identity to obtain more than \$3,000 in student aid	Kenneth Wayne Jordan	Indicted: 12/29/03		
Individual allegedly used a false name and Social Security number to obtain more than \$12,000 in Pell Grants and student aid after previously defaulting on student loans	Michelle Lee Massion	Civil Filing: 1/9/04		
Illegal alien allegedly used another person's identity to obtain more than \$40,000 in student aid	Wilfried Ibach	Indicted: 1/8/04		
Former student allegedly used false identity and Social Security number and falsely claimed U.S. citizenship to obtain more than \$28,000 in student aid	Ludlow Dawes	Civil Filing: 1/15/04		
Former inmate stole identities to obtain student aid for himself and four other inmates for online community college program	Avangia Jones	Convicted: 1/27/04		
Individual used two Social Security numbers to obtain more than \$90,000 in student aid and used fraudulent Social Security numbers in bankruptcy court to illegally discharge approximately \$47,000 in consumer debt	James DeLoach	Convicted: 3/18/04		
Individual used false Social Security number to obtain more than \$40,000 in student grants and loans after previously defaulting on student loans	Christina Coleman	Convicted: 3/18/04		
Student used a false Social Security number to receive more than \$9,000 in student aid	Sherron Dixon	Sentenced: 11/17/03	\$9,325	
Individual part of scheme using aliases to cash student aid refund checks	Grady McCrary	Sentenced: 12/8/03	\$155,748	
Falsification of Citizenship				
Illegal alien allegedly falsely claimed U.S. citizenship to obtain more than \$22,000 in student aid	Karen Fuller	Indicted: 3/3/04		
Illegal alien falsely claimed U.S. citizenship to obtain more than \$10,000 in student loans and grants	Thelma Gener	Sentenced: 10/10/03	\$11,533	
Former student falsely claimed U.S. citizenship by submitting fraudulent birth certificate to obtain more than \$15,000 in student loans and grants	Claude-Nathalie Eyamba	Convicted: 3/12/04		

**Table 7: Investigation Services Cumulative Actions
(October 1, 2003 to March 31, 2004) (Cont.)**

Summary of Investigation	Subject Name	Action This Period*	Fines/ Restitutions	Civil Recoveries
Falsification of Eligibility				
Former student submitted false GED certificate to illegally obtain more than \$8,000 in student aid	Sophia Morris			\$11,300
Former student misrepresented graduate school eligibility to obtain more than \$12,000 in student aid	Brian Cantwell	Sentenced: 12/1/03	\$5,727	
<i>Two individuals allegedly recruited fifteen persons to misrepresent eligibility by posing as graduate students, to obtain more than \$285,000 in student loans</i>	Anthony Hervey	Arrested: 10/31/03		
	Gloria Hervey	Arrested: 11/17/03		
	Stacey Adams	Indicted: 10/9/03		
	Donald Braboy	Indicted: 10/9/03		
	Sean Loggin	Arrested: 11/18/03		
	Corey Stuckey	Arrested: 10/17/03		
	Khalil Harper	Convicted: 4/12/04		
	Ronald Jackson	Indicted: 10/9/03		
	Tommie Jordan	Convicted: 3/31/04		
	Jackie Lawless	Indicted: 10/9/03		
	Isiah Miller	Indicted: 10/9/03		
	Twana Moss	Convicted: 4/7/04		
Individual recruited to falsely claim graduate student status to illegally receive student aid	Gregory Hall	Convicted: 2/11/04		
Individual recruited to falsely claim graduate student status to illegally receive student aid	Robert Miller	Convicted: 3/12/04		
Son of School Board Vice-President submitted false financial aid records to illegally receive more than \$10,000 in student aid	Derrick Fomby	Convicted: 3/5/04		
<i>School board member and teacher submitted false financial aid records enabling son to illegally receive more than \$10,000 in student aid</i>	Janet Thomas	Convicted: 3/10/04		
Individual recruited to falsely claim graduate student status to illegally receive student aid	Renee Harris	Convicted: 2/23/04		
	Elkin Wells	Convicted: 2/27/04		
	Andre Norris	Convicted: 3/8/04		
Illegal alien falsely claimed "eligible non-citizen" status to illegally obtain more than \$6,000 in student aid	Jorge Jimenez	Convicted: 1/5/04		
Former school owner created false documentation to illegally receive more than \$564,000 in student loans and grants	Mary Hendrick	Convicted: 3/17/04		
Fraudulent Loan Discharges/Deferments				
Individual falsely claimed disability to have loans totaling more than \$16,000 discharged	Robin Cannon	Sentenced: 11/25/03	\$17,996	
Individual allegedly falsified death certificate and other documents to illegally discharge more than \$150,000 in student loans and allegedly used false Social Security numbers to illegally collect benefits	Jeffory Brown	Arrested: 11/6/03		
Individual fraudulently received more than \$31,000 in unclaimed property and used false documents to discharge approximately \$1,700 in student loans	Adriese Thomas	Convicted: 12/19/03		

**Table 7: Investigation Services Cumulative Actions
(October 1, 2003 to March 31, 2004) (Cont.)**

Summary of Investigation	Subject Name	Action This Period*	Fines/ Restitutions	Civil Recoveries
Foreign School Recipient Fraud				
Doctors forged school certifications, exceeded loan limits, and conspired with a foreign fraud ring to fraudulently obtain more than \$147,000 in FFEL funds	Max Noel	Sentenced: 3/1/04		
	Herold Pierre-Louis	Sentenced: 3/1/04		
<i>Individual obtained more than \$160,000 in FFEL proceeds falsely claiming he and his brother were enrolled at a school in the United Kingdom. He also prepared or submitted more than 2,300 additional fraudulent FFEL applications requesting approximately \$43.8 million under multiple fictitious identities falsely claiming enrollment at United Kingdom schools</i>	Shane Bybee	Convicted: 2/10/04		
FINANCIAL AID PREPARER FRAUD				
Financial aid consultant provided fraudulent student aid assistance; wife falsified income to obtain approximately \$35,000 in student aid for children	Richard Bukowsky	Civil Filing: 1/14/04		
	Myrtle Bukowsky	Civil Filing: 1/14/04		
Clients Prosecuted				
Consent judgments entered for three individuals that obtained federal student aid for their children after using the assistance of a fraudulent financial aid consultant	Jill Collins	Civil Settlement: 2/23/04		\$21,279
	Rhonda Kellner	Civil Settlement: 12/16/03		\$55,000
	Phyllis Lewkowicz	Civil Settlement: 10/28/03		\$39,862
Other				
Individual used stolen bank information to post online student loan payments to student loan account and used loan money to make payments on personal account causing loss of approximately \$120,000	Tamela Nunn	Sentenced: 3/10/04	\$8,750	
	Daresse Leigh	Sentenced: 1/30/04	\$8,750	
Provider of vocational rehabilitation services repaid \$545,124 in Title I funds after receiving unallowable payments	Abilities of FL Incorporated			\$545,124
Individuals associated with a career development institute charged in a superseding indictment with conspiracy to obstruct justice, theft of honest services, aiding and abetting, and making false statements to a federal agent in connection with no-show jobs	Gerald Phillips	Indicted: 1/22/04		
	Giuseppe Polimeni	Indicted: 1/22/04		
	Jamie Dwyer	Indicted: 1/22/04		
	Luisa Cardaropoli	Indicted: 1/22/04		
School employee made false statements to federal agents when questioned regarding his son's illegal receipt of more than \$19,000 in salary funded in part with Title I funds	Thomas Reilly	Sentenced: 12/5/03		
Former state employees created false payment vouchers to illegally obtain Title I funds	Twanda Ross	Sentenced: 2/9/04	\$20,252	
	Michelle Abrajano	Convicted: 11/6/03		
Former Puerto Rico Department of Education official and contractor in scheme to steal more than \$4.3 million in education funds	Jose Omar Cruz	Sentenced: 2/11/04		
	Ruperto Vazquez Lopez	Sentenced: 2/11/04		
<i>Former Department employee stole more than \$160,000 through illegal use of government credit card</i>	Jean Williams Stancell	Sentenced: 12/18/03	\$13,800	

**Table 7: Investigation Services Cumulative Actions
(October 1, 2003 to March 31, 2004) (Cont.)**

Summary of Investigation	Subject Name	Action This Period*	Fines/ Restitutions	Civil Recoveries
<u>Individuals part of a scheme to illegally divert \$1.9 in Impact Aid funds to personal use</u>	Stateson Clarence Francois	Convicted: 1/5/04		
	Diallo Cobham	Convicted: 1/30/04		
	John Holmes	Convicted: 2/2/04		
	Daniel Dorcely	Convicted: 1/30/04		
Department contractor conspired with Department employees to received more than \$121,000 for work he did not perform	James Barksdale	Sentenced: 1/30/04	\$34,733	
<u>Owner and employees of debt collection agency allegedly submitted fraudulent consolidated loan applications illegally creating more than \$1 million in commissions for themselves</u>	Robert Hazlett	Indicted: 3/17/04		
	Suzanne Prather	Indicted: 3/17/04		
	James Stevens	Indicted: 3/17/04		
	David Honderd	Indicted: 3/17/04		
	Greg Evans	Indicted: 3/17/04		
* Arrest refers to filing of criminal complaint, indictments include informations, and convictions include pretrial diversions and nolo pleas.				

Table 8: Statistical Profile : October 1, 2003 to March 31, 2004

	Six-month Period Ending 3/31/04
OIG AUDIT REPORTS ISSUED	41
Questioned Costs	\$5,001,205
Unsupported Costs	\$3,394,648
Recommendations for Better Use of Funds	\$244,334,386
OTHER OIG PRODUCTS	30
(Inspections, Attestations, Interim Audit Memoranda, Alert Memoranda, Closeout Memoranda/Letters, Management Information Reports, and Preaward Audit Services)	
OIG AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS	28
Questioned Costs Sustained	\$143,728,457
Unsupported Costs Sustained	\$859,929
Additional Disallowances Identified by Program Managers	\$6,676
Management Commitment to the Better Use of Funds	\$7,383,859
INVESTIGATIVE CASE ACTIVITY	
Cases Opened	91
Cases Closed	94
Cases Active at End of Period	334
Prosecutorial Decisions	88
-Accepted	58
-Declined	30
INVESTIGATION RESULTS	
Indictments/Informations	38
Convictions/Pleas	52
Fines Ordered	\$7,823

Table 8: Statistical Profile : October 1, 2003 to March 31, 2004

	Six-month Period Ending 3/31/04
Restitution Payments Ordered	\$4,183,594
Civil Settlements/Judgments (#)	5
Civil Settlements/Judgments (\$)	\$135,676
Recoveries	\$545,124
Forfeitures/Seizures	\$44,230

U.S. Department of Education

Rod Paige
Secretary

Office of Inspector General

John P. Higgins, Jr.
Inspector General

Counsel to the Inspector General

Mary Mitchelson

May 2004

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