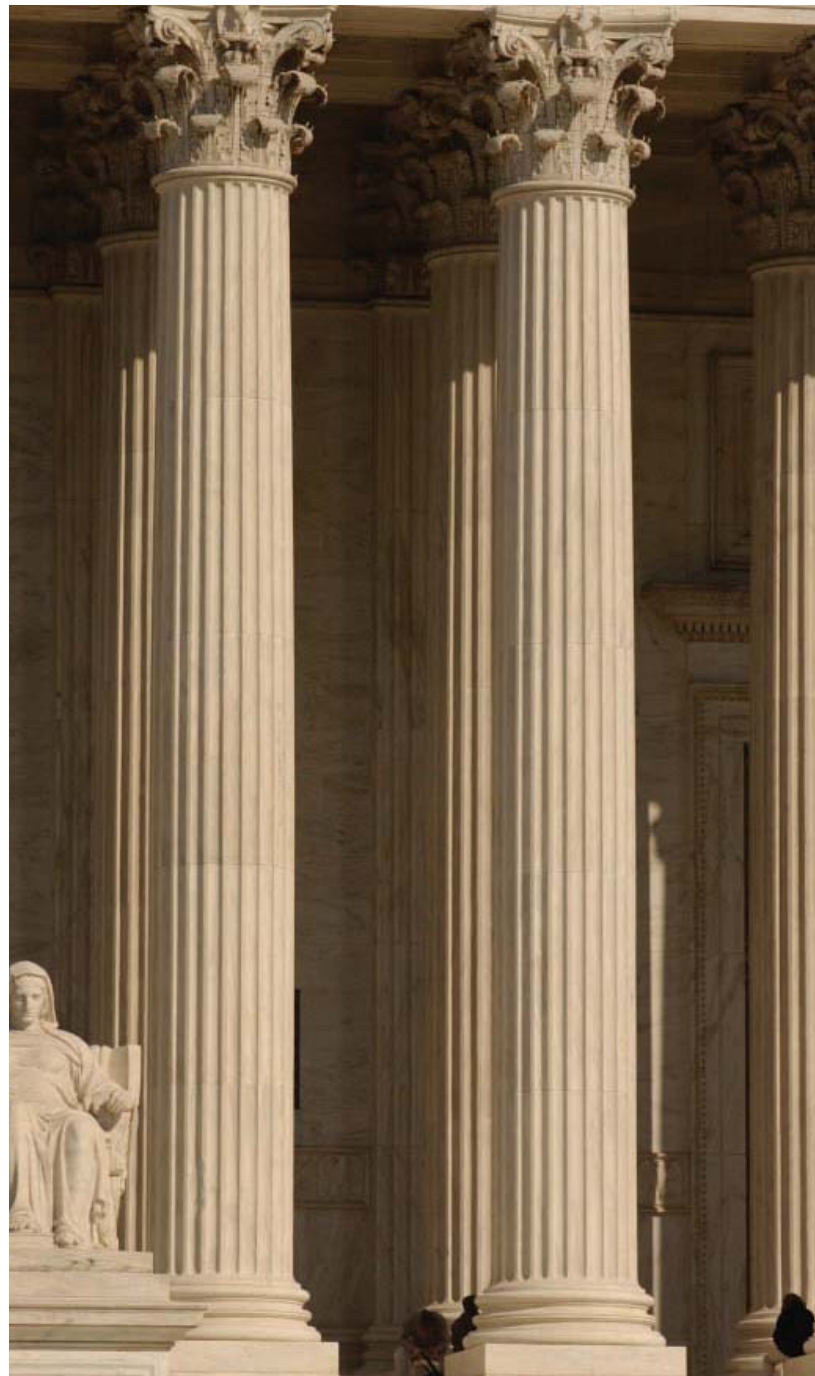


U.S. DEPARTMENT OF EDUCATION



Inspector General's Semiannual Report to Congress, No. 53

April 1, 2006 - September 30, 2006



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



Semiannual Report to Congress: No. 53

April 1, 2006 - September 30, 2006



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

October 31, 2006

Dear Madam 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, 2006.

Our independent audits, investigations, and inspections support the goals of the President's Management Agenda, provide recommendations for improvements in the Department's programs, and work to protect their integrity. We look forward to our continued partnership toward our common objective of a Department of Education that delivers the best services possible to our nation's students.

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).

John P. Higgins, Jr.

Enclosure

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202-1510

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 activities and accomplishments of the Office of Inspector General (OIG), U.S. Department of Education (Department) from April 1, 2006, through September 30, 2006, as required by the *Inspector General Act of 1978*. The audits, inspections, investigations, and other activities highlighted in this report illustrate our on-going commitment to promoting accountability, efficiency, and effectiveness in federal education programs and operations. America's students and taxpayers deserve nothing less.

Over the last six months, OIG issued 41 audit, inspection, and related reports, memoranda, and letters. We identified over \$283,590,000 in questioned costs, over \$19,800 in unsupported costs, and \$882 million in funds that could be better put to use. Summaries of our work are highlighted in this report, including our inspection of the Department's Reading First grant application process; our audit of special allowance payments the Department made to Nelnet, a participant in the Department's student financial assistance programs; and our audit of Financial Partners, a division within the Office of Federal Student Aid that is responsible for the oversight of the Federal Family Education Loan program.

While our work is a valuable tool for the Department, our work is not a substitute for good management and organizational accountability. The lack of effective management and organizational accountability can place taxpayer dollars at risk of waste, fraud, abuse, or non-compliance, and can impact the public's trust in the Department's ability to effectively and fairly carry out its programs and mission.

During this reporting period, we closed a number of cases involving individuals who abused their positions of trust for personal gain. Work conducted by our Special Agents led to the sentencing of a former Georgia Superintendent of Education and her co-conspirators, who concocted a scheme to funnel over \$500,000 in federal education dollars into her failed 2002 gubernatorial campaign. Our work also led to the sentencing of the former Financial Manager for the West Virginia Regional Education Service Agency-1 for embezzling over \$1.3 million in education funds. Overall, we closed 92 investigations, with over \$7.5 million in recoveries, restitution, fines, and settlements over the last six months. You will find more information on a number of these cases in the pages of this Semiannual Report.

While my office has been very productive over the last six months, we do face a significant challenge in conducting all of the work necessary to help ensure the integrity of the Department's programs and operations. Throughout this year, a number of the audits we planned to conduct were put on hold, as staff was reassigned to our Congressionally-directed efforts related to hurricane recovery, or as required by our on-going work, such as Reading First. We remain, however, ever vigilant and committed to working with the Department to ensure that its operations and programs provide the best service to the American public.

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

John P. Higgins, Jr.
Inspector General

OVERVIEW

The Office of Inspector General (OIG), for the period April 1, 2006, through September 30, 2006, continued its work to promote efficiency, effectiveness, and integrity in the programs and operations of the U.S. Department of Education (Department). As discussed in this Semiannual Report (SAR), we concluded a number of high-visibility audits and inspections and closed a number of significant investigations.



While our work continues to identify areas of concern and recommends actions the Department must take to address weaknesses in its operations and programs, our work is not a substitute for good management and organizational accountability. The lack of effective management and organizational accountability can place taxpayer dollars at risk of waste, fraud, abuse, or non-compliance, and can impact the public's trust in the Department's ability to effectively and fairly carry out its programs and mission.

In the first section of our report, we provide a summary of the work conducted in the area of elementary and secondary education programs over the last six months. This includes our inspection of the Department's Reading First grant application process, where we found that program officials failed to maintain a control environment that exemplifies management integrity and accountability. In addition, recently concluded audits in the area of elementary and secondary education continue to show that the Department lacks effective oversight of and accountability in its state and local programs. This is particularly true in the areas of migrant education and the monitoring of elementary and secondary programs and grantees, which are discussed in more detail in this section of the report. You will also find summaries of cases of theft and fraud by individuals placed in positions of trust in the preschool, elementary, and secondary education arena that OIG closed during this reporting period.

For 26 years, helping the Department identify and reduce waste, fraud, abuse, or non-compliance in the student financial assistance programs has been a top OIG priority. With over \$70 billion awarded annually through the student financial assistance programs and an outstanding loan portfolio of nearly \$400 billion, the Office of Federal Student Aid (FSA) must provide adequate oversight and demand accountability from its staff, partners, and participants to help protect these taxpayer dollars from waste, fraud, abuse, and non-compliance. The second section of our report details the student financial assistance-related audits we concluded during this reporting period. Our findings show that effective management and accountability still challenge FSA. One example of this challenge is detailed in our audit of Financial Partners, the division within FSA responsible for the oversight of the multi-billion dollar Federal Family Education Loan (FFEL) program. Further, our audit of special allowance payments made to Nelnet, a participant in the Department's student financial assistance program, estimated that FSA has improperly paid Nelnet more than \$278 million in special allowance payments for the quarter ended March 31, 2003 through the quarter ended June 30, 2005, and could improperly pay Nelnet about \$882 million after June 2005, unless its billings are corrected. Also provided in this section are summaries of some of the investigative cases we closed involving theft of student financial aid funds by those in a position of trust in schools, as well as by students themselves.

In the third section of this report, we highlight the audits and reviews we completed on the Department's internal operations, including the results of our annual *Federal Information Security Management Act (FISMA)* audits. We provide summaries of the internal investigations we conducted or closed during this reporting period, which show several individuals abused their positions of trust within the Department.

In the fourth section of our report, we provide an update on our hurricane-related efforts. Like most federal agencies, we consider stewardship of these funds to be one of our highest priorities. As the initial outlay of education-related funding is still under way, the bulk of our work has not yet been completed. It is our long-standing policy to keep confidential the details of our ongoing work; therefore, we report only on our completed work in this section of the report.

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

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

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

MANAGEMENT AND ACCOUNTABILITY IN STATE AND LOCAL PROGRAMS



The Department's elementary and secondary programs serve more than 14,600 school districts and approximately 54 million students attending more than 94,000 public schools and 27,000 private schools each year. During this reporting period, we concluded an audit of the Department's Reading First grant application process, and continued our audits into state educational agency (SEA) and local educational agency (LEA) compliance with the diverse programs associated with the *Elementary and Secondary Education Act (ESEA)* of 1965, as amended by the *No Child Left Behind Act of 2001 (NCLB)*. Our work identified an on-going need for improvements in accountability by Department management and staff, as well as the need for additional guidance and monitoring of *NCLB* programs and program participants. In addition, we closed a number of significant investigative cases of theft of federal education dollars by those in positions of trust to educate our children. Below you will find a brief summary of some of the more high-profile reports and investigative cases we closed over the last six months.

NO CHILD LEFT BEHIND

READING FIRST

Title I, Part B, subpart A of *ESEA*, as amended by the *NCLB*, established the Reading First program aimed at helping every child in every state become a successful reader by the end of third grade. The Congress appropriated nearly \$5 billion for this program over its first

five years -- monies to be allotted to SEAs based on the proportion of children aged 5 to 17 who reside within the state from families with incomes below the poverty line. SEAs submit applications to the Department to receive the funds. In accordance with the law, the applications are to be reviewed by an expert review panel composed of, at a minimum, three individuals nominated by three different groups plus the Department, and each application had to meet all statutory requirements before the state would receive any funds. The Department's Office of Elementary and Secondary Education (OESE) is responsible for administering the Reading First program.

During this reporting period, we concluded an inspection of the Department's Reading First program grant application process. Our effort had three objectives, to determine: (1) if the Department selected the expert panel in accordance with *NCLB*, and if it screened the panel members for possible conflict of interest issues; (2) if the panel reviewed the applications in accordance with established criteria; and (3) if the panel adequately documented its reasons for denying funding.

We found that the Department did not select the expert review panel in compliance with the requirements of *NCLB* in that it did not ensure that each state application was reviewed by a properly constituted panel. Although not required by statute to screen panel members for possible conflicts of interest, we found the Department used a process that was not effective. It also did not follow its own guidance for the peer review process for state applications. The Department also awarded grants to states without documentation that the expert review panels had approved the final applications, and included requirements in the criteria used by the expert review panels that went beyond the statutory requirements of *NCLB*. In addition, Department officials obscured the statutory requirements of the law, acted in contravention of Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, and took actions that call into question whether they violated the language of the *Department of Education Organization Act* that prohibits Department officials from exercising any direction, supervision or control over the curriculum or program of instruction of any educational institution, school, or school system.

Our findings underscore the Department's lack of an appropriate control environment around the implementation of this program. We made a number of recommendations, including that the Department review the management and staff structure of the Reading First program office and make changes, as appropriate, to ensure that the program is managed and implemented consistent with the statutory requirements of *NCLB*. The Department did not agree with all key points made in our findings, but did concur with all of our recommendations. [Click here](#) for a copy of our report.

MIGRANT EDUCATION

Arkansas: SARs 50 and 52 provided information on the first three reports in a series of audits we are conducting on SEA compliance with the child count provisions of the Migrant Education Program (MEP) statute. During this reporting period, we concluded a fourth audit: to determine if the Arkansas Department of Education (ADE) implemented systems to accurately count the children eligible to participate in the MEP. Our audit found that 96 percent (114 out of 119) of the migrant children in our sample were ineligible to participate in the program. Based on the sample results, we project that ADE had 3,127 ineligible migrant children in the districts we reviewed, and we estimate that ADE inappropriately spent about \$877,000 in MEP grant funds for those children.



Federal regulations define a MEP eligible migratory child as a child who is, or whose parent, spouse, or guardian is, a migratory agriculture worker, including a migratory dairy worker, or a migratory fisher, and who, in the preceding 36 months, has moved from one school district to another, to obtain temporary or seasonal employment in agricultural or fishing work. MEP funds are allocated by formula to SEAs based on each state's per pupil expenditure for education and counts of eligible migratory children, aged 3 through 21, residing within the state. In our sample, we identified 68 children that did not meet the migrant eligibility requirement. We also identified 46 ineligible migrant children whose families did not work in temporary or seasonal positions, as required. Although the Department's guidance allows a state to complete an industrial survey to establish that work that is available year-round can be considered temporary positions for the MEP, ADE did not complete an industrial survey, nor did it have any adequate alternative documentation to show how permanent jobs were considered to be temporary for MEP purposes. Based on our findings, we recommended that the Department require ADE to conduct a statewide migrant child count for the \$5.1 million of MEP funds allocated to Arkansas in FY2003-2004, as well as for all subsequent years; to return to the Department any funds expended for ineligible children; and to establish adequate internal controls to ensure federal requirements are followed by migrant officials when identifying and recruiting children into the program. ADE strongly disagreed with our audit approach and our finding. [Click here](#) to review our report.

SUPPLEMENTAL EDUCATION SERVICES

California: Title I, Part A of the *ESEA*, as amended by *NCLB*, requires LEAs to offer supplemental education services (SES) to students from low-income families attending Title I schools in their second year of school improvement status, or that have been identified for corrective action or restructuring under the statute. State-approved SES providers, selected by the individual student's parents, provide SES to eligible students under agreements that the LEAs are required to develop. These agreements, which should be developed in consultation with the parents and the provider, are required to include a statement of specific achievement goals, identify how the student's progress will be measured, and set a timetable for improving the student's achievement. The SEA is responsible for evaluating potential providers, maintaining a current list of approved providers, and monitoring all providers delivering services in the states.

We conducted five SES audits of providers in California, including for-profit providers, non-profit providers, and an LEA provider. We also looked at a variety of delivery modes—individual, small group, and online—to identify and understand specific issues associated with each type of provider. In September, we released a Management Information Report to provide the Department with information identified in our audits. Our intent was to provide insight to the Department on selected issues identified in our audits, and offer suggestions for enhancing the Department's SES Non-Regulatory Guidance published in June 2005. Our report noted four areas of concern in California: (1) improper LEA prioritization of students who received SES; (2) LEA preparation of student learning plans; (3) provider payments for SES; and (4) SES provider effectiveness. We made a number of suggestions for each area, including that the Department take actions to enhance its guidance related to SES provider effectiveness. It should also continue to monitor implementation of the prioritization provisions of the *ESEA* and be prepared to further enhance its guidance if LEAs continue to misinterpret the application requirements. This may include a step-by-step process that LEAs can follow to ensure consistent

determinations on whether an LEA should prioritize. While the suggestions in our report were directed to the Department, we recognized that the SEAs also play an important role in ensuring that LEAs comply with the SES provisions, through SEA monitoring activities. The Department concurred with the information presented in our report, and has subsequently placed conditions related to SES on California's Title I, Part A grant. [Click here](#) for a copy of our report.

PARENTAL INVOLVEMENT FUNDS

School District of the City of Detroit: We conducted an audit to determine whether the School District of the City of Detroit (Detroit) consulted with parents in determining how to use parental involvement funds under Title I of the *ESEA* during the 2004-2005 school year, and if it properly accounted for these funds during the 2003-2004 and 2004-2005 school years. While we found that Detroit consulted with parents, its policy did not include all required elements. In addition, it did not properly account for or use the funds. Based on our findings, we made a number of recommendations, including that the Department require the Michigan Department of Education (MDE) to ensure that Detroit returns over \$930,000 in unallowable costs to the Department, as well as develop and implement policies and procedures that provide reasonable assurance that Title I parental involvement non-personnel expenditures are necessary, reasonable, allocable, and adequately documented. MDE and Detroit did not dispute most of our findings and recommendations. [Click here](#) to review our report.

DATA QUALITY

South Dakota Department of Education: We concluded an audit to determine whether the South Dakota Department of Education's (SDDE) required reporting of dropout and graduation rates in the 2003-2004 Consolidated State Performance Report (CSPR) were supported by reliable data and met the requirements of Title I, Part A of the *ESEA*, as amended by *NCLB*. The *ESEA* provides states the option of applying for and reporting on multiple *ESEA* programs through a single consolidated application and report, known as the CSPR. While we found that SDDE met the requirements of Title I by reporting dropout and graduation rates, the state reported its 2003-2004 graduation rates by using a one-year cohort definition, instead of the four-year cohort definition, as suggested by the Department. We also determined that for the schools reviewed, SDDE collected unreliable data to support the graduation and dropout rates reported in the 2003-2004 CSPR. We recommended that the Department require SDDE to develop and implement a graduation definition that meets Title I requirements, as well as develop and implement improved procedures on classifying and documenting graduate and leaver data, training data-reporting staff, and data collection oversight and monitoring. SDDE did not agree with one of our findings and recommendation. [Click here](#) to review the report.

GRANTEE ACCOUNTABILITY

CONNECTICUT - NEW HAVEN AFTER SCHOOL PROGRAMS

We conducted an audit of the New Haven School District's (New Haven) administration of the program under Title I, Part A of the *ESEA*, Summer and After School Program funds to determine whether it properly administered the funds in accordance with federal laws and regulations. We found that New Haven did not properly administer the \$3.78 million it expended on summer and after school programs. New Haven supplanted funds from other nonfederal sources; and 15 of its 21 summer programs lacked documentation and were held in ineligible schools. In addition, the City of New Haven's accounting system, the

official accounting system for New Haven, identified expenditures in the aggregate and could not identify individual expenditures for its 21 summer programs. Based on our findings, we made a number of recommendations, including that the Department instruct the Connecticut Department of Education (CDE) to require New Haven to identify Title I expenditures associated with ineligible programs and return those funds to the Department, or return the entire \$3.78 million of Title I funds used to pay for the summer programs. CDE did not concur with our finding or recommendations. [Click here](#) to review our report.

PUERTO RICO - SALINAS SCHOOL DISTRICT

We conducted an audit to determine if the Puerto Rico Department of Education Salinas School District's (PRDE-Salinas) properly administered non-salary funds under Title I, Part A of the *ESEA*, in accordance with grant requirements, federal laws, and regulations. We found that PRDE-Salinas failed to provide proper documentation to support several small disbursements totaling approximately \$28,000, and lacked appropriate supervisory oversight of its cash management activities. Based on our findings, we made several recommendations, including that the Department require PRDE to submit the missing documentation to account for the expended funds, or return the money to the Department. PRDE generally concurred with our findings and recommendations. [Click here](#) to review our report.

EDUCATION LEADERS COUNCIL (ELC)

We conducted an audit to determine if the Education Leaders Council's (ELC) subcontracting activities complied with the procurement standards set forth in the Education Department General Administrative Regulations (EDGAR), if its subcontract costs for Achievement Technologies, Incorporated (ATI) and The Princeton Review (TPR) charges to the federal grants were reasonable and allocable, and if there was any conflict of interest between ELC and its subcontractors. We found that ELC's subcontracting activities did not comply with the procurement standards set forth in EDGAR, nor did it perform and document an adequate cost or price analysis. As a result, we were unable to determine if the costs charged by ATI and TPR were reasonable relative to other vendors' prices. Additionally, while ATI and TPR made significant contributions to ELC and its affiliates in 2003, we found no conflicts of interest issues between ELC and the subcontractors. We made several recommendations, including that ELC ensure that it complies with procurement and documentation standards set forth in Department regulations when renewing or awarding any federally funded contract. ELC, which has changed its name to "Following the Leaders," concurred with our findings and did not disagree with our recommendations. [Click here](#) to review our report.



INVESTIGATIONS

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

GEORGIA

The former State Superintendent of Education and 2002 gubernatorial candidate and five co-conspirators were sentenced for their roles in a scheme to funnel over \$500,000 in federal education dollars from the Georgia Department of Education (GDOE) into several companies owned by one of the co-conspirators. Portions of those funds were funneled into the former official's gubernatorial campaign, and used for personal expenses of the candidate, including cosmetic surgery. Our investigation revealed that the former official ordered GDOE officials to issue checks totaling \$500,000 to various companies, purportedly to provide computer licenses and services to the Atlanta Area School for the Deaf, the Georgia School for the Deaf, and the Governor's Honors Program. The co-conspirator who owned those companies, transferred substantial portions of those funds to the gubernatorial campaign. Other co-conspirators included the owner's former Chief Financial Officer, a former Deputy State School Superintendent for GDOE, a former Federal Programs Manager for GDOE, and the former manager of the former official's gubernatorial campaign. The former State Superintendent/candidate was sentenced to eight years in prison, and ordered to pay restitution of more than \$414,000. Her co-conspirators received sentences ranging from eight-years in prison to one-year probation, and were ordered to make financial payments, ranging from a fine of over \$3,000 to restitution of over \$382,000.

MINNESOTA

The former owners of the Right Step Academy, one of the first charter schools in Minnesota, were sentenced for defrauding the school in order to finance their extravagant lifestyle. They were given prison sentences ranging from 30-37 months, followed by probation, and were ordered to pay nearly \$490,000 in restitution. Our investigation, conducted jointly with the IRS-Criminal Investigation Division (IRS-CID), uncovered evidence that the couple set up a dummy corporation and diverted school funds to the corporation-funds that were used to purchase luxury cars, vacations, personal real estate, clothing, and house furnishings.

NEW YORK

The former Assistant Superintendent for Personnel at the William Floyd Union Free School District pled guilty, was sentenced to community service, lost his employment license, and was fined for falsifying records. The former official obtained a letter from William Floyd's former Certified Public Accountant firm falsely indicating that his daughter-in-law was qualified for an accounting position at William Floyd. This resulted in her being hired for a position in which she was responsible for the preparation of final expenditure reports for federal grants received by William Floyd. Our investigation uncovered evidence that the daughter-in-law prepared 15 false expenditure reports that were filed with the New York State Department of Education, that enabled William Floyd to fraudulently obtain over \$530,000 in federal education grant funds.

TEXAS

During this reporting period, three former officials of the Prepared Table Charter School in Texas were ordered to pay \$2 million in restitution for defrauding a number of federal and state agencies. A task force consisting of OIG staff, the FBI, IRS-CID, the U.S. Department of Agriculture OIG, and the Texas Education Agency, found that officials misreported student attendance data in order to receive federal and state funds. From 1999 through 2002, the school received over \$2.5 million in federal funds. The task force found that the school also commingled its finances with a church in Houston, which is against the

law. The school's charter was revoked in August 2002. The three officials each pled guilty and were sentenced to prison in 2005.

WEST VIRGINIA

The former Financial Manager and Executive Secretary for the West Virginia Regional Education Service Agency 1 (RESA-1) was sentenced to 64 months in prison and ordered to pay over \$1.5 million in restitution for embezzling education funds and filing a false tax return. RESA is a state educational agency that receives funds under Title I, Part A of the *ESEA* to provide a broad spectrum of services and support for local educational agencies to improve student achievement and maximize economies of scale in staff development, purchasing, and administrative services. Our investigation, conducted in partnership with the FBI, IRS CID, and the Beckley Police Department, revealed that the former official embezzled over \$1.3 million dollars in education funds from RESA-1 and filed a false tax return with the IRS.

MANAGEMENT AND ACCOUNTABILITY IN STUDENT FINANCIAL ASSISTANCE PROGRAMS

The Department's student financial assistance programs are large and complex. The loan and grant programs rely on over 6,000 postsecondary institutions, more than 3,000 lenders, 35 guaranty agencies and many contractors. With over \$70 billion awarded annually through the student financial assistance programs and an outstanding loan portfolio of over \$400 billion, the Department must ensure that all entities involved in the programs are adhering to statutory and regulatory requirements. As the office responsible for administering the student aid program, FSA must provide adequate oversight and demand accountability from its staff, partners, and participants to help protect these dollars from waste, fraud, abuse, and non-compliance. Audits concluded during this reporting period show that effective management and accountability challenge FSA. In addition, we closed a number of investigative cases of theft of student financial aid funds by both those in positions of trust in schools, as well as by students themselves. Our reports and more significant cases are highlighted below.



FINANCIAL PARTNERS

Financial Partners is the division within FSA that is responsible for the oversight of the FFEL program—a program that in 2005 guaranteed \$43 billion in loans to 5.8 million FFEL recipients, paid \$5.1 billion to lenders for interest and special allowance subsidies, and paid \$4 billion to guaranty agencies. It has staff located in Washington, DC, and regional offices across the country. The regional offices are responsible for providing oversight of, and technical assistance to, the guaranty agencies, lenders, and servicers, and other organizations participating in the FFEL program. During this reporting period, we concluded an audit to evaluate the adequacy of Financial Partners' processes for monitoring guaranty agencies, lenders, and servicers. We found that it has not implemented an acceptable level of internal control for monitoring and providing oversight of FFEL program participants, as required by the *Federal Managers Financial Integrity Act of 1982 (FMFIA)*. According to FMFIA, internal accounting and administrative controls of each executive agency shall be established in accordance with GAO's *Standards for Internal Control in the Federal Government*. During our audit

period, we identified internal control weaknesses relating to five of the internal control standards—control environment, control activities, monitoring, information and communications, and risk assessment. Based on our review, Financial Partners did not provide adequate oversight and consistently enforce FFEL program requirements.

Specifically, we found that: program monitoring and oversight were not in the tactical goals of FSA's Strategic Plan for Financial Partners; its reporting structure created an inherent organizational conflict of interest, with the advocate for guaranty agencies supervising the staff responsible for compliance and oversight of those entities; it overstated the number of program reviews performed in the Postsecondary Education Participation System and did not consistently quantify liabilities in program reviews; and it did not ensure that the Department's policies regarding delegation of authority for waiving liabilities were followed.

In addition, Financial Partners did not adequately review, test, identify, and report significant instances of non-compliance in its program reviews and technical assistance. It does not have an effective information and communications process for requesting assistance on policy issues and communicating resolution to staff. As a result, Financial Partners staff does not receive timely policy guidance to determine whether guaranty agencies, lenders, and servicers are in compliance. And lastly, Financial Partners has not fully implemented its scorecards as a risk assessment tool and does not have sufficient information to evaluate whether the scorecard elements are useful in assessing risk.

Based on our findings, we made a number of recommendations, including that FSA include compliance monitoring of guaranty agencies, lenders, and services in the tactical goals of FSA's strategic plan. FSA did not concur with all of our findings, but did concur with several of our recommendations. [Click here](#) for a copy of our report.

SPECIAL ALLOWANCE PAYMENTS TO NELNET



Special allowance payments are made to lenders in the FFEL program to ensure that lenders receive an equitable return on their loans. In general, the amount of a special allowance payment is the difference between the amounts of interest the lender receives from the borrower or the government and the amount that is provided under requirements in the *Higher Education Act of 1965*, as amended (*HEA*). The *HEA* includes a special allowance calculation for loans that are funded by tax-exempt obligations issued before October 1, 1993. The quarterly special allowance payment for these loans may not be less than 9.5 percent, minus the interest the lender receives from the borrower or the government, divided by four. In April 2003, Nelnet implemented a process to increase the amount of its loans receiving special allowance under the 9.5 percent floor. Known as Project 950, Nelnet transferred loans into and out of an eligible tax-exempt obligation from taxable obligations, continuing to bill under the 9.5 percent floor for those loans after they were transferred to the taxable obligations. Nelnet repeated this process many times, increasing the amount of loans it billed under the 9.5 percent floor from about \$551 million in March 2003 to about \$3.66 billion in June 2004. Nelnet terminated Project 950 in May 2004, after the introduction of the *Taxpayer Teacher Protect Act*, which when passed, amended the *HEA* to make loans that were transferred, sold, or refinanced by taxable obligations after September 30, 2004, ineligible for the 9.5 percent floor.

In 2005, we initiated an audit to determine whether Nelnet's use of Project 950 to increase the amount of its student loans billed under the 9.5 percent floor complied with *HEA* requirements, regulations, and other guidance issued by the Department. We found that Nelnet's Project 950 did not comply with applicable laws, regulations, or Department guidance; therefore, the increased amount of loans created by Project 950 was ineligible to be billed under this 9.5 percent floor. We estimated that Nelnet was improperly paid more than \$278 million in special allowance payments for these loans from the quarter ended March 31, 2003 through the quarter ended June 30, 2005. Nelnet could be improperly paid about \$882 million for the ineligible loans after June 2005, if its billings are not corrected.

Based on our finding, we made several recommendations, including that FSA instruct Nelnet to exclude all Project 950 loans from its claims for payment under the 9.5 percent floor, as well as require the return of the overpayments described in our report. Nelnet strongly disagreed with our findings and recommendations, asserting that its actions were in accordance with the *HEA*, regulations, and guidance issued by the Department. While we received no official comments from the Department prior to issuing our final audit report, the Secretary is currently considering the Department's response to the findings and recommendations in the report. [Click here](#) for a copy of our report.

MCED CAREER COLLEGE



Our audit of MCed Career College's (MCed) administration of student financial assistance programs sought to determine whether its administration of *HEA* Title IV programs was in compliance with applicable laws and regulations governing institutional eligibility, program eligibility, student eligibility, awards calculations, disbursements, and return of *HEA* Title IV funds. While we concluded that MCed met requirements governing institutional and program eligibility, it did not consistently comply with Title IV requirements governing student eligibility, award calculations, disbursements, and the return of Title IV funds. Specifically, MCed did not have adequate controls in place to ensure that verification of student eligibility data was properly documented, Title IV award calculations were accurate, and the timing of Title IV disbursements was appropriate. In addition, MCed did not have adequate controls in place to ensure that return of Title IV calculations were performed correctly, or that the unearned Title IV funds were returned in a timely manner and to the proper Title IV program.

We made a number of recommendations, including that FSA require MCed to have its independent public accountant, as a part of the institution's next annual audit, and provide an attestation that the described internal control procedures and changes in its accounting system were fully implemented. We also recommended that MCed identify all amounts of unearned Title IV funds that have not been returned to the appropriate Title IV program for students and return the funds to the applicable Title IV program. MCed concurred with our findings and described corrective actions to address our recommendations. [Click here](#) to review our report.

INVESTIGATIONS

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

FRAUD BY SCHOOL OFFICIALS

The former Dean of Education at the Western School of Health and Business Careers, located in Pittsburgh, Pennsylvania, was sentenced to two years of probation and 50 hours of community service for forging accrediting agency documents. Our investigation revealed that the former Dean forged four Accrediting Commission of Career Schools and Colleges of Technology (ACCSCCT) program approval letters. The letters were never issued by ACCSCCT, and the programs were not approved. Our investigation further determined that there were four other programs that were never approved by ACCSCCT. As a result of his criminal conduct, the school received and disbursed over \$5 million of federal financial aid to which it was not entitled.

The former financial aid director of the Troy School of Beauty Culture (TSB), located in New York, was sentenced to 18 months in jail and two years of supervised release for embezzlement. Our investigation, conducted jointly with the FBI, disclosed that the former director embezzled over \$410,000 in Pell Grant funds over a four-year period. He used the identities of at least 25 individuals, including a co-worker, to substantiate drawdowns of funds into the TSB Pell Grant account. He then wrote checks to "cash" and converted them for his personal use.



The three former owners of the Moler Beauty College (MBC), located in Louisiana, were sentenced and fined for conspiracy to commit student financial aid fraud. Our joint investigation with the FBI disclosed that the three owners, along with a financial aid administrator and a contracted Ability-To-Benefit (ATB) tester, engaged in a scheme to fraudulently obtain Title IV funds by falsifying student and school records. MBC officials also engaged in a scheme to prevent the return of Title IV funds to the Department. The owners received prison sentences ranging from 12 to 27 months, and were ordered to jointly pay over \$164,000 in restitution to the Department.

FRAUD BY GOVERNMENT CONTRACTORS

A former ATB tester in Illinois was sentenced to six months in prison, three years supervised released, and was ordered to pay over \$156,000 in restitution for falsifying ATB tests. Our investigation found that from 1997 through 1999, the former tester falsified ATB tests to make it appear that students were eligible for financial aid, causing over \$150,000 in Pell Grant and Supplemental Education Opportunity Grant funds to be disbursed on behalf of ineligible students.

IDENTITY THEFT/ FALSIFICATION OF IDENTITY

As a follow-up to a case we reported in our last SAR, another family member received a prison sentence for his role in a nearly \$1 million financial aid fraud scheme. The man was sentenced to serve 24 months in prison. He was one of seven family members who participated in the scheme, orchestrated by his grandmother, in which the participants used the identities of more than 65 people to obtain almost \$1 million in student financial aid at various colleges in Arizona, Colorado, Maryland, Nevada, and Texas through distance education programs.



The ringleader and his intermediaries were sentenced for their roles in a \$200,000 financial aid fraud kickback scheme at Texas Tech University (TTU). The ringleader, a former student worker in the TTU financial aid office, devised a scheme whereby he submitted fraudulent Free Applications for Federal Student Aid (FAFSAs) on behalf of students to qualify them for student aid, and received a kick-back of up to half the amount each student received. Two intermediaries helped recruit students to participate in the scheme and provided student names and Social Security numbers (SSN) to the ringleader. The ringleader also used the identities of 13 other students to obtain federal Pell Grant funds for himself. He was sentenced to over two years imprisonment, three years supervised release, and was ordered to pay over \$122,000 in restitution. Both intermediaries were sentenced to a period of home confinement, followed by probation. One of the intermediaries was ordered to pay over \$29,000 in restitution, and the other over \$14,000 in restitution. Three other students were sentenced for participating in the scheme, while two others were acquitted.

A former Ohio public school employee was sentenced to two years probation and ordered to pay \$142,000 in restitution for financial aid fraud. Our investigation revealed that for nearly 22 years, the woman assumed the identity of a high school friend who died in 1969. From 1990 until 2001, she used the false identity to attend various universities and apply for and receive federal financial aid. After completing her schooling and using the false identity, the woman applied for and obtained a teaching certification to teach in Ohio public schools. She had previously defaulted on student loans using her identity and SSN, which left her ineligible to receive further financial aid.



A former New York University student was sentenced to 20-months imprisonment, three years supervised release, and ordered to pay over \$103,000 for his role in an identity theft/student aid fraud scheme. Our investigation found that the individual used a false identity and an SSN assigned to another person to apply for and receive federal and private student financial aid to which he was not entitled. He also applied for and received-under false pretenses-private scholarship and grant funds reserved for victims of the September 11th attacks.

A former Temple University student was sentenced to two years probation and ordered to pay over \$83,000 in restitution for theft of education funds and credit card fraud. Our investigation disclosed that the former student forged her mother's signature to apply for and receive nine Parent Loan for Undergraduate Students (PLUS) loans totaling nearly \$55,000, as well as used her mother's identity to fraudulently obtain various credit cards.

FOREIGN SCHOOL FRAUD

An Indiana man was sentenced to six months incarceration, three years supervised released, and was ordered to pay over \$83,000 in restitution for financial aid fraud. From May 2001 to May 2002, the man received student loan funds in order to attend Bond University, located in Australia. Our investigation revealed that the man did not attend Bond during the time period he received financial aid.

MANAGEMENT AND ACCOUNTABILITY IN DEPARTMENT'S INTERNAL OPERATIONS

OIG's reviews of the Department's internal operations are designed to help improve the overall operation of this mission-focused agency. Our reviews seek to help the Department accomplish its objectives by ensuring the reliability and integrity of its data, its compliance with applicable policies and regulations, its ability to safeguard its assets, and that it is effectively and efficiently utilizing the taxpayer dollars with which it has been entrusted. Work concluded during this reporting period shows that there are significant inadequacies with the Department's management of and accountability for its internal operations. In addition, enforcement of its policies and procedures continues to challenge the Department.

INFORMATION SECURITY

In 1998, GAO released a report noting that deficiencies in federal information security are a growing concern. Eight years and countless technological advancements later, it remains a concern throughout the federal government.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The *E-Government Act of 2002*, signed into law by President George W. Bush, recognized the importance of information security to the economic and national security interests of the United States. Title III of the *E-Government Act*, entitled the *Federal Information Security Management Act (FISMA) of 2002*, requires each federal agency to develop, document, and implement an agency-wide program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source. It also requires the Inspectors General to perform independent evaluations of the effectiveness of information security control techniques and to provide assessments of the agency's compliance with *FISMA*.

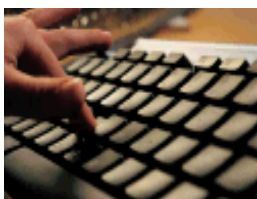
We issued a series of reports to address the 2006 *FISMA* requirement: a system security review of the Department's Education Data Center; a system security review of FSA-managed data centers; a review of the Department's incident handling program and intrusion detection system; and a report on the Department's online privacy policy and protection of sensitive information. Our findings in these reviews, some of which had been previously reported, were brought to management's attention for its determination as to whether the findings represent a "significant deficiency," as defined in the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. In response to each of these audits, the Department generally concurred with our findings and recommendations and provided a proposed corrective action plan to address our recommendations; however, FSA did not concur that the deficiencies rose to the level of significant deficiency, as defined in OMB's FY 2005 Instructions for Preparing the *FISMA* report and Privacy Management Report.

Our *FISMA* and other IT security audits fall under exemption (b)(2) of the *Freedom of Information Act*. For security purposes and to maintain the integrity of the Department's



critical data, these audits are not posted on our Web site or shared outside of official channels. Below we discuss only the general/public aspects of our work and findings.

System Security Review of the Department's Education Data Center. We performed a security review of the information technology infrastructure at the Department's Education Data Center (EDC). EDC supports major applications that are vital to the Department's success. Our review identified significant security weaknesses that must be addressed in order for the Department to maintain the security certification and accreditation (C&A) of its systems. We also identified a deficiency in the Department's configuration management program that restricts its ability to reasonably maintain its systems in a secure manner. Based on our findings, we determined that the Department lacks certain management, operational, and technical security controls to adequately protect the confidentiality, integrity, and availability of systems and data residing at the EDC. We recommended that the Department develop a plan to address the security vulnerabilities at the EDC, and that it implement procedures to verify that resulting corrective actions fully addresses these security weaknesses.



System Security Review of FSA-Managed Data Centers. Our audit sought to evaluate the operational, management, and technical controls of FSA's system security program at its data centers to determine if those controls adequately reduce the likelihood that system security weaknesses can be exploited, and if those controls effectively prevent unauthorized access, alteration, or destruction to mission critical systems and data. Our audit scope, however, was limited to FSA's Rockville Data Center (RDC), because an FSA subcontractor responsible for managing the Common Origination and Disbursement system (COD)-a \$100 million financial processing operation-refused to provide information necessary for our audit. From the information we were able to review at RDC, we determined that FSA must improve its controls to adequately protect its systems. We made a number of recommendations, including that FSA develop a plan to address the security vulnerabilities at the RDC, and that it implement procedures to verify that resulting corrective actions fully addresses these security weaknesses.

Review of the Department's Incident Handling Program and Intrusion Detection System. We conducted a review to evaluate the effectiveness of the Department's Incident Handling (IH) and Intrusion Detection System (IDS) in identifying and responding to aggressive Internet-based attacks in accordance with applicable laws and regulations. We identified a significant deficiency in the Department's management control structure in IH and IDS that restricts its ability to reasonably identify and report suspicious activity. In addition, other identified deficiencies must be addressed in order to maintain the security C&A of its systems. Based on our findings, we determined that the Department's IH program and IDS are not effective in ensuring identification and responsiveness to malicious attacks against its systems, a determination we have identified in previous FISMA audits and reported to the Department. We recommended that the Department develop a plan to address the security vulnerabilities identified in our audit, and implement procedures to verify that resulting corrective actions fully address the security weaknesses.

Online Privacy and Protection of Sensitive Information. Our audit sought to assess the Department's compliance with federal regulations requiring federal agencies to take all necessary/reasonable measures to swiftly eliminate significant vulnerabilities to the sensitive information entrusted to them. Through interviews, documentation reviews, and

testing of the Department's external websites for privacy policy conformance, we found that it has not ensured compliance with privacy laws and guidance as specified by OMB and Departmental directives as they relate to establishing protection controls for privacy. In addition, our reviews identified potential areas of non-compliance with OMB directives. We recommended that the Chief Information Officer of both the Department and FSA ensure its publicly accessible websites comply with OMB regulations, and that controls are in place to ensure its online privacy policies are consistent.

ADDITIONAL IT REVIEWS

Personally Identifiable Information. Personally identifiable information (PII) is generally defined as any piece of information that can potentially be used to uniquely identify, contact, or locate a single person. Because IT and the Internet have made it easier to collect PII, it has become much more important to protect PII. During this reporting period, we issued a memorandum to the Department to alert it to weaknesses we identified in a Financial Management System Software (FMSS) application that impacts its protection of PII. The goal of the memorandum was to expedite corrective action. We found that poor internal controls exist over the FMSS application, resulting in reduced accountability, violation of the principles of "Least Privilege" (granting users only minimal access to systems in order to perform their duties), and unnecessary access to sensitive PII. We also found that improper levels of security clearances exist for application users, creating unnecessary risk that could potentially lead to the compromise of sensitive PII.

Intrusion Detection System. On February 27, 2006, the Department contacted OIG to report that the Intrusion Detection System (IDS) sensors for the Department's network, EDNet, had been non-operational since February 17, 2006. As the IDS is a critical component of the Department's IT security program, and its non-operation could significantly impact the Department's ability to identify a computer intrusion, OIG agreed to look further into the matter. Although we did not conduct a full audit, we reviewed the IDS sensors, status reporting, and the configuration of the network and identified three concerns that we shared with the Department via an alert memorandum in order for Department staff to research the issues further and take appropriate action.

First, we found that the IDS sensors were operating properly (providing intrusion alerts) an average of only 44 percent of the time, which put the Department at a substantial risk of an undetected intrusion. Second, we determined that this situation happened and remained unresolved for a substantial period of time either due to the Department's inadequate oversight of the EDNet contractor responsible for managing the IDS, or because Department personnel were aware of the problem and chose not to press the EDNet contractor to correct the problem or inform higher level management of the issue. Lastly, we found that the EDNet contractor may not have met its Service Level Agreement for IDS. Based on our findings, we recommended that the Department look for indications of previously undetected intrusions on its computer systems; review procedures/processes for oversight and management of its contractors as it pertains to IDS; and determine if there are contractual remedies against the EDNet contractor that may not have met the IDS service level agreement.

OTHER INTERNAL OPERATIONS

RECOVERY AUDIT EFFORTS



Since 2002, federal government agencies that enter into contracts of more than \$500 million in a fiscal year are required to identify possible errors made in paying contractors, and for recovering any over-payments or other erroneous payments. A required element of such a program is the use of recovery audits and recovery activities. To complete this work, the Department contracted with a consulting company (contractor) to conduct an audit of possible duplicate payments. As the contractor's initial review identified only two duplicate payments, it refocused its efforts on any interest penalties the Department overpaid. In this effort, the contractor identified 184 vendors that were overpaid interest penalties by the Department, totaling approximately \$269,000.

We conducted an audit to determine the methodology used by the contractor to identify erroneous interest payments, whether the identified exceptions were accurately assessed as overpayments, and if the contractor delivered services as set forth in its contract with the Department. Our audit revealed that the methodology used by the contractor was not reliable in calculating interest penalties; the contractor did not correctly assess interest payments as overpayments or correctly calculate interest overpayments; nor were all of the services delivered as required by the contract. We also found that the Department did not follow its own policy regarding contract monitoring; thus the Department was unaware that the contractor inaccurately calculated interest overpayments, and that the contractor had not delivered all of its contracted services. Based on our findings, we made a number of recommendations, including that the Department consider recouping fees paid to the contractor for claims that were erroneously collected, and that it take steps to ensure that its contract monitoring policies are followed in order to provide assurance that its contractors are performing the work they are being paid to do. The Department concurred with our recommendations, and provided a proposed corrective action plan to address our recommendations. [Click here](#) to review our report.

CONTRACTOR EMPLOYEE PERSONNEL SECURITY SCREENINGS



The *Education Sciences Reform Act of 2002* established the Institute of Educational Sciences (IES), a division within the Department, to provide rigorous evidence on which to ground education practice and policy. During this reporting period, we reviewed 10 IES contracts, totaling nearly \$194 million in payments for FY2005, and issued a memorandum to alert the Department that the IES has not fully implemented Departmental policy regarding contractor employee screenings. As a result, the Department lacks assurance that contractor employees with access to Department-controlled facilities, and/or with access to sensitive or *Privacy Act*-protected information, are suitable for the access granted. Department Directive OM 5-101 states that all contractor employees must undergo personnel security screening if they will be employed for 30 days or more, and that the screenings will be commensurate with the risk and magnitude of harm the individual could cause. It provides a definition of "contract employee," and directs offices to establish and maintain procedural documentation for complying with this directive, including determining the risk levels for each contractor position, and ensuring contractor employees receive appropriate screening. While IES developed procedures implementing the Directive, it did not maintain a list of contract positions and current risk level designations; thus it cannot ensure that its contractor employees received the appropriate screening. Further, without this key component, IES cannot assess potential harm or exposure should an incident with a contractor employee occur. We made a number of

suggestions, including that IES take immediate action to ensure that contractor employees receive appropriate security screening. IES agreed with our suggestions and proposed corrective action to implement all of our suggestions.

**REIMBURSABLE
WORK
AUTHORIZATION
PROCESS**

The *Federal Property and Administrative Services Act of 1949* gave the General Services Administration (GSA) the responsibility to manage the government's real property. The Public Buildings Service (PBS) was established by the *Public Buildings Act of 1959*, which sets forth the functions of PBS, including "providing for repairs and alterations of Government owned or leased space on a reimbursable basis." This function is the basis for the Reimbursable Work Authorization (RWA) program, which was established to capture and bill the costs of altering, renovating, repairing, or providing services in space managed by GSA over and above the basic operations financed through rent. The Office of Management/Facilities Services (OM/FS) manages the Department's RWA function, working directly with GSA.

We conducted an audit to determine the adequacy of the Department's oversight of the RWA process, if RWA funds are tracked and accounted for properly, if a systemic issue exists with the tracking and accounting of the RWA funds, and the reasonableness of employee overtime pertaining to the process. We found that there is a lack of clarity of roles and responsibilities for the various personnel governing the RWA process, inadequate financial accountability and ineffective reporting of RWA activities, and a lack of compliance with the Department's guidance on premium pay. In addition, our audit work revealed that no individual appeared to have earned excessive overtime pay when compared to all other individuals in OM/FS. We made a number of recommendations to correct the identified weaknesses. The Department agreed with our findings and recommendations. [Click here](#) to review our report.

**PURCHASE
CARDS**

As discussed in our previous SARs (No. 51 and No. 52), we conducted a Department-wide audit of its purchase card program. We issued reports to Department program offices, addressing specific issues noted in each specific program office review. In April we issued a final audit, summarizing the results of all work performed and presented recommendations to improve the overall management of the Department's purchase card program. The scope of our review included purchases made by Washington, DC, cardholders during the period July 1, 2003, through June 30, 2004. We identified a total of 6,474 purchases valued at over \$2.8 million. While we found that the Department had improved controls over the purchase card program and implemented corrective actions in response to prior OIG reviews, there were still several areas where improvements were needed. Based on the findings in our 2002 review, we recommended that the Department develop guidelines and conduct on-site reviews of purchase card activities. While Department staff performs quarterly reviews of selected purchase card activity, it stated that it does not have the resources to perform on-site reviews. Additionally, while we did not identify any inappropriate purchases, we did find that internal controls over documentation required to support purchases needed improvement - a repeat finding from our 2002 audit. The Department concurred with our findings, and provided a proposed corrective action plan to address each of our recommendations. [Click here](#) to review our report.

CONTRACT PROPOSALS

OIG conducted "pre-award reviews" of proposals for a number of the Department's contracts over the last six months. We reviewed 12 proposals from contractors covering three pending awards and identified overstated costs of approximately \$649,000 and understated costs of approximately \$1.3 million.

INVESTIGATIONS

During this reporting period, OIG Special Agents were involved in two cases involving employees who abused their positions of trust for personal gain, be it financial gain or other, as well as the case of an individual who illegally gained access to the Department's information system. Here is a brief summary of each of these cases.

A former OIG employee was sentenced to five months in prison followed by five months of home confinement, and was ordered to pay \$40,000 in restitution for computer hacking and unauthorized access. Our investigation disclosed that the former staffer installed software on his supervisor's computer enabling him to view the supervisor's e-mail and Internet activity, as well as other communications, at-will. He continued his illegal activity for nearly two years.

A former Department program specialist pled guilty in federal court to accepting \$10,000 from the president of a company that had been awarded a contract from a Department grantee to install computer systems at schools in California and Oregon. He was sentenced to six months home detention, three years probation, and was ordered to pay \$10,000 in restitution on October 20.

An individual was sentenced to two years probation and fined \$1,000 for obtaining information from a Department computer without authorization. Our investigation revealed that the individual intentionally gained unauthorized access to EDNET and illegally obtained information from it. He was able to gain access by using keystroke-monitoring software to capture an employee's user name and password.

HURRICANE RELATED EFFORTS

The *Hurricane Education Recovery Act (HERA)*, passed as part of Public Law 109-148 in 2005, authorized three new grant programs to assist school districts and schools in meeting the educational needs of students displaced by Hurricanes Katrina and Rita, and to help schools closed as a result of the hurricanes to re-open as quickly and effectively as possible. These programs are: (1) the Immediate Aid to Restart School Operations program, funded at \$750 million; (2) the Assistance for Homeless Youth program, funded at \$5 million; and (3) the Temporary Emergency Impact Aid for Displaced Students (Emergency Impact Aid) program, funded at \$645 million. In addition, *Public Law 109-148* included \$200 million for students and institutions of postsecondary education affected by the hurricanes.

In June 2006, Congress appropriated an additional \$235 million for the Emergency Impact Aid programs, and an additional \$50 million for postsecondary institutions and students in the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery 2006*.



OIG has worked closely with the Department, providing assistance and advice in matters to help ensure that hurricane-related funds are expended in accordance with the terms of the grants and applicable laws, regulations, policies, and procedures. During this reporting period, OIG completed one audit, seven ongoing audits are near completion, and four additional audits are planned to begin in FY2007. The OIG also was an active participant in creating a new section for the March 2006 Compliance Supplement to OMB Circular A-133 to cover the new HERA programs. This addition to the Compliance Supplement, issued in April 2006, applies to all audit periods that begin after June 30, 2005.

As it is our long-standing policy to keep confidential the details of our ongoing work, below you will find a summary of only our completed audit. When the other audits are finalized, we will report our findings to the U.S. Congress, the Department, and the general public.

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

We initiated an audit to evaluate the Mississippi Institutions of Higher Learning's (IHL) administration of the \$95 million appropriation authorized by Public Law 109-148. Our audit sought to assess IHL's methodology for allocating hurricane relief funds to schools, evaluate the adequacy of the information provided by schools to IHL, and to identify and assess IHL's controls over the accounting for the hurricane relief funds and compliance with laws and regulations. We found that IHL has implemented methodologies to allocate hurricane relief funds to its institutions and to make hurricane relief assistance awards to eligible students through the Special Leveraging Educational Assistance Partnership Program. For the \$50.5 million in hurricane relief funds spent through this program as of July 20, 2006, IHL appears to have implemented an adequate internal control system. We were, however, unable to fully meet our audit objectives, as the funding period had not yet ended, and material events may occur in IHL's administration of the hurricane relief funding that could impact our final assessment. We will begin a separate audit to assess IHL's full distribution of its hurricane relief funds and perform additional audit work after the completion of the funding period, which ended September 30, 2006.

OTHER NOTEWORTHY ACTIVITIES

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 44 QCRs of audits conducted by 42 different IPAs or offices of firms with multiple offices. We concluded that 16 (36 percent) were acceptable, 22 (50 percent) were technically deficient, and 6 (14 percent) were substandard. We have made 3 referrals of IPAs to State Boards of Accountancy for substandard work, based on QCRs reported in a prior SAR, and to the American Institute of Certified Public Accountants (AICPA), if they were AICPA members.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

PCIE AUDIT COMMITTEE



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

National Single Audit Sampling Project. OIG continues to lead an intergovernmental project to accurately assess the quality of all audits conducted under the Single Audit Act. During this reporting period, the core work of the project continued, as we conducted QCRs of selected audits. We will compile the results over the next six months, and issue a report in the next SAR.

Revisions to Audit Bulletin. During this reporting period, several members of the Federal Audit Executive Council's (FAEC) Financial Statement Audit Network participated in a workgroup led by OMB to revise OMB's audit Bulletin No. 01-02. The revised Bulletin, No. 06-03, Audit Requirements for Federal Financial Statements, is a vital guide for OIG offices. The workgroup's changes included revising the definition of material weakness, reportable condition, and significant deficiency to be consistent with SAS 112, Communicating Internal Control Related to Matters Identified in an Audit, and proposed conforming changes to the Government Auditing Standards, issued by the Comptroller General.

FISMA Framework. The FAEC Information Technology Committee issued a proposed framework for implementing the requirements of FISMA. The framework will enhance the consistency, comparability, and completeness of annual independent evaluations of agencies' information security program and practices. OIG Assistant Inspector General for Audits, Helen Lew, chairs the FAEC.

FAEC Annual Conference. In July, the FAEC hosted its annual conference in Charlottesville, Virginia. Speakers included Danny Werfel, Deputy Controller, OMB, on the Financial Management Line of Business; Dr. Ron Ross, National Institute of Standards and Technology, described FISMA implementation; Dave Richards, President, Institute of Internal Audit, discussed recent internal audit activities; and Marcia Buchanan, Assistant Director, GAO, talked about the proposed changes to the Government Auditing Standards.

PCIE IT ROUNDTABLE

Inspector General Higgins is also the Chair of the PCIE IT Roundtable, and Charles Coe, the OIG Assistant Inspector General for Information Technology Audit and Computer Crime Investigations, continues as the Roundtable's Coordinator. Highlights this reporting period include:

IT Roundtable Expansion. In September 2006, the IT Roundtable announced that it would broaden its scope and overall mission. To facilitate a change in scope and mission, the PCIE IT Roundtable Advisory Council was established. The Council includes representatives from all IG disciplines: audits; inspections; investigations; and a liaison from the CIO Council, as well as the IT Security Advisory Board. The Advisory Council will help enhance and expand the IT Roundtable's overall effort in devising strategies to ensure adequate and coordinated IG oversight for initiatives with high fraud potential, and recommending strategies to enhance IT training and IG internal infrastructure capabilities, including knowledge transfer, shared infrastructures, and secure/intelligent documents.

Protecting Sensitive Agency Information. The PCIE IT Roundtable worked diligently to coordinate the IG Community's efforts to comply with OMB Memorandum M-06-16, Protection of Sensitive Agency Information. During this reporting period, the IT Roundtable assisted in developing the final data collection instrument and guide for assessing agency's efforts to protect sensitive information. The IT Roundtable will consolidate the information into one report and submit it to OMB in October.

PCIE HOMELAND SECURITY ROUNDTABLE ON HURRICANE RECOVERY

After the devastating hurricanes of 2005, the PCIE formed the PCIE Homeland Security Roundtable on Hurricane Recovery in order to share information and provide updates to Congress in the form of monthly data compilations and semiannual reports. Our office is a participant in this roundtable and contributed to the Roundtable's reports. [Click here](#) to review a copy of the Roundtable's most recent reports.

PRESIDENT'S TASK FORCE ON IDENTITY THEFT

In May, President Bush signed an Executive Order establishing an Identity Theft Task Force: a government-wide effort to help combat identity theft. The Task Force will make recommendations as to how the federal government can: (1) increase aggressive law enforcement actions to prevent, investigate, and prosecute identity theft crimes, recover the proceeds of such crimes, and ensure just and effective punishment of those who perpetrate identity theft; (2) improve public outreach to better educate the public about identity theft and measures they can take to protect themselves, as well as address what steps the public sector can take to protect personal data; and (3) increase safeguards that federal departments, agencies, and instrumentalities can implement to better secure government-held personal data. OIG Deputy Assistant Inspector General for Investigations (DAIG-I), Mike Deshields, was selected as a member of the Task Force—one of only two U.S. Department of Education representatives. DAIG-I Deshields is currently serving on a special subgroup focused on Education and Outreach. The Task Force will present a strategic plan to the President in November.



Reporting Requirements of the Inspector General Act, as amended

Section	Requirement	Table Number	Page Number
5(a)(1) and 5(a)(2)	Significant Problems, Abuses, and Deficiencies		
	Activities and Accomplishments		
5(a)(3)	Uncompleted Corrective Actions		
	Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	1	23
5(a)(4)	Matters Referred to Prosecutive Authorities		
	Statistical Profile	8	35
5(a)(5) and 6(b)(2)	Summary of Instances Where Information Was Refused or Not Provided		
5(a)(6)	Listing of Reports		
	ED/OIG Audit Services Reports on Department Programs and Activities	2	24
	Other OIG Reports on Department Programs and Activities	3	27
5(a)(7)	Summary of Significant Audits		
	Activities and Accomplishments		
5(a)(8)	Audit Reports Containing Questioned Costs		
	Inspector General Issued Audit Reports with Questioned Costs	4	27
5(a)(9)	Audit Reports Containing Recommendations That Funds Be Put to Better Use		
	Inspector General Issued Audit Reports with Recommendations for Better Use of Funds	5	28
5(a)(10)	Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period		
	Unresolved Reports Issued Prior to April 1, 2006	6	28
5(a)(11)	Significant Revised Management Decisions		
5(a)(12)	Significant Management Decisions with Which OIG Disagreed		
5(a)(13)	Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996		

Table 1: Recommendations Described in Previous SARs on Which Corrective Action Has Not Been Completed

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target Date (Per Corrective Action Plan)
					Open	Closed	
Section 5(a)(3) of the <i>IG Act</i> as amended requires a listing of each report resolved before the commencement of the reporting period for which management has not completed corrective action. The reports listed below are OIG internal and nationwide audit reports.							
NEW AUDITS SINCE LAST REPORTING PERIOD							
Office of the Chief Financial Officer (OCFO)							
A19D0007	Audit of the Department of Education's Followup Process for External Audits (SAR 50, pg. 22)	3/31/2005	8/8/2005		8	2	11/30/2006
Office of Management (OM)							
A19D0008	Audit of the Department's Management of the <i>Federal Employees' Compensation Act</i> Program (SAR 50, pg. 23)	3/30/2005	5/13/2005		6	10	12/30/2006
Office of Postsecondary Education (OPE)							
A03C0017	Audit to Determine if Cohort Default Rates Provide Sufficient Information on Defaults in the Title IV Loan Programs (SAR 48, pg. 18)	12/22/2003	7/11/2005		1	3	11/30/2006
AUDITS REPORTED IN PREVIOUS SARs							
FSA							
A04D0014	Case Management and Oversight's Monitoring of Postsecondary Institutions (SAR 49, pg. 3)	9/30/2004	12/23/2004		0	8	*
A05D0001	Audit of Educational Credit Management Corporation's Administration of the FFEL Program Federal and Operating Funds for the Period April 1, 2000, through March 31, 2001 (SAR 46, pgs. 7 & 8)	3/20/2003	2/27/2004	\$103,000,000 (See Note 1)	1	6	10/30/2006
OCFO							
A07D0005	Audit of the U.S. Department of Education's Oversight of Grantees Subject to the Restricted Indirect Cost Rate Provisions in 34 C.F.R. Parts 75 & 76 (<i>See Note 2</i>) (SAR 49, pg. 14)	4/1/2004	6/30/2004		2	3	12/29/2006
OCIO							
A07E0002	Audit of the U. S. Department of Education's Efforts in Identifying IRM KSAs (SAR 49, pg. 10)	8/20/2004	9/29/2004		0	3	*

Table 1: Recommendations Described in Previous SARs on Which Corrective Action Has Not Been Completed (Cont.)

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target Date (Per Corrective Action Plan)
					Open	Closed	
Office of the Deputy Secretary (ODS)							
A09E0014	Departmental Actions to Ensure Charter Schools' Access to Title I and <i>IDEA</i> Part B Funds (<i>Office of Elementary and Secondary Education (OESE) and the Office of Special Education and Rehabilitative Services (OSERS) also designated as action official</i>) (SAR 50, pg. 22)	10/26/2004	1/10/2005		3	3	12/29/2006
* Closure of audit was not completed in AARTS by the end of the reporting period (9/30/2006). Note 1: - U. S. Department of Education recovered the excess reserve funds on 2/10/2004 in the amount of \$103,000,000. Note 2: - We identified \$4,600,000 in Better Use of Funds (1-Time) for audit control number A07D0005.							

Table 2: ED/OIG Audit Reports on Department Programs and Activities (April 1, 2006, to September 30, 2006)

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs*	No. of Recommendations
Section 5(a)(6) of the <i>IG Act</i> as amended requires a listing of each report completed by OIG during the reporting period.					
AUDIT REPORTS					
FSA					
A04E0009	Review of Financial Partners' Monitoring and Oversight of Guaranty Agencies, Lenders, and Servicers (<i>OPE also designated as action official</i>)	9/29/06			17
A07F0017	Special Allowance Payments to Nelnet for Loans Funded by Tax-Exempt Obligations	9/29/06	\$278,000,000		2 (See Note 1)
A09G0001	MCed Career College's Administration of Student Financial Assistance Programs Under Title IV of the <i>Higher Education Act</i>	5/2/06	\$9,479		6
A11G0003	System Security Review of the Office of FSA Managed Data Centers, FY2006	9/28/06			11
OCFO					
A03F0003	Education Leaders Council's Subcontracting Activities (<i>OII also designated as action official</i>)	7/28/06			2
A17F0011	Department of Education's Recovery Audit Efforts - Overpaid Interest Penalty	8/24/06			7
A19E0018	Department of Education Controls over Purchase Card Use	4/7/06			6
OCIO					
A11G0001	Review of the Department's Incident Handling Program and Intrusion Detection System (<i>FSA, and the Office of the Under Secretary (OUS) also designated as action official</i>)	9/28/06			10

Table 2: ED/OIG Audit Reports on Department Programs and Activities (April 1, 2006, to September 30, 2006) (Cont.)

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs*	No. of Recommendations
A11G0002	System Security Review of the Education Data Center FY2006	9/28/06			14
A11G0004	Department of Education's Online Privacy Policy and Protection of Sensitive Information Review (<i>OUS also designated as action official</i>)	9/29/06			2
OESE					
A02F0005	New Haven School District's Administration of Title I, Part A Summer and After School Programs	4/11/06	\$3,780,000		4
A02F0017	Puerto Rico Department of Education, Salinas School District's Administration of Title I Funds	7/25/06	\$242	\$19,829	5
A05F0018	The School District of the City of Detroit's Administration of Parental Involvement Funds Under the <i>NCLB</i>	6/22/06	\$930,448		8
A06F0016	Arkansas Department of Education's Migrant Education Program	8/22/06	\$877,000		2
A06F0021	Data Quality Review of the South Dakota Consolidated State Performance Report	6/7/06			2
OM					
A17G0001	Oversight of the Department of Education's Reimbursable Work Authorization Process	9/25/06			6
OPE					
A05G0013	The University of Illinois at Urbana-Champaign's Compliance with the TRIO Programs' Fiscal Requirements	7/18/06			None
ALTERNATIVE AUDIT PRODUCTS					
FSA					
A04G0001	School As Lender - Process and Inducements (<i>Audit Closeout Memorandum</i>)	8/28/06			None
A04G0014	Hurricane Relief Funds Provided to Mississippi Institutions of Higher Learning (<i>Management Information Report - Student Financial Aid No. 06-01</i>)	8/25/06			None
F17G0007	Proposal Submitted Under Request for Proposal ED-06-S-0006 - FSA, Integrated Partner Management (<i>Pre-award Attest Service</i>)	8/9/06			(See Note 2)
F17G0008	Proposal Submitted Under Request for Proposal ED-06-S-0006 - FSA, Integrated Partner Management (<i>Pre-award Attest Service</i>)	8/9/06			(See Note 2)
F17G0009	Proposal Submitted Under Request for Proposal ED-06-S-0006 - FSA, Integrated Partner Management (<i>Pre-award Attest Service</i>)	8/9/06			(See Note 2)
F17G0010	Proposal Submitted Under Request for Proposal ED-06-S-0006 - FSA, Integrated Partner Management (<i>Pre-award Attest Service</i>)	8/9/06			(See Note 2)
F17G0011	Proposal Submitted Under Request for Proposal ED-06-S-0006 - FSA, Integrated Partner Management (<i>Pre-award Attest Service</i>)	8/9/06			(See Note 2)

Table 2: ED/OIG Audit Reports on Department Programs and Activities (April 1, 2006, to September 30, 2006) (Cont.)

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs*	No. of Recommendations
OCFO					
F02G0016	Management Services for Education Data Proposed Cost in Proposal for Migrant Student Information Exchange, Submitted Under Request for Solicitation No. ED-05-R-0045 (<i>Pre-award Attest Service</i>)	7/24/06			(See Note 2)
F02G0017	Migrant Student Information Exchange Proposal, Submitted Under Request for Solicitation # ED-05-R-0045 (<i>Pre-award Attest Service</i>)	8/18/06			(See Note 2)
F02G0018	Migrant Student Information Exchange Proposal, Submitted Under Request for Solicitation # ED-05-R-0045 (<i>Pre-award Attest Service</i>)	8/30/06			(See Note 2)
F03G0012	Migrant Education Resource Center Proposal, Submitted under Request for Proposal # ED-05-R-0050 (<i>Pre-award Attest Service</i>)	6/19/06			(See Note 2)
F03G0013	Migrant Student Information Exchange Program Proposal, Submitted Under Solicitation Number ED-05-R-0045 (<i>Pre-award Attest Service</i>)	7/31/06			(See Note 2)
F05G0022	Migrant Student Information Exchange Acquisition Proposal, Submitted Under Request for Proposal # ED-05-R-0050 (<i>Pre-award Attest Service</i>)	8/9/06			(See Note 2)
F09G0013	Migrant Education Resource Center Proposal, Submitted Under Request for Proposal # ED-05-R-0050 (<i>Pre-award Attest Service</i>)	6/7/06			(See Note 2)
OESE					
X09G0007	Implementation of SES in California (<i>Management Information Report State and Local No. 06-02 - OII also designated as action official</i>)	9/21/06			(See Note 3)
<p>* For purposes of this schedule, questioned costs may include other recommended recoveries. Please see footnote 3 under Table 4 for additional information regarding questioned and unsupported costs.</p> <p>Note 1: Audit report A07F0017 contained a one-time better use of funds (BUF) of \$882,000,000.</p> <p>Note 2: Table 2 excludes monetary adjustments recommended in Pre-award Attest Services reporting. Since the results of Pre-award Attest Services reports are used in the contract negotiation process, the contents of these reports are considered to be confidential.</p> <p>Note 3: <i>Management Information Report X09G0007</i> made several non-monetary suggestions.</p>					
DESCRIPTION OF ALTERNATIVE PRODUCTS					
<p>Attestation Reports convey the results of attestation engagements performed within the context of their stated scope and objective(s). Attestation engagements can cover a broad range of financial or non-financial subjects and can be part of a financial audit or performance audit. They include the examination, review, or performance of agreed-upon procedures on a subject matter, or an assertion about a subject matter and reporting on the results.</p> <p>Audit Closeout Memoranda/Letters are issued to provide written notification to auditees of audit closure when the decision is made to close an assignment without issuing an audit report.</p> <p>Interim Audit Memoranda/Letters are used to notify Department management or the audited entity of a serious and urgent condition or issue identified during an on-going audit assignment when there is a strong likelihood that waiting until the audit report's issuance would result in the loss of an opportunity to prevent or curtail significant harm to the Department's interest.</p> <p>Management Information Reports provide Department management with information derived from audits (when the issuance of an audit report is not appropriate) or special projects that may be useful in its program administration or conduct of program activities.</p> <p>Pre-award Attest Services Reports are provided by OIG in response to requests by Department contracting or program office staff. These include performing field pricing support or making an assessment of an offeror's accounting system.</p>					

Table 3: Other ED/OIG Reports on Department Programs and Activities (April 1, 2006, to September 30, 2006)

Report Number	Title of Report	Date Issued
Section 5(a)(6) of the <i>IG Act</i> as amended requires a listing of each report completed by OIG during the reporting period.		
IES		
L19G0002	Contractor Employee Personnel Security Screenings (<i>Operations Internal Audit Alert Memorandum No. 06-02</i>)	7/20/06
OCIO		
L18G0002	Financial Management Systems Software - Shared Account Creates a Significant Potential Risk and Liability to Personally Identifiable Information (<i>Computer Assisted Assessment Technologies (CAAT) Alert Memorandum No. 06-01 - OCFO also designated as action official</i>)	9/22/06
S11G0004	U.S. Department of Education, Office of Inspector General 2006 FISMA Submission (<i>Special Project - OCFO also designated as action official</i>)	9/29/06
OESE		
I13F0017	The Reading First Program's Grant Application Process (<i>Inspection Report</i>)	9/22/06
L02G0001	New Bedford Public Schools Use of Sole-Source Contracts (<i>Alert Memorandum State and Local No. 06-04 - Office of Safe and Drug Free Schools (OSDFS) also designated as action official</i>)	9/29/06
<p><u>DESCRIPTION OF TABLE 3 PRODUCTS</u></p> <p>Alert memoranda are prepared when a serious condition requiring immediate Department management action that is either outside the agreed-upon objectives of an on-going audit or inspection assignment, or is identified while engaged in work not related to an on-going assignment when an audit or inspection report will not be issued. Alert Memoranda are not on the OIG website and are not publicly distributed.</p> <p>Inspections are processes aimed at evaluating, reviewing, studying, and analyzing the programs and activities of the Department for the purposes of providing information to managers for decision making, for making recommendations for improvements to programs, policies or procedures, and for administrative action.</p> <p>Special projects are work that results in the issuance of a product or report.</p>		

Table 4: OIG Issued Audit Reports with Questioned Costs¹

		Number	Questioned Costs ²	Unsupported Costs ³
Section 5(a)(8) of the <i>IG Act</i> as amended requires for each reporting period a statistical table showing the total number of audit reports, the total dollar value of questioned and unsupported costs, and responding management decision.				
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	61	\$202,660,168	\$136,191,925
B.	Which were issued during the reporting period	<u>6</u>	<u>\$283,616,998</u>	<u>\$19,829</u>
	Subtotals (A + B)	67	\$486,277,166	\$136,211,754
C.	For which a management decision was made during the reporting period	11	\$31,407,141	\$2,051,015
	(i) Dollar value of disallowed costs		\$12,991,279	\$2,051,015
	(ii) Dollar value of costs not disallowed		\$18,415,862	\$0
D.	For which no management decision was made by the end of the reporting period	56	\$454,870,025	\$134,160,739
E.	For which no management decision was made within six months of issuance	50	\$171,253,027	\$134,140,910

Table 4: OIG Issued Audit Reports with Questioned Costs¹

		Number	Questioned Costs ²	Unsupported Costs ³
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¹ None of the audits reported in this table were performed by the Defense Contract Audit Agency.

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

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

Table 5: OIG Issued Audit Reports with Recommendations for Better Use of Funds¹

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

A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	4	\$241,048,776
B.	Which were issued during the reporting period	<u>1</u>	\$882,000,000
	Subtotals (A + B)	5	\$1,123,048,776
C.	For which a management decision was made during the reporting period	0	0
	(i) Dollar value of recommendations that were agreed to by management		
	(ii) Dollar value of costs that were not agreed to by management		
D.	For which no management decision was made by the end of the reporting period	5	\$1,123,048,776
E.	For which no management decision was made within six months of issuance	4	\$241,048,776

¹ 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, 2006

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
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Section 5(a)(10) of the *IG Act* as amended requires a listing of each report issued before the commencement of the reporting period for which no management decisions had been made by the end of the reporting period. (*Status below represents comments provided by the Department, comments agreed to, or documents obtained from the Department's tracking system, AARTS.*)

New Since Last Reporting Period**FSA**

A09F0008	University of Phoenix's Processing of Return of Federal Student Aid for HEA, Title IV Programs <i>Status: FSA informed us that the audit is on administrative stay; administrative stay extended till 10/31/2006. AARTS data: required administrative stay request has not been generated through AARTS.</i>	12/22/05	(See Note 2)	3
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OCFO

A03F0010	The Education Leaders Council's Drawdown and Expenditure of Federal Funds (Office of Innovation and Improvement (OII) also designated as action official) <i>Status: AARTS data: audit was placed on administrative stay on 5/4/2006.</i>	1/31/06	\$760,570	12
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Table 6: Unresolved Reports Issued Prior to April 1, 2006 (Cont.)

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A05F0020	Indiana State University Compliance with the Ronald E. McNair Postbaccalaureate Achievement Program Provisions <i>Status: Program Determination Letter (PDL) expected to be issued by October 31, 2006.</i>	1/6/06	\$38,884	5
A09F0010	Pittsburg Pre-School and Community Council, Inc.'s Use of Early Reading First and Migrant Education Even Start Grant Funds (<i>OESE also designated as action official</i>) <i>Status: AARTS data: audit was placed on administrative stay on 7/6/2006.</i>	3/17/06	\$910,217	21
A09F0020	Sheldon Jackson College's Administration of Fund for the Improvement of Postsecondary Education Grants (<i>OPE also designated as action official</i>) <i>Status: AARTS data: audit was placed on administrative stay on 4/26/2006.</i>	2/24/06		2
OESE				
A02E0030	William Floyd Union Free School District Allowability of Title I Salary and Salary-Related Expenditures <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	12/19/05	\$4,678,688	11
A02F0030	William Floyd Union Free School District Allowability of Title I Non-Salary Expenditures <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	3/30/06	\$146,939	8
A03F0002	The State of Delaware's Compliance with <i>NCLB</i> Public School Choice and Supplemental Educational Services Provisions <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	11/22/05		10
A04F0011	Audit of the Georgia Department of Education's Migrant Education Program <i>Status: AARTS data: audit was placed on administrative stay on 5/31/2006.</i>	1/12/06		7
A06F0013	Oklahoma State Department of Education's Migrant Education Program <i>Status: AARTS data: audit was placed on administrative stay on 6/29/2006.</i>	3/21/06	\$509,000	3
A06F0020	Data Quality Review of the Texas Consolidated State Performance Report <i>Status: PDL issued on 9/28/2006; audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	3/21/06		1
A07F0014	The U.S. Department of Education's Activities Relating to Consolidating Funds in Schoolwide Programs Provisions <i>Status: Internal Audit - no additional comments were provided to OIG.</i>	12/29/05		4
A09F0009	ARC Associates' and Oakland Unified School District's Compliance With Supplemental Educational Services Provisions (<i>OII also designated as action official</i>) <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	10/13/05	\$1,860	5
A09F0013	Professional Tutors of America and Los Angeles Unified School District's Compliance with Supplemental Educational Services Provisions (<i>OII is also designated action official</i>) <i>Status: PDL was issued on 9/29/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	10/27/05		2
A09F0019	San Diego City Schools' Compliance with Supplemental Educational Services Provisions (<i>OII is also designated action official</i>) <i>Status: PDL was issued on 9/29/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	3/27/06		1

Table 6: Unresolved Reports Issued Prior to April 1, 2006 (Cont.)

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
OSERS				
A07F0016	Kansas State Department of Education's Maintenance's of Effort Under the <i>IDEA</i> , Part B <i>Status: OSERS informed us that it was waiting for check.</i>	2/6/06		5
Reported in Previous SARs				
FSA				
A02E0003	The University of the Virgin Islands' Administration of Title IV Student Financial Assistance Programs Needs Improvement (SAR 51, pg. 25) <i>Status: PDL was issued on 9/25/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	4/8/05	\$102,077	25
A03F0001	School Eligibility Channel's Initial Review and Quality Control Review Process for Electronic Submissions of Institutions' Financial Statements Through the Department's eZ-Audit System (SAR 51, pg. 25) <i>Status: No status change. FSA previously informed us that OIG and FSA are negotiating over one corrective action on which OIG has non-concurred.</i>	9/20/05		
A04B0015	Review of Cash Management and Student Financial Assistance Refund Procedures at Bennett College (<i>OPE designated as collateral action office for this report</i>) (SAR 45, pg. 16) <i>Status: No comments were provided to OIG. FSA previously informed us that a duplicate audit is listed in AARTS. This audit had two parts: OCFO/Post Audit Group (PAG) was responsible for 04B0015G; while FSA is responsible for 04B0015H.</i>	9/26/02	\$997,313	7
A04B0019	Advanced Career Training Institute's Administration of the Title IV <i>HEA</i> Programs (SAR 47, pg. 13) <i>Status: FSA informed us it is waiting on PAG to fix user assignment in AARTS so audit can be closed by FSA/ALO. AARTS data: required documentation for resolution of this audit has not been entered into AARTS.</i>	9/25/03	\$7,472,583	14
A04E0001	Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown, TN (SAR 49, pg. 14) <i>Status: FSA informed us that the audit is on administrative stay; administrative stay extended till 12/23/2006. AARTS data: required administrative stay requests and extensions have not been generated through AARTS.</i>	9/23/04	\$2,458,347	7
A05E0013	Audit of the Administration of the Student Financial Assistance Programs at the Ivy Tech State College Campus in Gary, Indiana, During the Period July 1, 2002, through June 30, 2003 (SAR 50, pg. 21) <i>Status: No change in status. FSA previously informed us that the audit is being reviewed by FSA Chicago Case Team.</i>	2/25/05	\$1,645,160	3
A0670005	Professional Judgment at Yale University (SAR 36, pg. 18) <i>Status: FSA informed us that it is waiting on policy decision to address and resolve this finding in the final audit determination letter.</i>	3/13/98	\$5,469	3
A0670009	Professional Judgment at University of Colorado (SAR 37, pg. 17) <i>Status: FSA informed us that it is waiting on policy decision to address and resolve this finding in the final audit determination letter.</i>	7/17/98	\$15,082	4
A06A0003	International Business College's Administration of Title IV Student Financial Assistance Programs (SAR 42, pg. 22) <i>Status: FSA informed us it is waiting on PAG to fix user assignment in AARTS so audit can be closed by FSA/Audic Liaison Officer (ALO). AARTS data: required documentation for resolution of this audit has not been entered.</i>	3/28/01	\$461,035	4

Table 6: Unresolved Reports Issued Prior to April 1, 2006 (Cont.)

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A06D0018	Audit of Saint Louis University's Use of Professional Judgment for the Two-Year Period from July 2000, through June 2002 (SAR 50, pg. 21) <i>Status: FSA informed us that the audit is still on administrative stay; administrative stay extended till 12/10/2006. AARTS data: does not show the administrative stay was extended.</i>	2/10/05	\$1,458,584	6
A0723545	State of Missouri, Single Audit Two Years Ended June 30, 1991 <i>Status: No Change in status. FSA/Financial Partners Service (FPS) previously informed us that it is working with (Office of General Counsel (OGC) and OIG on the resolution of the Missouri audits. FSA stated that draft responses were forwarded to OGC for review and comment, and are awaiting OGC comments.</i>	4/1/93	\$1,048,768	18
A0733123	State of Missouri, Single Audit Year Ended June 30, 1992 <i>Status: No Change in status. FSA/FPS previously informed us that it is working with OGC and OIG on the resolution of the Missouri audits. FSA stated that draft responses were forwarded to OGC for review and comment, and are awaiting OGC comments.</i>	3/7/94	\$187,530	18
A09D0024	American River College's Compliance with Student Eligibility Requirements for Title IV Student Aid Programs (SAR 50, pg. 21) <i>Status: FSA informed us that the audit is currently being reviewed by its San Francisco Case Team.</i>	12/1/04	\$3,024,665	3
A09E0015	University of Phoenix's Processing of Student Financial Aid Disbursements for the HEA, Title IV Programs (SAR 51, pg. 26) <i>Status: PDL was issued on 9/27/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	8/24/05	\$341,994	7
N0690010	Inspection of Parks College's Compliance with Student Financial Assistance Requirements (SAR 40, pg. 18) <i>Status: FSA previously informed us that FSA Dallas Case Team denied school's recertification on December 31, 1999. School closed February 5, 2000.</i>	2/9/00	\$169,390	1
OCFO				
A02E0008	U.S. Department of Education Funds Disbursed for New York City Department of Education Telecommunication Services (SAR 51, pg. 26) <i>Status: OCFO informed us that the final decision was reviewed and returned to Indirect Cost Group in OCFO for further resolution.</i>	6/14/05	\$6,756,824	8
A05D0017	Audit of the University of Illinois at Chicago's Gaining Early Awareness and Readiness for Undergraduate Programs Project (OPE also designated as action official) (SAR 48, pg. 15) <i>Status: PDL was issued on 9/29/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	1/14/04	\$1,018,212	4
A05D0029	Audit of the Sonoran Desert School's use of U.S. Department of Education Funds for the Period September 1, 2001, through August 31, 2002 (OII also designated as action official) (SAR 48, pg. 16) <i>Status: OCFO informed us that it is working with OIG.</i>	10/31/03	\$37,452	4
A05D0041	University of Illinois at Chicago's Upward Bound Project (OPE also designated as action official) (SAR 50, pg. 22) <i>Status: OCFO informed us that it is reviewing information provided by the auditee.</i>	12/20/04	\$223,057	8
A05E0002	Audit of the University of Illinois at Chicago's Student Support Services Program (OPE also designated as action official) (SAR 50, pg. 22) <i>Status: OCFO informed us that it is reviewing information provided by the auditee.</i>	12/15/04	\$260,050	6
A05E0018	University of Illinois at Chicago's Upward Bound Math and Science Project (OPE also designated as action official) (SAR 50, pg. 22) <i>Status: OCFO informed us that it is reviewing information provided by the auditee.</i>	12/17/04	\$274,493	7

Table 6: Unresolved Reports Issued Prior to April 1, 2006 (Cont.)

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A06D0023	Audit of the Dallas Independent School District's Administration of the Bilingual Education-Systemwide Improvement Grant for the Period September 1, 1999, through August 31, 2003 (<i>Office of English Language Acquisition (OELA) also designated as action official</i>) (SAR 49, pg. 14) <i>Status: OCFO informed us that it is reviewing information provided by the auditee; revising draft PDL for OGC review.</i>	8/4/04	\$1,788,853	2
A07D0002	Audit of the Talent Search Program at Case Western Reserve University (SAR 47, pg. 14) <i>Status: OCFO informed us that it is working with OPE to determine the amount the auditee should refund to the Department.</i>	7/11/03	\$212,428	5
A09E0027	Guam Department of Education's Reported Costs for Consolidated Grants to Insular Areas and the Special Education Grants to States-Part B (<i>OESE and OSERS also designated as action officials</i>) (SAR 51, pg. 26) <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	4/18/05	\$140,176	14
OESE				
A0190006	Puerto Rico Department of Education Needs Major Improvements in Its Administration of the Even Start Program (SAR 41, pg. 22) <i>Status: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	9/27/00	\$181,305	18
A01A0004	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: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	3/28/01	\$7,841,493	14
A0250200	The Puerto Rico Department of Education Must Institute a Time Distribution System (SAR 36, pg. 13) <i>Status: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	11/14/97		1
A02B0012	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: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	9/28/01	\$8,412,280	10
A02B0025	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: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	9/12/02	\$2,146,023	10
A02C0017	Puerto Rico Department of Education's Administration of Contracts with the League of United Latin American Citizens National Educational Service Center (<i>Office of Vocational Adult (OVAE) also designated as action official for this report</i>) (SAR 47, pg. 15) <i>Status: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	6/10/03	\$115,390	5
A02D0014	Puerto Rico Department of Education's Title I Expenditures for the Period, July 1, 2002, to December 31, 2002 (<i>See Note 2</i>) (SAR 48, pg. 17) <i>Status: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	3/30/04	\$49,536	9

Table 6: Unresolved Reports Issued Prior to April 1, 2006 (Cont.)

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A02D0023	Puerto Rico Department of Education's Salaries for the Period July 1, 1999, to June 30, 2003 (SAR 49, pg. 14) <i>Status: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	6/2/04		6
A02E0007	Puerto Rico Department of Education's Administration of Contracts Awarded to Rock Solid Technologies (SAR 49, pg. 15) <i>Status: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	9/8/04	\$3,354,545	2
A02E0019	Puerto Rico Department of Education's Migrant Education Program (SAR 50, pg. 22) <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue list after all actions are completed in AARTS.</i>	3/30/05	\$43,824	5
A02E0031	Wyandanch Union Free School District's ESEA, Title I, Part A and Title II Non-Salary Expenditures for the Period July 1, 1999, through June 30, 2004 (SAR 51, pg. 27) <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	9/14/05	\$6,802,887 (See Note 3)	8
A02F0006	New Jersey Department of Education's Compliance with Title I, Part A, of the ESEA, as amended by the NCLB, Public School Choice and Supplemental Educational Services Provisions for the 2004-2005 School Year (OII also designated as action official) (SAR 51, pg. 27) <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	9/14/05		4
A04E0002	Georgia Department of Education's Administration of Title I, Part A of the ESEA (SAR 50, pg. 22) <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	11/8/04		8
A05C0012	Audit of East Cleveland City Schools' Administration of the 21 st Century Community Learning Centers Grant at Kirk Middle School for the Period June 1, 1998, through December 31, 2001 (SAR 45, pg. 18) <i>Status: No comments were provided to OIG.</i>	9/18/02	\$349,637	9
A05F0007	The Michigan Department of Education's Compliance with the Public School Choice and Supplemental Educational Services Provisions of the NCLB (OII also designated as action official) (SAR 51, pg. 27) <i>Status: PDL was issued on 9/29/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	8/2/05	\$18,532	4
A06E0008	Audit of the Title I Funds Administered by the Orleans Parish School Board for the Period July 1, 2001, through December 31, 2003 (SAR 50, pg. 23) <i>Status: No comments were provided to OIG.</i>	2/16/05	\$73,936,273	7
A06E0012	Audit of the Title I Funds Administered by the Caddo Parish School District, for the Period July 1, 2001, through December 31, 2003 (SAR 50, pg. 23) <i>Status: OESE previously informed us that the audit was placed on administrative stay while Louisiana is coping with the hurricane. The administrative stay request was submitted after the anticipated resolution date of 6/7/2005.</i>	12/7/04	\$488,314	1
A06E0017	Title I funds Administered by the Beauregard Parish School District, for the Period July 1, 2001, through December 31, 2003 (SAR 50, pg. 23) <i>Status: OESE previously informed us that the audit was placed on administrative stay while Louisiana is coping with the hurricane. The administrative stay request was submitted after the anticipated resolution date of 6/16/2005.</i>	12/16/04	\$540,443	5

Table 6: Unresolved Reports Issued Prior to April 1, 2006 (Cont.)

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
A06E0018	Title I funds administered by the East Baton Rouge Parish School District for the Period July 1, 2001, through December 31, 2003 (SAR 51, pg. 27) <i>Status: No comments were provided to OIG.</i>	6/8/05	\$148,246 (See Note 4)	4
A06F0002	Louisiana Department of Education, and Four Selected Local Educational Agencies for the Period July 1, 2001, through December 31, 2003 (SAR 51, pg. 27) <i>Status: No comments were provided to OIG.</i>	8/4/05		2
A07F0003	Illinois State Board of Education's Compliance with the Public School Choice and Supplemental Educational Services Provisions of the NCLB (OII also designated as action official) (SAR 51, pg. 27) <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	8/23/05		4
A09F0002	Nevada Department of Education's Compliance with the Public School Choice and Supplemental Educational Services Provisions (OII also designated as action official) (SAR 51, pg. 27) <i>Status: PDL was issued on 9/30/2006. Audit will be removed from the overdue listing after all actions are completed in AARTS.</i>	7/14/05		8
OPE				
A07B0011	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 it continues to work on this audit.</i>	5/8/03	\$1,822,864	5
OSDFS				
A0190007	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Governor's Safe and Drug-Free School Program (SAR 41, pg. 22) <i>Status: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	9/27/00	\$82,452	17
OSERS				
A02B0014	Audit of the Puerto Rico Vocational Rehabilitation Administration (SAR 45, pg. 18) <i>Status: OSERS agrees that the audit is open.</i>	6/26/02	\$15,800,000	5
A02D0020	Puerto Rico Department of Education's Special Education Expenditures for the Period, July 1, 2002, to December 31, 2002 (See Note 5) (SAR 48, pg. 18) <i>Status: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	3/30/04	\$122,901	9
A02E0009	Puerto Rico Department of Education's Special Education Program Services (SAR 50, pg. 23) <i>Status: The audit was prematurely closed in AARTS on 8/4/2006. Audit will be removed from the overdue list after all required actions are completed in AARTS.</i>	12/14/04	\$5,935,988	3
A02E0020	The Virgin Islands Department of Health's Administration of the Infants and Toddlers Program (See Note 6) (SAR 51, pg. 28) <i>Status: OSERS informed us that the audit was resolved on 6/25/2006 but has not been closed. The audit will be removed from our overdue listing after all actions are completed in AARTS.</i>	9/28/05		17

Table 6: Unresolved Reports Issued Prior to April 1, 2006 (Cont.)

Report Number	Report Title (Prior SAR Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
Note 1	Audit Report A09F0008 identified a one-time better use of funds of \$10,000,00.			
Note 2	We identified \$151,205,677 in better use of funds in audit A02D0014.			
Note 3	Audit Report A02E0031 also identified recommended adjustments of \$5,913,394.			
Note 4	Audit Report A06E0018 also reported \$1,000 related to a check writing error that was recovered during the audit. This money was not included in questioned or unsupported costs.			
Note 5	We identified \$79,515,522 in better use of funds in audit A02D0020.			
Note 6	We identified \$327,577 in one-time better use of funds in audit A02E0020.			

Table 7: Administrative Appeals of Final Audit Determinations Pending Before the Secretary as of September 30, 2006

Case Name	Docket No.	Control Number	Management's Final Audit Determination Date	Recovery Ordered	Hearing Official's Initial Decision Date	Hearing Official's Finding	Recoveries Upheld	Date Appealed to Secretary	Months Appeal Pending Before Secretary
Interactive Learning System	04-08-SA	06-10001	12/5/2003	\$985,798	3/8/2005	For ED	\$985,798	4/13/2005	17
Saint Louis University	99-29-SA	06-70003	12/23/1998	\$2,816,029	5/25/2000	For School	\$0	6/29/2000	75

Table 8: Statistical Profile: April 1, 2006, to September 30, 2006

***Note: This table has been updated as of 11/16/2007.**

	Six-month Period Ending 9/30/06	Fiscal Year Ending 9/30/06	FY 2006 Total
OIG AUDIT REPORTS ISSUED	17	56	73
Questioned Costs	\$283,597,169	\$285,110,211	\$568,707,380
Unsupported Costs	\$19,829	\$5,650,642	\$5,670,471
Recommendations for Better Use of Funds	\$882,000,000	\$892,000,000	\$1,774,000,000
OTHER OIG PRODUCTS	24	45	69
(Alert Memoranda, Attestations, Audit Closeout Memoranda/Letters, Inspections, Interim Audit Memoranda, Management Information Reports, Pre-award Attest Services Memoranda, Special Projects, and other Agency Reporting)			
OIG AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS	25	67	92
Questioned Costs Sustained	\$10,940,264	\$13,730,573	\$24,670,837
Unsupported Costs Sustained	\$2,051,015	\$3,608,868	\$5,659,883
Additional Disallowances Identified by Program Managers	\$565,726	\$565,726	\$1,131,452
Management Commitment to the Better Use of Funds	0	\$7,919,067	\$7,919,067
INVESTIGATIVE CASE ACTIVITY			
Cases Opened	111	67	178
Cases Closed	39	64	103
Cases Active at End of Period	375	372	NA

**Table 8: Statistical Profile: April 1, 2006, to September 30, 2006
(Cont.) *Note: This table has been updated as of 11/16/2007.**

	Six-month Period Ending 9/30/06	Fiscal Year Ending 9/30/06	FY 2006 Total
Prosecutorial Decisions	137	90	227
-Accepted	88	42	130
-Declined	49	48	97
INVESTIGATION RESULTS			
Indictments/Informations	44	70	114
Convictions/Pleas	62	63	125
Fines Ordered	\$37,053	\$16,275	\$53,328
Restitution Payments Ordered	\$3,346,702	\$7,390,599.46	\$1,0737,301
Civil Settlements/Judgments (#)	0	4	4
Civil Settlements/Judgments (\$)	0	\$54,758	\$54,758
Recoveries	\$568,154	\$49,661	\$617,815
Forfeitures/Seizures	\$427,050	0	\$427,050
Savings	\$516,391	\$118,959	\$635,350

U.S. Department of Education

Margaret Spellings
Secretary

Office of Inspector General

John P. Higgins, Jr.
Inspector General

Counsel's Office

Mary Mitchelson
Counsel to the Inspector General

November 2006

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