



SEMIANNUAL  
REPORT TO  
CONGRESS  
No. 49

2004

*APRIL 1, 2004 - SEPTEMBER 30, 2004*

U.S. DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

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



**Semiannual Report to Congress: No. 49**

***April 1, 2004 - September 30, 2004***



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

October 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 for the six-month period ending September 30, 2004.

This report highlights our most significant work from the last six months, reflecting 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 April 1 through September 30, 2004. During this period, we issued 60 audit and inspection reports and memoranda and closed 45 investigations. We also initiated a joint project with Federal Student Aid to identify systemic risk in the federal student aid programs so the Department can take proactive steps to protect these multi-billion dollar programs.

Our findings and recommendations are an important resource for assisting the Department in addressing its management challenges and in meeting the goals of the President's Management Agenda, while our identity theft awareness campaign continues to reach new audiences. In addition to sharing prevention information with all guaranty agencies and fifty college newspapers, we co-produced a video featuring one of our investigative subjects, currently incarcerated for student aid fraud, describing the techniques he used to steal identities. We plan to make extensive use of the video in our expanding outreach efforts.

OIG audits, inspections, and other reviews identified areas needing improvement or requiring the Department's attention, including distance education, monitoring, external audit follow-up, and grantee oversight. The Department generally agreed with our recommendations. Our audits of state and local educational agencies' and school districts' administration of programs under the Elementary and Secondary Education Act of 1965, as amended, and the Individuals with Disabilities Education Act, as amended, found procedural weaknesses resulting in recommendations for corrective action and at times, significant monetary recoveries.

OIG investigations resulted in significant convictions and sentencings. Among them were an individual who pled guilty to student financial aid fraud after our investigation disclosed that he had attempted to fraudulently obtain more than \$43 million in student loans; a Michigan school owner and three officials convicted on multiple counts for an \$875,000 falsification of records fraud; and a former inmate in Florida sentenced to 37 months incarceration and ordered to pay restitution for fraudulently obtaining student financial aid for himself and four other inmates to attend several community colleges online.

We look forward to continuing to work in cooperation with the Secretary, his officers and managers, and the Congress toward our mutual goal to make a positive difference in the Department's programs and operations.

*John P. Higgins, Jr.*  
*Inspector General*

# Activities and Accomplishments

The Office of Inspector General (OIG) for the period April 1, 2004 through September 30, 2004, continued its work to improve the programs and operations of the Department of Education (Department) and to protect their integrity. We have summarized our work according to the mandates of the President's Management Agenda (PMA). Detailed information is available on our website at <http://www.ed.gov/about/offices/list/oig>.

## **PMA GOAL: ELIMINATION OF FRAUD AND ERROR IN STUDENT AID PROGRAMS**

We continue to devote substantial audit and investigative resources to detect and prevent fraud, waste, and abuse in student aid programs, the largest dollar programs administered by the Department. These programs have been on the Government Accountability Office's (GAO) high risk list since 1990. While the Department has made some progress, reducing risk in the student aid programs continues to be a management challenge for the Department.

### **IDENTITY THEFT**



We continued our campaign to alert students to the threat of identity theft by updating our website, [www.ed.gov/misused](http://www.ed.gov/misused), with information concerning recent scams against the student aid programs. This website, developed in conjunction with the Federal Student Aid (FSA), contains information about preventing and reporting identity theft involving federal education dollars. We also sent information about how to prevent identity theft to the guaranty agencies and to 50 college newspapers. With the assistance of the Arizona Department of Public Safety, we produced a DVD, "FSA Identity Theft: We Need Your Help," featuring an individual incarcerated for student aid fraud who describes the techniques he used to steal identities. We are using this DVD in our continuing outreach campaign.

With regard to our identity theft investigations, an individual pled guilty to student financial aid fraud after our investigation disclosed that he had attempted to fraudulently obtain more than \$43 million in student loans. He actually received about \$161,000 in student loan proceeds by submitting 12 loan applications falsely claiming that he, his brother, and his mother were enrolled as graduate students at a university in the United Kingdom. Our investigation prevented disbursements related to approximately 2,370 additional student loan applications bearing fictitious identities and similar false claims of enrollment at graduate schools in the United Kingdom. In another case, an individual pled guilty after our investigation disclosed that he obtained more than \$42,000 in student financial aid fraudulently by using two identities to attend Phoenix College.

An identity theft case also led to one of our Special Agents' selection as one of three law enforcement officers from across the nation to receive the 2004 National Missing Children's Award. The award, bestowed by a distinguished panel of law enforcement leaders, recognized her exemplary investigative work enabling a young man kidnapped in infancy by his father to be reunited with his mother twenty years later. Our Special Agent was investigating evidence that the father used the son's Social Security number to fraudulently obtain almost \$95,000 in student loans, grants, and scholarships when she established the connection between the cases that led to the extraordinary reunion.

## OTHER STUDENT AID FRAUD

Our investigations into other types of fraud in the student aid programs also contribute to this PMA goal. One individual pled guilty and six were sentenced for their participation in a fraud scheme engineered by an Illinois couple, who recruited individuals to pose as graduate students to illegally receive student loans for purported attendance at a London university. The six who were sentenced were ordered to pay a total of more than \$27,000 restitution and were among fifteen who took part in the scheme.

A former inmate of the Florida Department of Corrections pled guilty to student financial aid fraud, forging a judge's signature, and wire fraud. Our joint investigation with the Postal Inspection Service and the Federal Bureau of Investigation developed evidence that he fraudulently obtained student financial aid for himself and four other inmates to attend online several community colleges in Colorado and forged a federal magistrate's signature in furtherance of the scheme. He was sentenced to 37 months incarceration followed by three years supervised release and ordered to pay more than \$62,000 in restitution and a \$300 special assessment fee.

In another case, our investigation led to a guilty plea, 18 months incarceration, three years supervised release, more than \$70,000 in restitution, and a \$200 special assessment fee by an individual who used a false Social Security number to obtain more than \$58,000 in student financial aid. The individual had previously defaulted on a student loan under another Social Security number.

A jury in the Eastern District of Michigan convicted 1) the owner of The Training Center, Dearborn, Michigan, 2) the head of the computer department and registrar, 3) the director of education, and 4) the financial aid assistant and director of admissions, of conspiracy, wire fraud, and student financial assistance fraud. In addition, an instructor at the school was convicted of student aid fraud. Our investigation developed evidence that the defendants falsified or directed the falsification of attendance records, G.E.D. certificates, high school diplomas, ability-to-benefit tests, and certifications of foreign high-school education to continue to receive accreditation and Department funds. The amount of the fraud was approximately \$875,000.

## ELIGIBILITY ISSUES

Our audit work in the student aid programs included reviews at a Tennessee technology center and a Kansas technical school, both of which disclosed eligibility issues.



Tennessee Technology Center (TTC-M), Morristown, Tennessee, and Kaw Area Technical School (KATS), Topeka, Kansas, were ineligible to participate in the Title IV student aid programs because they violated the Higher Education Act of 1965, as amended (HEA), prohibition against enrolling persons under the age of compulsory school attendance as regular

students. We recommended that the Department terminate both schools' participation in the Title IV programs, and require them to return the amount of Title IV aid distributed to their students in violation of the statutory prohibition: for TTC-M, \$2.4 million; for KATS, \$882,000. The schools did not concur with our findings and recommendations.

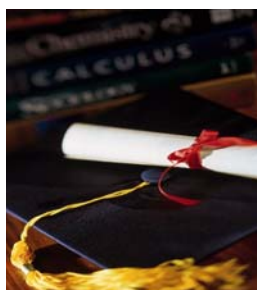
("Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown, TN," *ED-OIG/A04-E0001*; September 23, 2004.

"Audit of Kaw Area Technical School," *ED-OIG/A07-D0026*; May 20, 2004)

### **DISTANCE EDUCATION DEMONSTRATION PROGRAM**

Our audit of the Distance Education Demonstration Program (DEDP) found that the program has not met the statutory requirement to provide Congress with information on specific aspects of the HEA and regulatory requirements that should be altered to provide students greater access to distance education programs. We also found that DEDP participants did not provide complete and consistent information on their annual reports, without which the Department cannot properly evaluate the participants and the impact of waiving HEA provisions and regulations. Finally, we found that the Department did not submit reports to Congress by the statutory due dates. The Department did not agree with all of our findings, but agreed to take action on our recommendations. (“U.S. Department of Education’s Administration of the Distance Education Demonstration Program,” *ED-OIG/A09-D0010*; September 30, 2004)

### **MONITORING OF POSTSECONDARY INSTITUTIONS**



Our audit of the Department’s monitoring of postsecondary institutions found that the model used to identify and select institutions for review is an ineffective tool for identifying “at risk” institutions. We also found weaknesses in the program review process, the technical assistance process, and monitoring of regional office operations. We recommended that the Department implement management controls to ensure that the data used to identify the most at-risk institutions is complete, accurate, and applicable to the institutions being evaluated, and develop a methodology for evaluating the effectiveness of the risk assessment model used to identify institutions presenting the highest risk of loss of Title IV funds. We also recommended corrective actions on our other findings. The Department did not agree with all of our findings, but agreed to take action on the recommendations. (“Case Management and Oversight’s Monitoring of Postsecondary Institutions,” *ED-OIG/A04-D0014*; September 30, 2004)

### **DEFAULT ISSUES/LENDER DUE DILIGENCE**

Our audit at the Illinois Student Assistance Commission (ISAC) disclosed that ISAC did not comply with the regulations regarding the submission of eligible reinsurance claims. We found that ISAC’s claim review process was not adequate to ensure that it claimed reinsurance only if the lender exercised due diligence in servicing the loan. We also found that imaging policies and procedures did not ensure that ISAC maintained complete and accurate computer images of original claim packets, a repeat finding from our December 1999 audit report. Finally, we found that policies and procedures did not ensure that ISAC maintained adequate support to meet regulatory records retention requirements. ISAC agreed with most of our findings. (“Audit of the Illinois Student Assistance Commission’s Review of Lender Due Diligence and Post-Default Collections Related to Administrative Wage Garnishment,” *ED-OIG/A05-D0040*; August 20, 2004)

We also conducted a significant investigation of a debt-collection agency, specializing in collection of defaulted loans. Two employees of this agency pled guilty to conspiracy to commit bank fraud. Our investigation developed evidence that they, along with the owner and other employees, submitted fraudulent applications for consolidated student loans, generating more than \$1 million in commission for the collection agency. The defendants fraudulently represented that applicants were repaying their prior student loans to enable them to qualify for new loans.



## **MONITORING FEDERAL FUND RESERVE LEVELS AT GUARANTY AGENCIES**

Our inspection found that the Department’s monitoring of the Federal Fund needs improvement. Because of imprecise reporting instructions to guaranty agencies and uncorrected data errors, the Department was unable to provide a reliable measure of the reserve level at each agency. In addition, the Department had not developed written policies or procedures to address a guaranty agency’s failure to meet the minimum reserve level, and was unaware of the requirement to report annually to Congress on the agencies’ financial condition. We recommended that the Department withhold reimbursement payments to guaranty agencies that do not submit an accurate and complete annual report within 60 days after the end of the fiscal year, issue clear and concise instructions for the report, and provide training to the agencies to ensure consistent reporting. We also recommended that it report to Congress on the fiscal soundness of the guaranty agency system, as required by the HEA. The Department concurred with most of our recommendations. (“Monitoring the Federal Fund Reserve Level at Guaranty Agencies Needs Improvement,” *ED-OIG/113E0017*; September 14, 2004)

## **PMA GOAL: BUDGET AND PERFORMANCE INTEGRATION**

Performance and results are increasingly linked to budget and funding decisions at the federal and grant recipient levels. Without this accountability, the Department cannot reliably assess how, and how well, the funds it dispenses are used. Our work in elementary and secondary programs disclosed weaknesses in program administration by state and local educational agencies and other grantees, and a continuing need for careful monitoring by the Department. In addition, our investigations involving these programs revealed a need for greater accountability on the part of program participants.

## **PUERTO RICO DEPARTMENT OF EDUCATION**

Our audit work at the Puerto Rico Department of Education (PRDE) continued to disclose severe fiscal and integrity issues. This period we met with PRDE officials to discuss progress on the issues we have identified, as well as actions still needed to address our findings and recommendations. We also issued two audit reports, one on contracts awarded by PRDE to Rock Solid Technologies, the other on improper salary charges to Department programs by PRDE.

### ***Contracts awarded to Rock Solid Technologies***

Our audit of contracts awarded to Rock Solid Technologies (RST) found that PRDE improperly charged \$3,354,545 to the Department’s Elementary and Secondary Education Act (ESEA), Title I, Part A and Technology Literacy Challenge programs for two state-funded contracts unrelated to these programs, because PRDE did not implement adequate controls to oversee RST’s contract administration and to properly allocate contract charges. As a result, PRDE’s students did not fully benefit from the Department’s funding. We recommended that PRDE return the \$3,354,545 and establish controls to ensure that contract-related expenditures are properly allocated. PRDE stated that its current administration was taking proactive steps to improve the weaknesses inherited from the prior administration, and that it was working closely with the Department to update its procedures. (“Puerto Rico Department of Education’s Administration of Contracts Awarded to Rock Solid Technologies,” *ED-OIG/A02-E0007*; September 8, 2004)

### *Improper salary charges*

We found that PRDE's improper salary charges to Education programs, estimated at \$84 million, were primarily due to its failure to monitor payroll transactions processed by RST. We also determined PRDE's salary reconciliations of the Title I funds for fiscal years 2002 and 2003 to be erroneous. In addition, PRDE and the Puerto Rico Treasury Department failed to provide adequate records necessary to initiate the analysis of the Title I and other Departmental funds. We recommended that PRDE conduct quarterly reconciliations, re-evaluate all reconciliations completed to date, and make appropriate adjustments to Department grants. We also recommended improvements to internal controls over processing payroll.

PRDE responded that it was working with the Department to institute new procedures to ensure that all salary charges to federal programs are accurate and fully comply with federal laws and regulations. PRDE also stated that it had established a Payroll Team that was working with the Department to update PRDE's payroll system, and suggested that the issue of past reconciliations be discussed in the context of the ongoing Cooperative Audit Resolution and Oversight Initiative. In addition, PRDE reconciled the Title I payroll account for fiscal year 2003. As of December 11, 2003, PRDE had reimbursed the Title I account \$49,789,989 of the \$57,764,458 improperly charged to it. ("Puerto Rico Department of Education's Salaries for the Period July 1, 1999 to June 30, 2003," *ED-OIG/A02-D0023; June 2, 2004*)

### *Legislation creates vehicle for independent review and oversight*

During this reporting period, Puerto Rico enacted legislation creating an Internal Audit Office and an Audit Oversight Committee that will provide independent review and oversight of PRDE activities. The charter for the Committee was created with advice and assistance from OIG staff. The signing of the legislation was a landmark event because it is the first time the government of Puerto Rico has created an independent audit oversight committee for one of its government agencies.

#### **CHARTER SCHOOLS**

We issued a report on Arizona's allocations of ESEA, Title I, Part A, and Individuals with Disabilities Education Act (IDEA), Part B funds to charter school local educational agencies (LEAs). We found that the Arizona Department of Education (ADE) needs to enhance the information it provides to LEAs about the statutory requirements for new or expanding charter school LEAs, allocate the proportionate amount of IDEA, Part B funds to new charter school LEAs, and strengthen procedures to ensure that new or expanding charter school LEAs receive timely access to these funds. ADE concurred with the findings. ("Charter Schools' Access to Title I and IDEA, Part B Funds in the State of Arizona," *ED-OIG/A09-D0033; August 24, 2004*)

#### **TITLE I, PART A, FUNDING ALLOCATION**

Our audit of 15 Michigan LEAs' allocations of \$120,447,182 of Title I, Part A funds to 366 public schools found that 5 of the 15 LEAs did not always ensure that Title I funds were allocated only to eligible schools, that lower-poverty schools were not receiving higher per-pupil allocations than higher-poverty schools and that proper poverty measures were used, and that the data used to identify and count eligible poverty children were accurate. Had the LEAs complied with the requirements, approximately \$1.58 million of Title I funds could have been put to better use. Michigan concurred with the findings, and

generally agreed with our recommendations. (“Michigan’s LEA Allocations of Title I, Part A, Funds to Schools for the Period July 1, 2001, through June 30, 2002,” *ED-OIG/A05-D0038; June 25, 2004*)

## INVESTIGATIONS

Our investigations in several of the Department’s elementary and secondary programs highlighted a need for greater accountability by the participants. Four current and former employees of the Orleans Parish School District, Louisiana, pled guilty to extortion, theft, and/or conspiracy charges for a \$70,000 kickback scheme. Our investigation with the Federal Bureau of Investigation and New Orleans Police Department developed evidence that a former payroll clerk conspired with teachers, secretaries and para-educators to submit fraudulent travel reimbursements, stipend payments, and payroll checks, in exchange for a kickback of 50 percent of the illegal payments.

Two brothers were convicted in California of mail fraud and false statements in connection with a non-profit, community-based organization they directed that administered a federally funded English as a Second Language Citizenship program. Our investigation disclosed that, in support of their claim for over \$800,000 in federal funds, they knowingly provided fraudulent representations, including teaching sites where classes were never held, names of teachers who did not teach, false attendance figures, and false student identities.

In another investigation, the former program director for the American Samoa Department of Education pled guilty to conspiracy to defraud the Department of Education and other federal agencies. He was responsible for the management and distribution of food and goods used for feeding children in the American Samoa Public School System. Evidence from our investigation showed that he and his co-conspirators converted for their personal use about \$68,000 in food and goods.

## 21<sup>ST</sup> CENTURY COMMUNITY LEARNING CENTERS

We issued two audit reports on school districts’ administration of 21<sup>st</sup> Century Community Learning Center (CCLC) grants. In Elk Grove, California, we found that the Elk Grove Unified School District drew down about \$1.3 million of federal funds in excess of the immediate needs of the CCLC program. In addition, the district did not properly document all of the personnel costs charged to the grant. As a result, we were not able to determine whether \$643,199 of the \$745,671 charged to the grant was properly charged. The district disagreed with our finding concerning personnel costs but generally agreed with the other findings in the report. (“Elk Grove Unified School District’s Administration of the 21<sup>st</sup> Century Community Learning Centers Grant No. S287B010656,” *ED-OIG/A09-E0010; July 20, 2004*)

In Baltimore, Maryland, our audit of the Baltimore City Public Schools (BCPS) identified management control weaknesses that adversely affected BCPS’s ability to properly account for expenditures and administer its 21<sup>st</sup> CCLC program. We found that BCPS had inadequate financial management controls and did not keep records of its 21<sup>st</sup> CCLC program’s in-kind contributions. In addition, the program expenditures were not always reasonable, allowable, and allocable; consequently, BCPS expended \$43,821 for unallowable and unsupported costs. BCPS concurred with our findings and recommendations. (“Baltimore City Public Schools’ Administration of its 21<sup>st</sup> Century Community Learning Center Grant program,” *ED-OIG/A03-D0010; June 2, 2004*)

**STATE  
EDUCATIONAL  
AGENCIES:  
MONITORING  
SUBRECIPIENTS**

Our audit at the Ohio Department of Education (ODE) and subsequent inquiries to agencies in five other states identified an issue that, if occurring elsewhere, could mean that millions of dollars in federal funds are potentially at risk. Our audit at ODE identified inadequate procedures for monitoring subrecipients to which it disbursed less than \$300,000 in federal awards. As a pass-through entity, ODE was required to ensure that subrecipients expending more than \$300,000 in federal awards had single audits conducted. Although ODE awarded some subrecipients less than \$300,000, they could have received federal funds from other sources, thus requiring a single audit. As a result, \$42 million in federal funds is potentially at risk in Ohio. ODE did not concur with our finding. (“Audit of Ohio Department of Education’s monitoring and resolution of single audits,” *ED-OIG/A05-E0011; June 4, 2004*)

Subsequent inquiries to agencies in five other states also found that some state educational agencies (SEAs) may not have been ensuring that LEAs to whom they awarded less than \$300,000 in federal funds were complying with the single audit requirement. We advised the Department that supplemental guidance may be needed to inform SEAs that they must be able to determine whether each subrecipient expended \$300,000 or more in total federal awards. For fiscal years ending after December 31, 2003, the threshold was increased to \$500,000.

**DALLAS  
INDEPENDENT  
SCHOOL  
DISTRICT**

Our audits at Dallas Independent School District (DISD) found that it had materially failed to deliver the services and products specified in its approved Bilingual Education - Systemwide Improvement grant application, and disbursed \$205,000 in Teaching American History grant funds to an unapproved, ineligible partner. We recommended that the Department recover \$1,788,853, consisting of non-performance of grant services, unallowable costs, and unsupported costs, for the Bilingual Education grant, and \$205,000 in unallowable costs disbursed to the ineligible partner for the Teaching American History grant. DISD did not concur with our findings but concurred with some of our recommendations. (“Audit of the Dallas Independent School District’s (DISD) administration of the Bilingual Education - Systemwide Improvement Grant for the Period September 1, 1999, through August 31, 2003,” *ED-OIG/A06-D0023; August 4, 2004*. “Audit of the Dallas Independent School District’s administration of the Teaching American History Grant for the period October 1, 2002, through September 30, 2005,” *ED-OIG/A06-E0015; September 16, 2004*)

**BUREAU OF  
INDIAN AFFAIRS’  
ADMINI-  
STRATION OF  
IDEA, PART B  
FUNDS**

Our audit of the IDEA, Part B requirements at Fond du Lac Ojibwe School found that, although the school developed an individualized education program (IEP) for all of the students sampled, it was unable to demonstrate that it provided special education and related services to over half of the students in our sample in accordance with their IEP. The school received over \$860,000 to provide special education services during our two-year audit period. We recommended that the Department instruct the Bureau of Indian Affairs (BIA) to obtain assurance from Fond du Lac that it used the funds to deliver the educational assistance proposed in each of the IEPs, instruct Fond du Lac to document all IDEA-funded services provided to each current student with disabilities, determine whether Fond du Lac should be designated a high-risk grantee, and consider placing special conditions for all Education awards to Fond du Lac. BIA officials agreed with our findings and recommendations. (“Bureau of Indian Affairs’ Administration of the Individuals with Disabilities Education Act Funds at Fond du Lac Ojibwe School, Minnesota,” *ED-OIG/A06-E0001; August 30, 2004*)

## PMA GOAL: FINANCIAL MANAGEMENT

Sound financial management is essential to the Department's ability to provide accurate financial information, to manage for results, and to ensure operational integrity. The Department's stewardship of billions of federal education dollars depends on a reliable, consistent financial management system to deliver services and benefits to recipients. Strong internal controls are a key component to improved financial management. Our work this period identified the need for stronger internal controls in several areas.

### INTERNAL CONTROLS

#### *Monitoring lapsed funds*

We found that the Department did not have procedures and controls for notifying grantees when grant award balances were about to become unavailable as a result of funds not being obligated and used within required timeframes. Although it is not a statutory requirement to notify grantees, it would be a good business practice for the Department to do so. We recommended that the Department develop and implement procedures and controls to give advance warning to grantees of grant award balances that are about to become unavailable. The Department concurred with the finding and recommendation. ("Monitoring of Grant Award Lapsed Funds by the Office of the Chief Financial Officer, the Office of Elementary and Secondary Education, the Office of Special Educational and Rehabilitative Services, and the Office of Vocational and Adult Education during fiscal years 1998, 1999, and 2000," *ED-OIG/A04-D0015; August 2, 2004*)

#### *Data gathering/lapsed funds report for Chairman John A. Boehner*

We responded to a request from John A. Boehner, Chairman, U.S. House of Representatives, Committee on Education and the Workforce, for information regarding Department budget authority that was canceled in fiscal years 2002 through 2004. The response provided Chairman Boehner with data regarding Department budget authority that was canceled in fiscal years 2002 and 2003 and was no longer available for obligation or expenditure for any purpose. Similar information about fiscal year 2004 cancellations will be provided to Chairman Boehner after final executed budget information for fiscal year 2004 becomes available.

#### *Audit follow up*

We reviewed the audit follow up process for external audits in five of the Department's principal offices. In four of the five offices, we found that improvements were needed, either because documentation was not maintained to support that corrective actions had been completed, or because staff did not always follow up to obtain assurance that they had been completed. In one case, we found that the office inappropriately relied on subsequent single or compliance audits for assurance that issues noted in some OIG audits had been corrected. The Department's principal offices generally agreed with our findings and recommendations, in some cases describing actions planned or taken to address them. ("Audit followup process for external audits in the Institute of Education Sciences," *ED-OIG/A19-E0007; April 1, 2004*. "Audit followup process for external audits in the Office of Special Education and Rehabilitative Services," *ED-OIG/A19-E0006; June 2, 2004*. "Audit followup process for external audits in the Office of Elementary and Secondary Education and the Office of Safe and Drug-Free Schools," *ED-OIG/A19-E0004; August*

27, 2004. “Audit followup process for external audits in Federal Student Aid,” *ED-OIG/A19-E0002*; September 16, 2004. “Audit followup process for external audits of discretionary grant audits resolved by the Post Audit Group (PAG) in the Office of the Chief Financial Officer (OCFO), and for external audits of contracts resolved by the Contracts and Purchasing Operations (CPO) group in OCFO,” *ED-OIG/A19-E0003 & A19-E0005*; September 23, 2004)

### ***Oversight of grantees subject to the Restricted Indirect Cost Rate***

We found that the Department’s monitoring of grant costs with respect to grantees subject to the Restricted Indirect Cost Rate (RICR) provisions is not adequate to ensure that grantees: 1) do not claim indirect costs if they do not have negotiated indirect cost rate agreements, 2) do not claim more than eight percent of Modified Total Direct Cost if they do not have RICR agreements, and 3) provide enough information for program officials to ascertain the details of costs included in the indirect cost pool and in the base used for computing indirect costs. We estimated that the Department could better utilize at least \$4.6 million by implementing the recommendations in this report. The Department generally concurred with our findings and recommendations. (“U.S. Department of Education’s Oversight of Grantees Subject to the Restricted Indirect Cost Provisions in 34 C.F.R. Parts 75 and 76,” *ED-OIG/A07-D0005*; April 21, 2004)

### ***Reconciling accounting records***

We performed an audit to determine if the Department’s principal offices reconciled their accounting records to the Department’s central automated processing system (EDCAPS) to ensure accuracy and completeness of information. We found that while offices did reconcile their records, they did not consistently retain summary-level documentation to support having done so. We made recommendations to improve the Department’s reconciliation process and strengthen financial management. The Department concurred with our findings, supported the recommendations, and described specific corrective actions planned or taken to address the issues noted. (“Reconciliation of Principal Office Records to the United States Department of Education’s Central Automated Processing System,” *ED-OIG/A17-E0001*; July 8, 2004)

## **PMA GOAL: EXPANDED ELECTRONIC GOVERNMENT**

As the Department offers greater electronic access to its student aid programs, in response to the expanded electronic government initiative, it must also address the risks inherent in such access. We continued our work to evaluate the Department’s progress in managing the information technology (IT) resources it uses to administer the billions of education dollars under its stewardship. Appropriate IT management remains a challenge for the Department.

**IDENTIFYING  
INFORMATION  
RESOURCE  
MANAGEMENT  
KNOWLEDGE,  
SKILLS, AND  
ABILITIES**

The Department has made progress in complying with the Clinger-Cohen Act requirements for obtaining knowledge, skills, and abilities (KSAs) necessary to effectively perform information resource management (IRM) functions. However, we found that it did not use a systematic process in evaluating KSAs. It also did not address the KSA requirements for all IRM staff, and was therefore unable to develop a comprehensive strategy to eliminate deficiencies between needed and actual KSAs. The Department's IRM thus may lack the basic KSAs needed to effectively manage information technology resources and investments, and to accomplish its goals.

We recommended that the Department use a systematic process such as the established core competencies in addressing the Clinger-Cohen requirements related to KSAs for IRM, and ensure that skill assessments for the Office of the Chief Information Officer are tied to the IRM goals included in the Department's overall strategic plan. The Department concurred with our findings and recommendations. ("Audit of the Department's Efforts in Identifying IRM KSAs," *ED-OIG/A07-E0002; August 20, 2004*)

**PMA GOAL: STRATEGIC MANAGEMENT OF HUMAN CAPITAL**

In response to the PMA, the Department developed the One-ED Report and a 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*, which identified numerous action steps intended to improve the strategic management of human capital within the Department. Our work this period revealed areas requiring the Department's attention in the human capital arena.

**STATUS OF  
HUMAN CAPITAL  
INITIATIVES**

We reviewed 20 of the *Blueprint's* action items to determine the status of the human capital initiatives at the Department. Our inspections identified two major concerns. First, the "One-ED Report" was relied upon to close several action items; however, neither the report nor the strategic investment process has proven to be an effective surrogate for the development of a comprehensive human capital plan that will enable the entire Department to systematically address core issues such as workforce planning, succession planning, and organizational structure. Second, the number of action items identified as completed that were not in fact completed underscored the need to verify the information provided when an action item is reported as completed. The Department agreed that additional work needs to be done in the area of human capital planning, and advised us that a new human capital plan would be completed in the coming months. ("Blueprint for Management Excellence Action Items," *August 23, 2004*)

Similarly, our inspection of innovative recruitment strategies concluded that the plan outlined by the Department had not been completed. Absent implementation and an assessment of the plan's effectiveness, there is no basis for concluding that the actions identified as "completing the action item" will help move the Department toward its underlying objective. The Department generally did not concur with our recommendations. ("Review of MIT Action Item Number 84," *ED-OIG/I13E0001; April 12, 2004*)

## **CONTRACTOR EMPLOYEE CLEARANCE PROCEDURES**

Our inspection found that the Department had not established its own internal procedures for handling and processing contractor employee security clearance procedures, and that its tracking system could not verify that principal offices were meeting the 14-day requirement for processing contractor employee security forms. In addition, the processing was significantly slowed because of missing data, and because the current system did not allow the Department to track pending clearances. We also identified weaknesses in its directive on contractor employees, and a lack of training for contracting officer representatives or other program officials on the security responsibilities of contractor employees. The Department generally agreed with our findings and recommendations. (“Inspection Memorandum of the Inspection of the U.S. Department of Education’s Contractor Employee Security Clearance Procedures,” *ED-OIG/I13D0009*; April 16, 2004)

## **Other Activities and Accomplishments**

We are active participants in the nonfederal and single audit arenas. Our activities this period are summarized below.

### **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 50 QCRs of audits conducted by 48 different IPAs, or offices of firms with multiple offices. We concluded that 20 (40%) were acceptable, 24 (48%) were technically deficient, and 6 (12%) were substandard. We also referred two IPAs to appropriate State Boards of Accountancy and the American Institute of Certified Public Accountants (CPAs) for possible disciplinary action. The two referrals, made for substandard work related to three audits, were based on QCRs reported in a prior semiannual report.

We received notice from a state education department regarding disciplinary action taken against a CPA as a result of a prior referral of substandard audit work disclosed by OIG. The referral was made as a result of a quality control review of a Single Audit Act audit. The CPA pled guilty to a charge of unprofessional conduct and agreed to a penalty of a partial suspension of his CPA license in the area of auditing until successful completion of coursework, two years’ probation and a \$5,000 fine.

A state board of accountancy advised us of disciplinary action against a CPA, resulting from a prior referral for substandard audit work. The referral was based upon our QCR of a compliance audit of a college. The board placed the CPA’s license on probation for three years and required pre-issuance review of his next two audit or attest engagements.

### **NATIONAL SINGLE AUDIT SAMPLING PROJECT**

Our office is leading an intergovernmental project to accurately assess the quality of all audits conducted under the Single Audit Act (Public Law 104-106), using statistical sampling. Our Assistant Inspector General for Audit Services is Chair of this Project’s Advisory Board, and our Director, Non-Federal Audit Team is leading the Project Management Staff. During this period, we worked with the Office of Management and Budget, six other federal Offices of Inspector General, and three State Auditors to finalize planning for the project. The QCRs of the 208 audits selected will be conducted through October 2005.



## Reporting Requirements of the Inspector General Act, as amended

Section	Requirement	Table Number	Page Number
<b>5(a)(1) and 5(a)(2)</b>	<b>Significant Problems, Abuses, and Deficiencies</b>		
	Activities and Accomplishments		1
<b>5(a)(3)</b>	<b>Uncompleted Corrective Actions</b>		
	Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	1	13
<b>5(a)(4)</b>	<b>Matters Referred to Prosecutive Authorities</b>		
	Statistical Profile	7	27
<b>5(a)(5) and 6(b)(2)</b>	<b>Summary of Instances Where Information Was Refused or Not Provided</b>		
<b>5(a)(6)</b>	<b>Listing of Audit Reports</b>		
	ED/OIG Audit Reports on Education Department Programs and Activities	2	13
<b>5(a)(7)</b>	<b>Summary of Significant Audits</b>		
	Activities and Accomplishments		1
	Inspection and Other ED/OIG Products on Education Department Programs and Activities	3	17
<b>5(a)(8)</b>	<b>Audit Reports Containing Questioned Costs</b>		
	ED/OIG Issued Audit Reports with Questioned Costs	4	18
<b>5(a)(9)</b>	<b>Audit Reports Containing Recommendations That Funds Be Put to Better Use</b>		
	ED/OIG Issued Audit Reports with Recommendations for Better Use of Funds	5	19
<b>5(a)(10)</b>	<b>Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period</b>		
	Unresolved Reports Issued Prior to April 1, 2004	6	19
<b>5(a)(11)</b>	<b>Significant Revised Management Decisions</b>		
<b>5(a)(12)</b>	<b>Significant Management Decisions with Which OIG Disagreed</b>		
<b>5(a)(13)</b>	<b>Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996</b>		

**Table 1: Recommendations Described in Previous 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.							
<b>NEW AUDITS SINCE LAST REPORTING PERIOD</b>							
<b>Federal Student Aid (FSA)</b>							
A11-C0011	Audit of Federal Student Aid's Development and Implementation of Oracle Federal Financials (SAR 47, pg. 13)	5/22/03	8/14/03		0	13	*
<b>Office of the Chief Information Officer (OCIO)</b>							
A11-C0008	Department of Education's Implementation of GISRA Year 2 (SAR 45, pg. 3)	9/16/02	5/28/03		0	26	*
A11-D0001	Phase II Audit of the Department's Critical Infrastructure Protection (CIP) Program (SAR 46, pg. 5)	3/28/03	9/24/03		0	7	*
<b>AUDITS REPORTED IN PREVIOUS SEMIANNUAL REPORTS</b>							
<b>Federal Student Aid</b>							
<a href="#">A05-A0025</a>	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		3	4	12/31/04
<b>Office of the Chief Financial Officer (OCFO)</b>							
<a href="#">A03-B0018</a>	Audit of the U.S. Department of Education's (the Department's) Discretionary Grant Monitoring Process (SAR 44, pg. 3)	10/24/01	3/26/02		1	1	9/30/05
<a href="#">A07-B0016</a>	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		0	5	*
* Closure of audits were not completed by the Department prior to end of reporting period (9/30/2004).							

**Table 2: ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2004 to September 30, 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.					
<b>AUDIT REPORTS</b>					
<b>Federal Student Aid (FSA)</b>					
<a href="#">A04-D0014</a>	Case Management and Oversight's Monitoring of Postsecondary Institutions	9/30/04			8

**Table 2: ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2004 to September 30, 2004) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<a href="#">A04-E0001</a>	Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown, TN	9/23/04	\$2,458,347		7
<a href="#">A05-D0040</a>	Audit of the Illinois Student Assistance Commission's Review of Lender Due Diligence and Post-Default Collections Related to Administrative Wage Garnishment	8/20/04		\$122,750	8
<a href="#">A07-D0026</a>	Audit of Kaw Area Technical School (KATS)	5/20/04	\$882,445		3
A07-E0013	Audit of Rolla Technical Institute/Center (RTI)	8/20/04			None
<a href="#">A19-E0002</a>	Audit of the audit followup process for external audits in Federal Student Aid (FSA)	9/16/04			3
<b>Office of the Chief Financial Officer (OCFO)</b>					
<a href="#">A02-D0015</a>	Audit of the 2001 Virtual Data Center Transformation Task Order (Task Order)	8/10/04			3
<a href="#">A02-D0023</a>	Puerto Rico Department of Education's (PRDE) Salaries for the Period July 1, 1999 to June 30, 2003 ( <i>OESE also designated as action official</i> )	6/2/04			6
<a href="#">A03-D0010</a>	Audit of Baltimore City Public School's (BCPS) Administration of its 21 <sup>st</sup> Century Community Learning Center (21 <sup>st</sup> CCLC) Grant program ( <i>OESE also designated as action official</i> )	6/2/04	\$42,986	\$835	10
<a href="#">A04-D0015</a>	Review of the monitoring of grant award lapsed funds by the Office of the Chief Financial Officer (OCFO), the Office of Elementary and Secondary Education (OESE), the Office of Special Educational and Rehabilitative Services (OSERS), and the Office of Vocational and Adult Education (OVAE) during fiscal years (FY) 1998, 1999, and 2000 ( <i>OESE, OSERS, and OVAE were copied on the report but were not designated as action officials</i> )	8/2/04			1
<a href="#">A05-E0011</a>	Audit of the Ohio Department of Education's (ODE) monitoring and resolution of single audits for subrecipient fiscal years ending in calendar year 2002	6/4/04			1
<a href="#">A06-D0023</a>	Audit of the Dallas Independent School District's (DISD) administration of the Bilingual Education-Systemwide Improvement Grant for the period September 1, 1999, through August 31, 2003 ( <i>OELA also designated as action official</i> )	8/4/04	\$1,353,875	\$434,978	2
<a href="#">A06-E0015</a>	Audit of the Dallas Independent School District's (DISD) administration of the Teaching American History Grant (grant) for the period October 1, 2002, through September 30, 2005 ( <i>OII also designated as action official</i> )	9/16/04	\$205,000		4
<a href="#">A07-D0005</a>	Audit of the U.S. Department of Education's (Department's) oversight of grantees subject to the restricted indirect cost rate (RICR) provisions in 34 C.F.R. Parts 75 & 76	4/1/04			5**

**Table 2: ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2004 to September 30, 2004) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<a href="#">A07-D0024</a>	Audit of the Talent Search (TS) program at LULAC National Educational Service Centers, Inc. (LNESEC)	6/18/04			2
<a href="#">A09-D0032</a>	California State University, Fresno Foundation's Administration of GEAR UP Partnership Grant No. P334A990267 ( <i>OPE also designated as action official</i> )	6/17/04	\$8,940	\$371,460	7
<a href="#">A09-E0010</a>	Elk Grove Unified School District's Administration of the 21 <sup>st</sup> Century Community Learning Centers Grant No. S287B010656 ( <i>OESE also designated as action official</i> )	7/20/04	\$6,262	\$643,199	8
<a href="#">A17-E0001</a>	Audit to determine if Principal Offices (PO's) reconcile their accounting records to the United States Department of Education's (Department) Central Automated Processing System (EDCAPS) to ensure accuracy and completeness of information for the period October 2002 through February 2004	7/8/04			2
A19-E0003 A19-E0005	Audits of the audit followup process for external audits of discretionary grant audits resolved by the Post Audit Group (PAG) in the Office of the Chief Financial Officer (OCFO), and for external audits of contracts resolved by the Contracts and Purchasing Operations (CPO) group in OCFO	9/23/04			2
<b>Office of the Chief Information Officer (OCIO)</b>					
<a href="#">A07-E0002</a>	Audit of the Department's Efforts in Identifying IRM KSAs	8/20/04			3
<b>Office of Elementary and Secondary Education (OESE)</b>					
<a href="#">A02-E0007</a>	Puerto Rico Department of Education's (PRDE) Administration of Contracts Awarded to Rock Solid Technologies (RST)	9/8/04	\$3,354,545		2
<a href="#">A05-D0038</a>	Audit of Michigan's local educational agencies' (LEA) allocations of Elementary and Secondary Education Act of 1965, as amended (ESEA), Title I, Part A (Title I), funds to schools for the period July 1, 2001, through June 30, 2002 (2001-2002 school year)	6/25/04			4**
<a href="#">A05-E0016</a>	Audit of the Wisconsin Department of Public Instruction (DPI) and selected local education agencies (LEA)	9/30/04			None
<a href="#">A19-E0004</a>	Audit of the audit followup process for external audits in the Office of Elementary and Secondary Education (OESE) and the Office of Safe and Drug-Free Schools (OSDFS) ( <i>OSDFS also designated as action official</i> )	8/27/04			2
<b>Office of Management (OM)</b>					
<a href="#">A19-D0003</a>	Audit of Allocation of Common Support Expenses ( <i>ODS also designated as action official</i> )	4/27/04			6
<b>Office of Postsecondary Education (OPE)</b>					
<a href="#">A09-D0010</a>	U.S. Department of Education's Administration of the Distance Education Demonstration Program ( <i>FSA also designated as action official</i> )	9/30/04			3

**Table 2: ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2004 to September 30, 2004) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<b>Office of Special Education and Rehabilitative Services (OSERS)</b>					
<a href="#">A06-E0001</a>	Audit of the Individuals with Disabilities Education Act (IDEA), Part B requirements at Fond du Lac Ojibwe School (Fond du Lac) for the period July 1, 2001, through September 30, 2003	8/30/04			3
<a href="#">A09-D0033</a>	Charter Schools' Access to Title I and IDEA, Part B Funds in the State of Arizona ( <i>OII and OESE also designated as action officials</i> )	8/24/04			4
<a href="#">A19-E0006</a>	Audit of the audit followup process for external audits in the Office of Special Education and Rehabilitative Services (OSERS)	6/2/04			1
<b>Office of Vocational and Adult Education (OVAE)</b>					
<a href="#">A03-D0013</a>	Audit of Perkins III Performance Data at OVAE	5/24/04			8
<b>ALTERNATIVE AUDIT PRODUCTS</b>					
<b>Federal Student Aid (FSA)</b>					
<a href="#">A04-E0005</a>	Review of Gwinnett College of Business' administration of the U.S. Department of Education (Department) programs authorized under Title IV of the Higher Education Act of 1965, as amended ( <i>Audit Closeout Letter</i> )	7/27/04			
<b>Institute of Education Sciences (IES)</b>					
A19-E0007	Audit Followup Process - External Audits ( <i>Audit Closeout Letter</i> )	4/1/04			
<b>Office of Elementary and Secondary Education (OESE)</b>					
A03-E0004	Talbot County Public Schools' (TCPS) administration of its Safe Schools/Healthy Students (SS/HS) grant (Award Number S184L000004) ( <i>Audit Closeout Letter</i> )	4/2/04			
<b>Office of Special Education and Rehabilitative Services (OSERS)</b>					
<a href="#">A09-E0013</a>	Audit of the Washington State Office of Superintendent of Public Instruction's (WA-OSPI) administration of the State Program Improvement Grant No. H323A010012 ( <i>Audit Closeout Letter</i> )	6/10/04			
<b>Office of the Chief Financial Officer (OCFO)</b>					
F04-E0001	EDPUBS Pre-Award 01 Field Pricing Support	9/9/04			
F07-E0019	Central Processing System III contract Extension Pre-Award Field Pricing Support	8/26/04			
F19-E0019	Front End Business Integration (FEBI) Phase II	9/8/04			
* For purposes of this schedule, questioned costs include other recommended recoveries.					
** Audit A07-D0005 identified \$4,600,000 in one-time better use of funds (BUF). Audit A05-D0038 identified \$48,835 in one-time BUF and \$1,580,000 in annual BUF.					

**Table 2: ED/OIG Audit Reports on Education Department Programs and Activities (April 1, 2004 to September 30, 2004) (Cont.)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<b>DESCRIPTION OF ALTERNATIVE PRODUCTS</b>					
<p><b>Attestation reports</b> convey the results of attestation engagements performed within the context of their stated scope and objective(s). Attestation engagements can cover a broad range of financial or non-financial subjects and can be part of a financial audit or performance audit. They include the examination, review, or performance of agreed-upon procedures on a subject matter or an assertion about a subject matter and reporting on the results.</p> <p><b>Audit closeout memoranda/letters</b> are issued to provide written notification to auditees of audit closure when the decision is made to close an assignment without issuing an audit report.</p> <p><b>Interim audit memoranda/letters</b> are used to notify 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.</p> <p><b>Management information reports</b> 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.</p> <p><b>Pre-award audit services</b> 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.</p> <p>Seven interim audit memoranda were issued but are not on the OIG website and are not publicly distributed.</p>					

**Table 3: Inspection and other ED/OIG Products on Education Department Programs and Activities (April 1, 2004 to September 30, 2004)**

Report Number	Title of Report	Date Issued
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.		
<b>Office of Management (OM)</b>		
	MIT CAP Report	8/23/04
I13D0023	Review of MIT Action Item 82: Creation of a Nationwide Recruitment Network	6/21/04
I13D0025	Review of MIT 219: Creation of Individual Development Plans	5/11/04
I13E0006	Completion of Blueprint for Management Excellence #180: Performance Management Training for Supervisors	5/4/04
I13E0010	Review of MIT 183: Manager Survey after Employee Training Completion	4/23/04
I13D0020	Completion of Blueprint for Management Excellence #221: Leadership and Succession Planning Model	4/12/04
I13E0001	Review of MIT # 84: Innovative Recruitment Strategies	4/12/04
<b>Federal Student Aid (FSA)</b>		
I13E0017	Monitoring the Federal Funds Level at Guaranty Agencies Needs Improvement	9/14/04
L04-E0001	Tennessee Technology Center at Morristown's Compliance with the Requirement That It Admit as Regular Students Only Persons Who Have a High School Diploma or Its Equivalent or Are Beyond the Age of Compulsory School Attendance (Alert Memorandum, Student Financial Assistance No. 04-02)	5/11/04
L05-E0013	Ivy Tech State College's General Technical Studies Program (Alert Memorandum, Student Financial Assistance 04-03)	8/19/04
L19-E0008	Federal Student Aid Audits on Administrative Stay (Alert Memorandum Student Financial Assistance No. 04-01)	5/4/04
<b>House of Representatives' Committee on Education and the Workforce (Committee)</b>		
S17-E0011	Response to request of the Honorable John A. Boehner, Committee Chair, regarding ED's canceled budget authority ( <i>Letter relaying results of Special Project</i> )	9/29/04

**Table 3: Inspection and other ED/OIG Products on Education Department Programs and Activities (April 1, 2004 to September 30, 2004) (Cont.)**

Report Number	Title of Report	Date Issued
<b>Office of the Chief Financial Officer (OCFO)</b>		
L05-E0015	State Education Agencies Did Not Monitor All Subrecipients for Submission of Required Single Audit Reports (Alert Memorandum, State and Local No. 04-05)	5/18/04
L09-E0016	The Department Should Place Special Conditions on Grants to Alum Rock Union Elementary School District (Alert Memorandum, State and Local No. 04-03)	5/6/04
L17-E0005	Verification of Information Entered into the Grant Administration and Payment System and the Recipient System for New Grantees (Alert Memorandum, Financial Statement Internal Audit Team)	4/8/04
<p><u>DESCRIPTION OF INSPECTIONS AND OTHER PRODUCTS</u></p> <p><b>Alert memoranda</b> are prepared when auditors identify a serious condition requiring immediate Department 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.</p> <p><b>Inspection reports</b> are the results of an analysis, evaluation, review, or study of the Department's programs and activities.</p> <p><b>Special projects</b> are works that result in the issuance of a product or report that is not conducted in full compliance with the audit, inspection, or investigation standards.</p> <p>Alert memoranda and special projects are not on the OIG website and are not publicly distributed.</p>		

**Table 4: ED/OIG Issued Audit Reports with Questioned Costs (April 1, 2004 to September 30, 2004)**

		Number	Questioned <sup>1</sup>	Unsupported <sup>2</sup>
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	79	\$173,101,433	\$43,411,989
B.	Which were issued during the reporting period	9	\$9,885,622	\$1,573,222
	Subtotals (A + B)	88	\$182,987,055	\$44,985,211
C.	For which a management decision was made during the reporting period	13	\$4,075,489	\$2,029,875
	(i) Dollar value of disallowed costs		\$4,075,488	\$2,029,875
	(ii) Dollar value of costs not disallowed		\$1	\$0
D.	For which no management decision has been made by the end of the reporting period	75	\$178,911,566	\$42,955,336
E.	For which no management decision was made within six months of issuance	67	\$169,069,765	\$41,382,949
<p><sup>1</sup>Questioned costs are costs that are questioned because of either an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. Other recommended recoveries are funds recommended for reasons other than being questioned costs. The category is usually used for findings involving recovery of outstanding funds and/or revenue earned on federal funds. The amount also includes any interest due the Department resulting from the auditee's use of funds. Amounts reported for this category are combined with unsupported costs.</p> <p><sup>2</sup>Unsupported costs are costs that are questioned because, at the time of the audit, such costs were not supported by adequate documentation.</p>				

**Table 5: ED/OIG Issued Audit Reports with Recommendations for Better Use of Funds<sup>1</sup> (April 1, 2004 to September 30, 2004)**

		Number	Dollar Value
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	5	\$237,640,759
B.	Which were issued during the reporting period	2	\$6,228,835
	Subtotals (A + B)	7	\$243,869,594
C.	For which a management decision was made during the reporting period	2	\$5,229,328
	(i) Dollar value of recommendations that were agreed to by management	2	\$5,229,328
	(ii) Dollar value of recommendations that were not agreed to by management	0	\$0
D.	For which no management decision has been made by the end of the reporting period	5	\$238,640,266
E.	For which no management decision was made within six months of issuance	1	\$1,628,835

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

**Table 6: Unresolved Reports Issued Prior to April 1, 2004**

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.				
<b>New Since Last Reporting Period</b>				
<b>Federal Student Aid (FSA)</b>				
<a href="#">A05-D0020</a>	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 (SAR 48, pg. 17) <i>Status: FSA informed us that the audit is being resolved by the FSA Chicago Case Team.</i>	12/11/03	\$1,718,869	1
<a href="#">A06-D0016</a>	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) (SAR 48, pg. 17) <i>Status: FSA informed us that the audit was resolved on September 22, 2004; however, the required data was not entered in the Audit Accountability and Resolution Tracking System (AARTS) as of September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	2/19/04	\$312,149	4
<a href="#">A07-C0032</a>	Audit of the New Jersey Higher Education Student Assistance Authority's (HESAA) monitoring of law firms (special counsels) providing collection services to HESAA (SAR 48, pg. 17) <i>Status: No response received as to the status of the audit.</i>	3/3/04	\$11,059	10
<b>Office of the Chief Financial Officer (OCFO)</b>				
<a href="#">A02-D0007</a>	Audit of the New York City Department of Education (NYCDOE), Manhattan High Schools Superintendent's District's (District) Administration of the 21 <sup>st</sup> Century Community Learning Centers (21 <sup>st</sup> CCLC) Program (SAR 48, pg. 15) <i>Status: OCFO's Post Audit Group (OCFO/PAG) informed us that they are in the process of drafting a program determination letter. OCFO expects to resolve the audit by November 30, 2004.</i>	11/24/03	\$61,776	7



**Table 6: Unresolved Reports Issued Prior to April 1, 2004 (Cont.)**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A04-D0001</a>	North Alabama Center for Educational Excellence's Administration of the TRIO Programs Needs Improvement (Office of Postsecondary Education (OPE) also designated as action official) (SAR 48, pg. 15) <i>Status: OCFO/PAG informed us that they are working to resolve the audit.</i>	11/24/03	\$877,384	14
<a href="#">A05-D0017</a>	Audit of the University of Illinois at Chicago's (UIC) Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) project (OPE also designated as action official) (SAR 48, pg. 15) <i>Status: OCFO/PAG informed us that they are reviewing a significant amount of documentation and are working with the program office, the Office of General Counsel (OGC), and the OIG, to resolve the audit report. OCFO expects to resolve the audit by March 31, 2005.</i>	1/14/04	\$1,018,212	4
<a href="#">A05-D0018</a>	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) (Office of Innovation and Improvement (OII) also designated as action official) (SAR 48, pg. 15) <i>Status: OCFO/PAG informed us that they are awaiting a response from OGC regarding a draft program determination letter. OCFO expects to resolve the audit by December 31, 2004.</i>	10/30/03	\$196,805	3
<a href="#">A05-D0023</a>	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) (OII also designated as action official) (SAR 48, pg. 15) <i>Status: OCFO/PAG informed us that they are awaiting a response from OGC regarding a draft program determination letter. OCFO expects to resolve the audit by December 31, 2004.</i>	10/14/03	\$148,440	2
<a href="#">A05-D0028</a>	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) (OII also designated as action official) (SAR 48, pg. 16) <i>Status: OCFO/PAG informed us that they are awaiting additional documentation from the auditee. OCFO expects to resolve the audit by December 31, 2004.</i>	11/19/03	\$19,534	2
<a href="#">A05-D0029</a>	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) (OII also designated as action official) (SAR 48, pg. 16) <i>Status: OCFO/PAG informed us that the audit was placed on administrative stay on April 28, 2004 until October 31, 2004.</i>	10/31/03	\$37,452	4
<a href="#">A05-D0037</a>	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 (OPE also designated as action official) (SAR 48, pg. 16) <i>Status: OCFO/PAG informed us that they are reviewing a significant amount of documentation and are working with the program office, OGC, and the OIG, to resolve the audit report. OCFO expects to resolve the audit by March 31, 2005.</i>	3/23/04	\$365,296	3
<a href="#">A06-D0017</a>	Audit of the 21 <sup>st</sup> Century Community Learning Centers (21 <sup>st</sup> Century) grant to Project ASCEND (After School and Community Enrichment for a New Direction) for the period June 1, 2001, through March 31, 2003 (Office of Elementary and Secondary Education (OESE) also designated as action official) (SAR 48, pg. 16) <i>Status: OCFO/PAG informed us that they are reviewing a significant amount of documentation and are working with the program office, OGC, and the OIG, to resolve the audit report. OCFO expects to resolve the audit by March 31, 2005.</i>	2/11/04	\$316,633	3

**Table 6: Unresolved Reports Issued Prior to April 1, 2004 (Cont.)**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A09-D0012</a>	Alum Rock Union Elementary School District's Administration of the 21 <sup>st</sup> Century Community Learning Centers Grant No. S287A000487 (OESE also designated as action official) (SAR 48, pg. 16) <i>Status: OCFO informed us that the audit was placed on administrative stay on September 13, 2004 until December 17, 2004.</i>	3/17/04	\$205,264	11
<a href="#">A09-D0015</a>	Gonzales Unified School District's Administration of the 21 <sup>st</sup> Century Community Learning Centers Grant No. S287A000704 (OESE also designated as action official) (SAR 48, pg. 16) <i>Status: OCFO informed us that the Indirect Cost Group is working on a draft program determination letter.</i>	12/19/03	\$474,005	4
<b>Office of Elementary and Secondary Education (OESE)</b>				
<a href="#">A02-D0014</a>	Puerto Rico Department of Education's (PRDE) Title I Expenditures for the period, July 1, 2002 to December 31, 2002 (See note 1 at end of table) (SAR 48, pg. 17) <i>Status: OESE informed us that the audit is in Cooperative Audit Resolution and Oversight Initiative (CAROI).</i>	3/30/04	\$49,536	9
<a href="#">A02-D0016</a>	New York City Department of Education's Use of Computer Equipment to Support the E-Rate Program (SAR 48, pg. 17) <i>Status: OESE informed us that a program determination letter was issued on September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	3/30/04		1
<a href="#">A05-D0008</a>	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 (Office of Special Education and Rehabilitative Services (OSERS) also designated as action official) (SAR 48, pg. 17) <i>Status: OESE informed us that on September 30, 2004 they requested a renewal or reinstatement of the administrative stay.</i>	11/6/03	\$1,264,943	10
<a href="#">A05-D0021</a>	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 (SAR 48, pg. 17) <i>Status: OESE informed us that a program determination letter was issued on September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	11/21/03	\$278,414	10
<b>Office of Innovation and Improvement (OII)</b>				
<a href="#">A09-D0018</a>	Charter Schools' Access to Title I and IDEA, Part B Funds in the State of California (OESE also designated as action official) (See note 1 at end of table) (SAR 48, pg. 18) <i>Status: No response received as to status of the audit.</i>	3/29/04		12
<b>Office of Postsecondary Education (OPE)</b>				
<a href="#">A03-C0017</a>	Audit to Determine if Cohort Default Rates Provide Sufficient Information on Defaults in the Title IV Loan Programs (FSA also designated as action official) (SAR 48, pg. 18) <i>Status: OPE informed us that the audit has been referred to the Department's Audit Follow-up Official for dispute resolution.</i>	12/22/03		4
<b>Office of Special Education and Rehabilitative Services (OSERS)</b>				
<a href="#">A02-D0020</a>	Puerto Rico Department of Education's (PRDE) Special Education Expenditures for the period, July 1, 2002 to December 31, 2002 (See note 1 at end of table) (SAR 48, pg. 18) <i>Status: OSERS informed us that the audit is being resolved through CAROI team effort.</i>	3/30/04	\$122,901	9

**Table 6: Unresolved Reports Issued Prior to April 1, 2004 (Cont.)**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<b>Reported in Previous Semiannual Report</b>				
<b>Federal Student Aid (FSA)</b>				
<a href="#">A02-B0026</a>	Audit of Taylor Business Institute's Administration of Title IV Student Financial Assistance Programs (SAR 47, pg. 13) <i>Status: FSA informed us that the audit is being reviewed by FSA New York Case Team.</i>	7/8/03	\$2,089	5
<a href="#">A03-A0022</a>	Audit of Commissioned Sales and Course Length at Wesley College (SAR 44, pg. 14) <i>Status: FSA informed us that the audit was resolved on August 22, 2004 through a settlement agreement. The audit will be removed in the next Semiannual Report.</i>	1/15/02	\$1,431,560	5
<a href="#">A03-B0013</a>	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; however, there was no audit clearance document in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	5/10/02	\$256,946	9
<a href="#">A04-B0015</a>	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; however, the required data was not in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	9/26/02	\$997,313	7
<a href="#">A04-B0018</a>	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. However, the OIG's concurrence notification and the verified audit clearance document were not date stamped in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	8/15/03	\$342,505	24
<a href="#">A04-B0019</a>	Advanced Career Training Institute's Administration of the Title IV Higher Education Act Programs (SAR 47, pg. 13) <i>Status: FSA informed us that the audit is being reviewed by FSA Atlanta Case Team.</i>	9/25/03	\$7,469,328	14
<a href="#">A05-A0030</a>	Audit of Commissioned Sales at Olivet Nazarene University (SAR 43, pg. 11) <i>Status: FSA informed us that the audit was resolved on August 22, 2004 through a settlement agreement. The audit will be removed in the next Semiannual Report.</i>	5/21/01	\$3,299,891	4
<a href="#">A05-B0003</a>	Audit of Commissioned Sales and Course Length at Benedictine University (SAR 44, pg. 14) <i>Status: FSA informed us that the audit was resolved on August 22, 2004 through a settlement agreement. The audit will be removed in the next Semiannual Report.</i>	12/31/01	\$221,988	5
<a href="#">A05-B0004</a>	Indiana Wesleyan University, Adult and Professional Studies Administration of Title IV Programs, Marion, Indiana (SAR 43, pg. 11) <i>Status: FSA informed us that the audit was resolved on August 22, 2004 through a settlement agreement. The audit will be removed in the next Semiannual Report.</i>	9/28/01	\$31,682,782	5
<a href="#">A05-B0014</a>	Audit of Course Length at Olivet Nazarene University (SAR 43, pg. 12) <i>Status: FSA informed us that the audit was resolved on August 22, 2004 through a settlement agreement. The audit will be removed in the next Semiannual Report.</i>	9/28/01		4
<a href="#">A05-B0019</a>	Audit of Course Length at Trinity Christian College (Trinity) (SAR 45, pg. 16) <i>Status: FSA informed us that the audit was resolved on September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	9/17/02	\$111,061	3

**Table 6: Unresolved Reports Issued Prior to April 1, 2004 (Cont.)**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A05-C0015</a>	Audit of American School of Technology's Administration of the Title IV, HEA Programs, Columbus, Ohio (SAR 46, pg. 12) <i>Status:</i> FSA informed us that the audit is being reviewed by FSA Chicago Case Team.	3/21/03	\$1,311,249	13
A06-70005	Professional Judgment at Yale University (SAR 36, pg. 18) <i>Status:</i> FSA informed us that they are awaiting a policy decision to address and resolve this finding in the final audit determination letter.	3/13/98	\$5,469	3
<a href="#">A06-70009</a>	Professional Judgment at University of Colorado (SAR 37, pg. 17) <i>Status:</i> FSA informed us that they are awaiting a policy decision to address and resolve this finding in the final audit determination letter.	7/17/98	\$15,082	4
<a href="#">A06-A0001</a>	Interactive Learning Systems' Administration of the Title IV Student Financial Assistance Programs (SAR 43, pg. 12) <i>Status:</i> FSA informed us that the audit was resolved on March 23, 2003. However, the OIG's concurrence notification, and the verified audit clearance document was not date stamped in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.	7/20/01	\$990,828	7
<a href="#">A06-A0003</a>	International Business College's Administration of Title IV Student Financial Assistance Programs (SAR 42, pg. 22) <i>Status:</i> FSA informed us that they are working to resolve this audit.	3/28/01	\$461,035	4
<a href="#">A06-A0024</a>	Audit of Commissioned Sales and Course Length at Southern Wesleyan University (SAR 45, pg. 16) <i>Status:</i> FSA informed us that the audit was resolved on August 22, 2004 through a settlement agreement. The audit will be removed in the next Semiannual Report.	9/4/02	\$19,451,123	5
<a href="#">A06-B0012</a>	Audit of Los Angeles City College's Compliance with the Title IV, Student Financial Assistance, Verification Requirements (SAR 44, pg. 15) <i>Status:</i> FSA informed us that the audit was resolved on January 27, 2003; however, the required data was not in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.	11/14/01	\$14,072	3
<a href="#">A06-B0014</a>	Audit of United Education Institute's Compliance with the Title IV, Student Financial Assistance, Verification Requirements (SAR 43, pg. 12) <i>Status:</i> FSA informed us that the audit was resolved on February 20, 2003; however, the required data was not in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.	9/6/01	\$7,285	1
<a href="#">A06-C0018</a>	Gretna Career College's Administration of the Title IV Student Financial Assistance Programs (SAR 46, pg. 12) <i>Status:</i> FSA informed us that the audit was resolved on October 28, 2003. However, the OIG's concurrence notification, and the verified audit clearance document was not date stamped in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.	12/19/02	\$1,383,470	6
<a href="#">A06-C0035</a>	Audit of FlightSafety 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:</i> FSA informed us that the audit was resolved on March 5, 2004. However, the OIG's concurrence notification, and the verified audit clearance document were not date stamped in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.	9/29/03	\$5,666,525	3
A07-23545	State of Missouri, Single Audit Two Years Ended June 30, 1991 <i>Status:</i> No response received as to the status of the audit.	4/1/93	\$1,048,768	18
A07-33123	State of Missouri, Single Audit Year Ended June 30, 1992 <i>Status:</i> No response received as to the status of the audit.	3/7/94	\$187,530	18

**Table 6: Unresolved Reports Issued Prior to April 1, 2004 (Cont.)**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A07-90035</a>	Audit of Commissioned Sales at William Penn University (SAR 43, pg. 12) <i>Status: FSA informed us that the audit was resolved on August 22, 2004 through a settlement agreement. The audit will be removed in the next Semiannual Report.</i>	5/15/01	\$5,023,447	4
<a href="#">A07-A0030</a>	Baker University School of Professional and Graduate Study's Administration of Title IV Federal Student Aid Programs (SAR 45, pg. 17) <i>Status: FSA informed us that the audit was resolved on August 22, 2004 through a settlement agreement. The audit will be removed in the next Semiannual Report.</i>	9/19/02	\$15,716,275	7
<a href="#">A07-A0031</a>	Fontbonne University Options Program's Administration of Title IV Federal Student Aid Programs (SAR 45, pg. 17) <i>Status: FSA informed us that the audit was resolved on August 22, 2004 through a settlement agreement. The audit will be removed in the next Semiannual Report.</i>	9/30/02	\$12,441,490	7
<a href="#">A07-B0001</a>	Audit of Course Length at William Penn University (SAR 43, pg. 12) <i>Status: FSA informed us that the audit was resolved on August 22, 2004 through a settlement agreement. The audit will be removed in the next Semiannual Report.</i>	9/28/01		4
<a href="#">A09-70015</a>	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
<a href="#">N06-90010</a>	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
<b>Office of the Chief Financial Officer (OCFO)</b>				
<a href="#">A04-C0014</a>	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/PAG informed us that a program determination letter was issued on March 30, 2004, and the finding audit clearance document was amended for finding 1 on September 24, 2004; however, the audit clearance was not corrected in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	3/12/03	\$28,083	4
<a href="#">A06-C0034</a>	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 the Indirect Cost Group and TEA signed a settlement agreement dated June 23, 2004. The audit will be removed in the next Semiannual Report.</i>	7/8/03		2
<a href="#">A06-D0014</a>	Audit of the 21 <sup>st</sup> Century Community Learning Centers (21 <sup>st</sup> 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/PAG informed us that they submitted a draft program determination letter on September 22, 2004. OCFO expects to resolve the audit by November 30, 2004.</i>	9/29/03	\$397,500	2
<a href="#">A07-C0031</a>	Audit of the Talent Search Program at Luther College (SAR 46, pg. 14) <i>Status: OCFO/PAG informed us that they are working with the program office in obtaining additional documentation. OCFO expects to resolve the audit by December 31, 2004.</i>	3/28/03	\$219,567	4

**Table 6: Unresolved Reports Issued Prior to April 1, 2004 (Cont.)**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A07-D0002</a>	Audit of the Talent Search Program at Case Western Reserve University (CWRU) (SAR 47, pg. 14) <i>Status: OCFO/PAG informed us that they are working with the program office in obtaining additional documentation. OCFO expects to resolve the audit by December 31, 2004.</i>	7/11/03	\$212,428	5
<b>Office of Elementary and Secondary Education (OESE)</b>				
<a href="#">A01-90006</a>	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Even Start Program (SAR 41, pg. 22) <i>Status: OESE informed us that a CAROI team effort is working on resolution.</i>	9/27/00	181,305	18
<a href="#">A01-A0004</a>	Puerto Rico Department of Education Did Not Administer Properly a \$9,700,000 Contract with National School Services of Puerto Rico (SAR 42, pg. 21) <i>Status: OESE informed us that a CAROI team effort is working on resolution.</i>	3/28/01	\$7,841,493	14
<a href="#">A02-50200</a>	The Puerto Rico Department of Education Must Institute a Time Distribution System (SAR 36, pg. 13) <i>Status: OESE informed us that a CAROI team effort is working on resolution.</i>	11/14/97		1
<a href="#">A02-B0012</a>	Puerto Rico Department of Education Did Not Administer Properly Title I Contracts with National School Services of Puerto Rico for the 1999/2000 and 2000/2001 School Years (SAR 43, pg. 11) <i>Status: OESE informed us that a CAROI team effort is working on resolution.</i>	9/28/01	\$8,412,280	10
<a href="#">A02-B0025</a>	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: OESE informed us that a CAROI team effort is working on resolution.</i>	9/12/02	\$2,146,023	10
<a href="#">A02-C0011</a>	The Virgin Islands Department of Education - St. Thomas/St. John School District's Control of Equipment Inventory (OSERS and OVAE also designated action officials for this report) (SAR 47, pg. 15) <i>Status: OESE informed us that staff from OESE, OCFO, OSERS, and OVAE are involved in a team effort to resolve the audit.</i>	6/5/03	\$1,451,218	6
<a href="#">A02-C0012</a>	The Virgin Islands Department of Education Did Not Manage Its Federal Education Funds (SAR 47, pg. 15) <i>Status: OESE informed us that a program determination letter was issued on September 27, 2004; however, the required data was not in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	9/30/03	\$1,542,928	18
<a href="#">A02-C0017</a>	Puerto Rico Department of Education's Administration of Contracts with the League of United Latin American Citizens National Educational Service Center (OVAE also designated as action official for this report) (SAR 47, pg. 15) <i>Status: OESE informed us that the audit is in CAROI.</i>	6/10/03	\$115,390	5
<a href="#">A02-C0019</a>	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: OESE informed us that 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
<a href="#">A03-B0023</a>	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
<a href="#">A05-B0011</a>	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 a program determination letter was issued on September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	8/2/02	\$338,571	4

**Table 6: Unresolved Reports Issued Prior to April 1, 2004 (Cont.)**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A05-C0012</a>	Audit of East Cleveland City Schools' (ECCS) Administration of the 21 <sup>st</sup> Century Community Learning Centers (21 <sup>st</sup> Century) Grant at Kirk Middle School (Kirk) for the period June 1, 1998, through December 31, 2001 (SAR 45, pg. 18) <i>Status: OESE informed us that on September 30, 2004 they requested a renewal or reinstatement of the administrative stay.</i>	9/18/02	\$349,637	9
<a href="#">A05-C0022</a>	Audit of Community Consolidated School District 62's (District) administration of the 21 <sup>st</sup> Century Community Learning Centers (21 <sup>st</sup> 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: OESE informed us that on September 30, 2004 they requested a renewal or reinstatement of the administrative stay.</i>	2/24/03	\$126,709	3
<a href="#">A05-C0029</a>	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: OESE informed us that on September 30, 2004 they requested a renewal or reinstatement of the administrative stay.</i>	9/30/03		2
<a href="#">A05-D0009</a>	Audit of Cleveland Municipal School District's Set-Aside Funds for District-Wide Activities (SAR 47, pg. 15) <i>Status: OESE informed us that on September 30, 2004 they requested a renewal or reinstatement of the administrative stay.</i>	8/6/03	\$43,067	7
<a href="#">A06-C0031</a>	Audit of the Migrant Education Program at the Florida Department of Education (SAR 47, pg. 15) <i>Status: OESE informed us that a program determination letter was issued March 1, 2004; however, the verified audit clearance document was not date stamped in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	5/2/03		3
<a href="#">A06-C0032</a>	Kansas Department of Education's Compliance with the Priority for Services Requirements of the Migrant Education Program (SAR 47, pg. 15) <i>Status: OESE informed us that a program determination letter was issued March 1, 2004; however, the required data was not in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	5/15/03		3
<a href="#">A06-C0033</a>	California Department of Education's Compliance with the Priority for Services Requirements of the Migrant Education Program (SAR 47, pg. 15) <i>Status: OESE informed us that a program determination letter was issued March 9, 2004; however, the required data was not in AARTS as of September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	5/30/03		3
<a href="#">A09-D0014</a>	Charter Schools Access to Title I Funds in the State of New York (OII is also designated as action official for this report) (SAR 47, pg. 15) <i>Status: OESE informed us that on September 30, 2004 that they requested a renewal or reinstatement of the administrative stay.</i>	7/28/03		6
<b>Office of Postsecondary Education (OPE)</b>				
<a href="#">A05-C0026</a>	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: This audit was previously reported under OCFO, and OCFO informed us that this audit was transferred to OPE for resolution. OPE informed us that they are working with OIG to resolve the audit.</i>	2/25/03	\$478,261	2

**Table 6: Unresolved Reports Issued Prior to April 1, 2004 (Cont.)**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A07-B0011</a>	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, and OGC is reviewing the outstanding issues.</i>	5/8/03	\$1,822,864	5
<b>Office of Safe and Drug Free Schools (OSDFS)</b>				
<a href="#">A01-90007</a>	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Governor's Safe and Drug-Free Schools Program (SAR 41, pg. 22) <i>Status: OSDFS informed us that the audit is being resolved as part of the CAROI settlement agreement with Puerto Rico Department of Education.</i>	9/27/00	\$82,452	17
<b>Office of Special Education and Rehabilitative Services (OSERS)</b>				
<a href="#">A02-B0014</a>	Audit of the Puerto Rico Vocational Rehabilitation Administration (PRVRA) (SAR 45, pg. 18) <i>Status: OSERS informed us that they are working to resolve the audit. OSERS expects to resolve the audit by December 31, 2004.</i>	6/26/02	\$15,800,000	5
<b>Office of Vocational and Adult Education (OVAE)</b>				
<a href="#">A09-C0026</a>	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: The audit previously was listed under OCFO, and was subsequently transferred to OVAE. OVAE informed us that a program determination letter was issued on September 30, 2004. The audit will be removed in the next Semiannual Report.</i>	9/30/03	\$632,241	6
<p><sup>1</sup>We identified \$151,205,677 in better use of funds in audit A02-D0014; \$5,600,000 in better use of funds in audit A09-D0018, and \$79,515,522 in better use of funds in audit A02-D0020.</p> <p><sup>2</sup>Status comments reflect comments provided by the Department, comments agreed to, or documents obtained from the Audit Accountability and Resolution Tracking System.</p>				

**Table 7: Statistical Profile: April 1, 2004 to September 30, 2004**

	Six-month Period Ending 9/30/04	Fiscal Year Ending 9/30/04
<b>OIG AUDIT REPORTS ISSUED</b>	31	72
Questioned Costs	\$8,312,400	\$13,313,605
Unsupported Costs	\$1,573,222	\$4,967,870
Recommendations for Better Use of Funds	\$6,228,835	\$250,563,221
<b>OTHER OIG PRODUCTS</b>	29	59
(Inspections, Action Memoranda, Alert Memoranda, Closeout Letters, Management Information Reports, Preaward Reviews, and Special Projects)		
<b>OIG AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS</b>	29	57
Questioned Costs Sustained	\$2,045,613	\$145,774,070
Unsupported Costs Sustained	\$2,029,875	\$2,889,804
Additional Disallowances Identified by Program Managers	\$214,193	\$220,869
Management Commitment to the Better Use of Funds	\$5,331,102	\$12,714,961



**Table 7: Statistical Profile: April 1, 2004 to September 30, 2004 (Cont.)**

	Six-month Period Ending 9/30/04	Fiscal Year Ending 9/30/04
<b>INVESTIGATIVE CASE ACTIVITY</b>		
Cases Opened	139	230
Cases Closed	45	139
Cases Active at End of Period	425	N/A
Prosecutorial Decisions	87	175
-Accepted	72	130
-Declined	15	45
<b>INVESTIGATION RESULTS</b>		
Indictments/Informations	72	110
Convictions/Pleas	44	96
Fines Ordered	\$30,575	\$38,398
Restitution Payments Ordered	\$1,722,433	\$5,906,027
Civil Settlements/Judgments (#)	7	12
Civil Settlements/Judgments (\$)	\$189,847	\$325,523
Recoveries	\$15,415	\$560,539
Forfeitures/Seizures	\$2,200,000	\$2,244,230

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November 2004

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