



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



**Semiannual Report to Congress: No. 47**

*April 1, 2003 - September 30, 2003*

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



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UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

October 31, 2003

Dear Mr. Secretary:

I am pleased to submit to you, in accordance with the Inspector General Act of 1978 (Public Law 95-452, as amended, section 5(b)), this semiannual report on the activities of the Department's Office of Inspector General for the six-month period ending September 30, 2003.

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).

Sincerely,

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 accomplishments of the Office of Inspector General (OIG), U.S. Department of Education (Department), from April 1, 2003 through September 30, 2003. During this period, we issued 61 audit and inspection reports and memoranda and closed 105 investigations. We also testified before Congress on fraud, waste, and abuse in student financial assistance programs, and provided suggestions for reauthorization of the Higher Education Act.

Our findings and recommendations are an important resource for assisting the Department in addressing its management challenges and in meeting the goals of the President's Management Agenda. We focus the majority of our resources on student financial assistance programs which account for more than half of the Department's \$50 billion budget and an additional \$265 billion loan portfolio.

Our investigative work is disclosing that identity theft is a growing risk to the integrity of student aid programs. We have investigated cases of individuals who used deceased persons' identities, stolen identities, and identities of relatives to fraudulently attempt to obtain student aid. For example, we recently investigated an individual who used fifty different identities, many of them of prison inmates, in an attempt to obtain more than \$300,000 in benefits. Another investigation disclosed an individual who used multiple false identities claiming attendance at several different schools in the United Kingdom to apply for more than \$40 million in student aid.



We are reviewing data to determine the validity of applicants' Social Security numbers, dates of birth and other identifying information. In cooperation with the Federal Student Aid office, we created a website, [www.ed.gov/misused](http://www.ed.gov/misused), to alert students and schools about the threat of identity theft and how to report this crime when it involves federal education funds.

This year marks the 25<sup>th</sup> anniversary of the Inspector General Act. We are proud of the contribution that our work is making to the effectiveness and efficiency of the Department's programs, to the integrity of its operations, and to detecting and preventing fraud, waste, and abuse. Access to quality education is one of our nation's fundamental values and is essential for its strong and secure future. We look forward to continuing to work with the Secretary and the Congress to make a positive difference in the quality of the Department's service to students and taxpayers.

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



# Activities and Accomplishments

The Office of Inspector General (OIG) for the period April 1, 2003 through September 30, 2003, continued its work to improve the programs and operations of the Department of Education (Department) and to protect their integrity. We have summarized our work in support of the mandates of the President's Management Agenda (PMA). Detailed information is available on our website at <http://www.ed.gov/about/offices/list/oig>.

## **PMA Goal: Elimination of Fraud and Error in Student Aid Programs**

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



Testifying before the House Budget Committee

In July, Inspector General John P. Higgins, Jr. testified before the House Budget Committee on fraud, waste, and abuse in student financial aid programs based on our extensive audits and investigations. We recommended two corrective actions that would have the most immediate impact in improving accountability in these programs: an income match with data submitted to the Internal Revenue Service and more effective monitoring by the Department. An income match would help reduce improper payments by ensuring that the information on applicants' student aid applications matches the income reported on their tax returns. More effective monitoring would help ensure that Department funds are used effectively and efficiently, and reduce the potential for fraud, waste, and abuse.

## **OVERSIGHT OF GUARANTY AGENCIES**

We continue to find that guaranty agencies are not in compliance with the Higher Education Act (HEA) and with federal regulations governing the establishment and operation of the Federal Family Education Loan (FFEL) program Federal and Operating Funds.

We conducted audits to formulate an overall conclusion on the adequacy of the Department's oversight of guaranty agencies' establishment and operation of these funds. Our audits of nine guaranty agencies during this and previous periods concluded that the Department should improve its monitoring process and should issue instructions to recognize ownership of federal assets and usage fees. Four guaranty agencies understated the beginning balances of the Federal Funds by more than \$15 million; three agencies used more than \$17 million in federal funds for unauthorized purposes; and two did not deposit approximately \$550,000 into the Federal Fund. In addition, the Department did not recall

excess reserves of approximately \$103 million, as it could have under an agreement between a guaranty agency and the Department.

We recommended that the Department revise its program review guide and review the 27 guaranty agencies we have not examined. The Department generally agreed with our recommendations. (“Oversight Issues Related to Guaranty Agencies’ Administration of the Federal Family Education Loan Program Federal and Operating Funds,” *ED-OIG/A05-D0010; July 31, 2003*)

Our audit of the Colorado Student Loan Program’s (CSLP) establishment and use of Federal and Operating Funds for the FFEL program found that CSLP inappropriately used loan-servicing expenditures to calculate the amount of funds it transferred from the Federal Fund, resulting in a transfer of approximately \$1.63 million in excess of the amount allowable under the HEA. CSLP also did not deposit \$302,824 from the Loan Servicing Unit to the Federal Fund, and used reserve funds to pay for \$236,000 of unallowable expenditures.

We recommended that Federal Student Aid (FSA) require CSLP to return to the Federal Fund \$547,185 in imputed interest on all of our findings. CSLP transferred approximately \$236,000 to the Federal Fund but did not agree with our other findings. CSLP was one of the nine guaranty agencies included in our audit of oversight issues. (“The Colorado Student Loan Program’s Establishment and Use of Federal and Operating Funds for the Federal Family Education Loan Program,” *ED-OIG/A07-C0009; July 23, 2003*)

#### **ACCREDITING AGENCY STANDARDS**

Our audit of the Department’s review of accrediting agency standards and procedures found that the Department needs to improve its management controls over evaluations of accrediting agencies that participate in Title IV programs. We concluded that the Department did not require regional accrediting agencies to establish quantitative student achievement standards for institutions offering vocational education programs, as required by federal regulations. It also did not meet GAO’s minimum level of quality for management controls, and so, could not ensure consistent evaluation of accrediting agencies’ standards. The Department agreed with some of our findings and recommendations, and is evaluating alternatives to one of the recommendations. (“Office of Postsecondary Education, Accrediting Agency Evaluation Unit’s Review of Selected Accrediting Agency Standards and Procedures,” *ED-OIG/A09-C0014; July 23, 2003*)

#### **PLUS LOAN DISBURSEMENT**

Our audits of citizenship requirements for PLUS program loan borrowers at two schools determined that ineligible non-citizens could receive PLUS loans. The Department has not established the same verification requirements for parents as those that apply to student borrowers, as required by the HEA. The Department must be able to verify the citizenship status of PLUS loan parents and endorsers to prevent ineligible non-citizens from receiving Title IV funds, and we suggested that the Department develop verification procedures. The Department disagreed with our suggestions, but stated that it plans to draw a sample of PLUS borrowers from the National Student Loan Data System and assess the Title IV eligibility of the students on whose behalf these parents borrowed. (“PLUS Could Be Disbursed to Ineligible Non-Citizens,” *ED-OIG/E06-D0008; August 22, 2003*)



**ADMINISTRATIVE  
CAPABILITY  
STANDARDS**

Our audit at Advanced Career Training Institute (ACT), a proprietary institution with campuses in Georgia and Florida, concluded that ACT did not meet the administrative capability standards required to participate in Title IV programs. We identified significant problems with the 90/10 rule revenue percentage, cash management, student eligibility, Direct Loan reconciliation, and refunds/return of funds of Title IV funds.

We recommended that FSA recover \$7.4 million in Title IV funds provided to ACT during fiscal year 2000 and consider terminating ACT's participation in Title IV programs. If FSA allows ACT to continue participating in Title IV, it should require ACT to implement controls and procedures to address the deficiencies we identified. ACT agreed with most of our findings and recommendations. ("Advanced Career Training Institute's Administration of the Title IV Higher Education Act Programs," *ED-OIG/A04-B0019*; September 22, 2003)

**DIRECT LOAN  
REFUNDS**

Our audit at Alcorn State University (ASU), Lorman, Mississippi, found that ASU did not identify and calculate refunds for students who officially withdrew or were identified as having officially withdrawn. ASU also did not always send refunds to the Department, and those that were returned were not always returned in a timely manner. In addition, ASU did not determine the withdrawal date and process refunds for students who dropped out. Our audit covered school fiscal years 1998-1999 through 2000-2001, during which ASU received a total of \$39.6 million in Department funds.

We recommended that FSA require ASU to develop and implement specified policies, procedures, and management controls, return \$83,386 in refunds to the Department, and pay imputed interest costs totaling \$247,064 for excess cash retained. ASU disagreed with some of our recommendations. ("Alcorn State University's Administration of Title IV Student Financial Assistance Programs Needs Strengthening," *ED-OIG/A04-B0018*; August 15, 2003)

**IDENTITY THEFT**

We investigate many cases of individuals who commit identity theft to obtain student financial assistance they are not entitled to receive. We are also conducting an analysis of identity theft trends. Examples of some of our cases follow.

An individual was arrested at Mesa Community College in Arizona after he tried to claim a student loan check under an assumed name. Our investigation disclosed that he used the identities of inmates serving lengthy prison sentences to obtain more than \$300,000 in student aid. When he tried to claim a student loan check under one name, an employee recognized him as the same person who had claimed an aid check under a different name the previous day. When campus police apprehended him, he produced identification under yet another name and was carrying identification for three other people.

OIG special agents arrested a man in Colorado who allegedly received approximately \$160,000 in student loans by falsely claiming that he and his brother were graduate students at a university in the United Kingdom. We identified more than 2,000 additional fraudulent loan applications that may be part of this scheme, requesting more than \$40 million in loans for attendance at schools in the United Kingdom. This is a joint investigation with the U.S. Postal Service.

The former financial aid director of a photography school in Boston pled guilty after our investigation disclosed that while serving as the financial aid officer at the school, he used a fictitious name to submit and certify several FFEL applications. He received more than \$14,000 in loans as a result.

#### **FRAUD BY SCHOOL OFFICIALS AND EMPLOYEES**

OIG special agents investigate cases of school officials and employees who use their positions to fraudulently obtain student aid money. We investigated a trade school owner who had been debarred by the Department for his improper activities while associated with several schools in Florida. Our investigation disclosed that he had subsequently purchased a beauty school in Puerto Rico, concealed his ownership of the school, and embezzled \$600,000 in Pell grants. As a result, he received a second jail term and was ordered to pay \$600,000 restitution.

A former financial aid officer at a nursing school in New York pled guilty after she submitted and processed 46 fraudulent FFEL applications using her name and the names of other people. She received \$248,500 as a result. Another individual who received more than \$180,000 for her part in this scheme also pled guilty.

#### **CAMPUS CRIME STATISTICS**



We issued an inspection memorandum on the Department's implementation of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act. This Act requires all postsecondary institutions eligible to participate in the Title IV programs to publish an annual security report. We recommended that the Department, in cooperation with outside experts, produce a definitive handbook for institutions that is useful, complete, and accurate, and ensure that security officers and Department staff receive sufficient training in campus crime statistics reporting. The Department generally agreed with our findings and recommendations. ("Campus Crime Statistics Reporting and the Clery Act," *ED/OIG I13-D0015; August 26, 2003*)

#### **LENDER INDUCEMENTS**

We issued an alert memorandum in response to an allegation that Sallie Mae was offering schools illegal inducements in return for FFEL loan volume, in violation of the HEA. We recommended that the Department clarify the application of the statute's anti-inducement provision to private loans and re-evaluate that provision to determine if statutory changes should be made. The Department advised OIG that it plans to address the issues raised by the memorandum. ("Review of Lender Inducements," *ED-OIG/I13-C0003; August 1, 2003*)

### **PMA Goal: Improved Financial Performance**

Sound financial management is essential to the Department's ability to provide accurate financial information, to manage for results, and to ensure operational integrity. Robust contract monitoring is fundamental to accountability in financial management.

#### **CONTRACT MONITORING**

Our review of the Department's ability to identify and monitor high risk contracts found that the Department does not define a high risk contract, or provide guidelines for program offices to use in monitoring these contracts. We suggested that the Department include a definition of a high risk contract and specific guidelines for identifying and monitoring these contracts in the directive it is currently revising. ("Audit of the Department's Ability to Identify and Monitor High-Risk Contracts," *ED-OIG/X05-D0022; September 18, 2003*)

We also conducted pre-award reviews of two proposals for FSA's Common Services for Borrowers contract.

In other work, we examined a service contract for an inventory of the Department's information technology equipment at all its locations. Based on our review, we alerted the Department that this contract was not performance-based and that handling of performance issues needed to be improved in accordance with federal regulations. The Department concurred with our suggestions for improvement. ("Contract for Equipment Inventory Services," *ED-OIG/E19-D0004*; May 19, 2003)

We issued a memorandum on our audit of a contract between the Department and Abt Associates, Inc., to provide information to the Department on contract negotiations, performance measures, and monitoring. The Department agreed to take corrective action to address the issues we raised. ("Contract Negotiations, Contract Performance Measures, and Contract Monitoring," *ED-OIG/X02-D0010*; July 11, 2003)

Our contract closeout audit of Appalachia Educational Laboratory (AEL) found that AEL received \$344,530 more than the approved contract amount and \$258,983 more in indirect costs than allowed. AEL agreed that it received excess funds for the contract, and advised us it was awaiting the Department's decision on a possible contract modification before making the appropriate refund. ("Contract Closeout Audit at Appalachia Educational Laboratory," *ED-OIG/A04-C0020*; July 28, 2003)

## INTERNAL CONTROL



We completed several investigations of employees who used their positions to defraud the Department. All 19 defendants, eight of whom were Department employees, have been sentenced in our investigation of a conspiracy that defrauded the Department of approximately \$1.3 million in electronic equipment and false overtime charges. The Department employee who led the conspiracy was sentenced to 54 months in prison, her husband received a 27-month sentence and a \$50,000 fine, and her son received a 16-month prison term. We recovered over 500 items of electronic equipment from this investigation.

Our investigation of two Department employees who used their government credit cards to illegally obtain more than \$163,000 in goods and services for personal use resulted in a 33-month jail term and an order to pay \$146,977 restitution for one of the employees. The other individual is awaiting sentencing.

In another case of criminal activity by a Department employee, an individual was sentenced to 21 months incarceration for using his Department computer to download sexually explicit material depicting minors.

## PMA Goal: Budget and Performance Integration

Performance and results are increasingly linked to budget and funding decisions at the federal and grant recipient levels. Accurate and reliable data are also essential to

implementing the No Child Left Behind Act, as that statute ties funding decisions to school performance.

#### GOVERNMENT PERFORMANCE AND RESULTS ACT REPORTING

Our audit of the Rehabilitative Services Administration's (RSA) reporting under the Government Performance and Results Act found that internal controls for databases used for reporting required data should be strengthened. Specifically, we concluded that RSA did not remit data in a timely manner and did not make full disclosure on the limitations of its data. The Department generally concurred with our findings. ("Review of Data Reliability for Rehabilitative Services Administration Reporting Under the Government Performance and Results Act," *ED-OIG/A02-B0023*; May 30, 2003)



#### VOCATIONAL EDUCATION PERFORMANCE DATA REPORTING

We completed audits of Indiana's and Florida's management controls over Carl D. Perkins Vocational and Applied Technology Education Act of 1998 (Perkins III) performance data. We found that both states lacked adequate controls to ensure that the performance data reported to the Department for program year 2000-2001 were complete, accurate, and reliable. We recommended that the Department ensure that Indiana's Department of Workforce Development develop and implement appropriate controls, policies, and procedures to ensure that Perkins III performance data are complete, accurate, and reliable. Indiana did not provide written comments on our findings. ("Audit of Indiana's Management Controls Over Perkins III Performance Data," *ED-OIG/A05-D0012*; September 11, 2003)

We found that the Florida Department of Education had established a number of controls to ensure the quality of its performance data, but we determined that it needs to strengthen controls over its process to collect and report Perkins III performance data to the Department to ensure that the data are complete, accurate, and reliable. Florida stated that it had completed some actions and was implementing additional controls to ensure the quality of the Perkins III performance data. ("Audit of Florida's Management Controls over Perkins III Performance Data," *ED-OIG/A03-C0019*; July 30, 2003)

#### MIGRANT EDUCATION



We issued a report summarizing our audit findings on procedures at the Texas, Florida, Kansas, and California state education agencies for identifying migrant children who qualify for "priority for services." We found that none of the four states had established and implemented appropriate procedures to identify and target services to migratory children eligible for these services. In addition, none of the four states had established procedures for reporting to the Department an accurate number of priority for services migratory children served. As a result, the Department cannot determine whether \$212.2 million in Elementary and Secondary Education Act (ESEA), Title I, Part C Migrant Education program funds these states received in fiscal year 2001 was used to



provide services to priority for services migratory children before services were provided to other migratory children. We believe it is likely that more states have not complied with priority for services requirements.

We suggested that the Department provide additional guidance and technical assistance to all states on the priority for services requirements. The Department generally concurred with our suggestions, and has outlined corrective actions. (“States’ Compliance with Priority for Services for Migratory Children,” *ED-OIG/X06-D0021*; September 30, 2003)

#### **CHARTER SCHOOLS’ ACCESS TO ESEA, TITLE I, PART A FUNDS**

Our audit of the New York State Education Department (NYSED) and three local educational agencies (LEAs) found that one LEA did not allocate the proportionate amount of funds to one charter school, and none of the LEAs provided new or expanding charter schools with timely access to the funds. We also found that charter schools could benefit from additional information on the Elementary and Secondary Education Act consolidated application process. NYSED concurred with our recommendations, and stated that it has taken steps to implement them. (“Charter Schools Access to Title I Funds in the State of New York,” *ED-OIG/A09-D0014*; July 28, 2003)



#### **ELIGIBILITY FOR GEAR UP PROGRAM**

We found that Valencia Community College (VCC) did not administer the matching requirements for its Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) projects in accordance with legislative, regulatory, and administrative requirements. Six of the partnerships did not contribute \$1,600,749 of the required match, and VCC claimed unallowable matching costs of \$4,105,975. We recommended that the Department require VCC officials to refund \$496,932 of federal expenditures and \$1,325,932 of federal funds for unallowable matching costs. VCC did not concur with most of our findings or recommendations. (“Audit of Valencia Community College’s Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement,” *ED-OIG/A07-B0011*; May 8, 2003)

#### **VIRGIN ISLANDS MANAGEMENT OF FEDERAL EDUCATION FUNDS**

Our audit found that the Virgin Islands Department of Education (VIDE) had about \$6.8 million in Department funds that lapsed over a six-year period, improperly expended \$1.5 million in expired Department funds, and failed to use or return \$482,085 in duplicate payments in a timely manner. We recommended that VIDE return \$1.5 million to the Department and take specified steps to address the other identified weaknesses. VIDE did not agree with the recommendations to return funds, but agreed to implement the remaining recommendations. The September 2002 Compliance Agreement between the Department and the Virgin Islands requires VIDE to develop solutions to problems in managing federal education funds and programs. (“The Virgin Islands Department of Education Did Not Manage Its Federal Education Funds,” *ED-OIG/A02-C0012*; September 30, 2003)

**VIRGIN ISLANDS  
EQUIPMENT  
INVENTORY  
CONTROL**

Our audit of VIDE-St. Thomas’s controls over equipment purchased with Department funds found that VIDE-St. Thomas did not maintain adequate controls and could not account for \$1,451,218 in equipment. We recommended that the Department require VIDE-St. Thomas to account for all equipment or return \$1,451,218 to the Department. VIDE outlined corrective actions to address control weaknesses we identified. (“The Virgin Islands Department of Education - St. Thomas/St. John School District’s Control of Equipment Inventory,” *ED-OIG/A02-C0011; June 5, 2003*)

**GRANTEE  
CONTRACTS**

We audited the Puerto Rico Department of Education (PRDE) to determine if PRDE properly administered contracts awarded to the League of United Latin American Citizens National Educational Service Center (LNESEC). We found that PRDE did not have the required supporting documentation, and paid \$109,701 in unsupported costs and \$5,689 in questioned costs to LNESEC. PRDE did not concur with our findings, but stated that it plans to implement controls to meet program requirements. (“Puerto Rico Department of Education’s Administration of Contracts with the League of United Latin American Citizens National Educational Service Center,” *ED-OIG/A02-C0017; June 10, 2003*)

**TALENT SEARCH  
AT CASE  
WESTERN  
RESERVE**

Our audit of the Talent Search program at Case Western Reserve University, Cleveland, Ohio found that the program served significantly fewer participants than it was funded to serve or than required by regulation, making it ineligible for federal funds for the period covered. We recommended that the Department require Case Western to refund the entire \$212,428 expended for the program during the 2001-2002 budget period, and establish and properly document procedures to ensure that only eligible participants receiving eligible services are counted as Talent Search participants. We also recommended that the Department monitor the university’s current Talent Search project to determine whether it will be able to meet required minimum participant numbers or should have its grant withdrawn. The university did not concur with our finding or refund recommendation. (“Talent Search Program at Case Western Reserve University,” *ED-OIG/A07-D0002; July 11, 2003*)

**FRAUD AGAINST  
DEPARTMENT  
GRANT PROGRAM**

OIG special agents facilitated the June 2003 debarment of a grant writer in Wyoming who pled guilty after she backdated grant applications for the Upward Bound and McNair programs. A U.S. Postal Inspection Service investigation found that she used U.S. Postal Service cancellation equipment that she obtained illegally to execute her scheme. She admitted that she began backdating applications in 1997 when she was unable to meet deadlines.

**TITLE I FRAUD**

An engineer at a high school in New York pled guilty after he falsely claimed that his son had performed custodial work at the school. His son received over \$19,000 for the alleged work; some of this money was Title I funds. In this joint investigation with the Federal Bureau of Investigation, we found that during the time he was allegedly employed in New York, the individual’s son was living in California.

**PMA Goal: Expanded Electronic Government**

We continued our work to evaluate the Department’s progress to secure its information technology (IT) resources and to protect the systems used to administer the billions of education dollars under its stewardship.



### FINANCIAL MANAGEMENT SYSTEMS



We conducted an audit to identify potential risk areas in the development and implementation of FSA's Oracle Federal Financial Management System. Our audit focused on future system operations, security, interfacing, and program management. We made recommendations for FSA to provide a more accurate and timely interface with the Department's Oracle Federal Financial Management System. FSA concurred with our findings and recommendations, and prepared a corrective action plan to address the issues raised. ("Audit of Federal Student Aid's Development and Implementation of Oracle Federal Financials," *ED-OIG/A11-C0011*; May 22, 2003)

### CAPITAL PLANNING AND INVESTMENT MANAGEMENT

We reviewed the Department's IT capital planning and investment review process. We found that the Department lacked adequate management processes to ensure that IT investment decisions were consistent with the enterprise architecture it is developing. Such processes are necessary for IT systems to function well across the Department. The Department generally agreed with our findings and recommendations, and stated that improvements had been incorporated in its most current IT investment management process. ("Audit of Capital Planning and Investment Management," *ED-OIG/A07-C0033*; September 12, 2003)

### FISMA AND CONTINGENCY PLANNING

Our audit of the Department's implementation of the Federal Information Security Management Act (FISMA) determined that the Department has not fully implemented an agency-wide information security program in accordance with FISMA. We also identified significant security weaknesses on the servers and databases that support the Department's mission-critical systems. The Department concurred with our findings and recommendations, is currently addressing the identified vulnerabilities, and has embarked upon a formal certification and accreditation process for all systems, which it plans to complete by December 2004. ("Department of Education's Implementation of FISMA," *ED-OIG/A11-D0003*; September 22, 2003)

The objective of our audit of contingency planning for select FSA information systems was to assess the viability and adequacy of IT contingency provisions implemented by FSA, and the Department's preparedness to operate student financial aid services in the event of a disruption. We found that FSA needs to improve IT contingency planning, testing, and coordination. The Department concurred with our findings and recommendations, and described actions taken or underway that will address many of the weaknesses we identified. ("Review of Contingency Planning for Select U.S. Department of Education Information Systems - Federal Student Aid," *ED-OIG/A11-C0010*; September 30, 2003)

## Other Activities and Accomplishments

### SINGLE AUDIT NATIONAL PROJECT

We are leading the *National Project to Statistically Measure the Quality of Single Audits*, a two-year interagency project, under the auspices of the President's Council on Integrity and Efficiency. The purpose of this project is to assess the quality of single audits submitted to the Department by grant recipients.

### 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. Our 51 QCRs of audits conducted by 50 different IPAs,

or offices of firms with multiple offices, found that 28 (55%) of the audits were acceptable, 17 (33%) were technically deficient, and 6 (12%) were substandard. We also referred three IPAs to the appropriate state boards of accountancy and, if members, to the American Institute of Certified Public Accountants for possible disciplinary action for substandard work. These IPAs were referred for work reported in a prior semiannual report.

We also published an updated audit guide for lenders and lender servicers applying for “exceptional level of performance” status in servicing FFEL loans. The guide is available at <http://www.ed.gov/about/offices/list/oig/nonfed/epguidefinal.pdf>.

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

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<b>5(a)(8)</b>	<b>Audit Reports Containing Questioned Costs</b>		
	Inspector General Issued Audit Reports with Questioned Costs	4	16
<b>5(a)(9)</b>	<b>Audit Reports Containing Recommendations That Funds Be Put to Better Use</b>		
	Inspector General Issued Audit Reports with Recommendations for Better Use of Funds	5	18
<b>5(a)(10)</b>	<b>Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period</b>		
	Unresolved Reports Issued Prior to April 1, 2003	6	18
<b>5(a)(11)</b>	<b>Significant Revised Management Decisions</b>		
<b>5(a)(12)</b>	<b>Significant Management Decisions with Which OIG Disagreed</b>		
<b>5(a)(13)</b>	<b>Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996</b>		

**Table 1: Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target Date
					Open	Closed	

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

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

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target Date
					Open	Closed	
<b>NEW AUDITS SINCE LAST REPORTING PERIOD</b>							
<b>Federal Student Aid</b>							
<a href="#">A06-A0020</a>	Audit of the Effectiveness of the Department's Student Financial Aid Application Verification Process (SAR 44, pg. 7)	3/28/02	6/30/02		*	4	*
<b>Office of the Chief Financial Officer</b>							
<a href="#">A17-B0006</a>	Audited Financial Statements - U.S. Department of Education Years Ended September 30, 2001 and 2000 (SAR 44, pg. 15)	2/27/02	8/31/02		1	13	10/31/03
<a href="#">A17-B0007</a>	Audited Financial Statements - U.S. Department of Education Student Financial Assistance Years Ended September 30, 2001 and 2000 (SAR 44, pg. 4)	2/27/02	8/31/02		1	11	10/31/03
<b>Office of the Chief Information Officer</b>							
A11-A0009	Disaster Recovery and Backup Plans for Selected Information Technology Systems (SAR 44, pg. 6)	11/28/01	4/30/02		1	4	10/31/03
<b>AUDITS REPORTED IN PREVIOUS SEMIANNUAL REPORTS</b>							
<b>Federal Student Aid</b>							
<a href="#">A01-90005</a>	The Recertification Process for Foreign Schools Needs to Be Improved (SAR 41, pg. 23)	9/29/00	3/31/01		*	4	*
<a href="#">A05-A0025</a>	Great Lakes Higher Education Guaranty Corporation's (Great Lakes Guaranty) Administration of the Federal Family Education Loan (FFEL) Program Federal and Operating Funds (SAR 42, pg. 22)	3/30/01	1/31/02		4	3	3/31/04
<b>Office of the Chief Financial Officer</b>							
<a href="#">A03-B0018</a>	Audit of the U.S. Department of Education's Discretionary Grants Monitoring Process (SAR 44, pg. 3)	10/24/01	3/26/02		2	0	9/30/04
<b>Office of the Chief Information Officer</b>							
<a href="#">A11-A0011</a>	Audit of the Department's Records Management Program (SAR 43, pg. 11)	9/27/01	3/28/02		1	6	11/30/03
<b>Office of Postsecondary Education</b>							
<a href="#">A04-90013</a>	Office of Higher Education Programs Needs To Improve its Oversight of Parts A and B of the Title III Program (SAR 42, pgs. 10 & 11)	12/27/00	1/31/02		*	17	*
* Corrective Actions have been completed by the Action Office but the audit was not closed by the Department before the reporting period ended (9/30/03).							

**Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (April 1, 2003 to September 30, 2003)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
Section 5(a)(6) of the Inspector General Act of 1978 as amended requires a listing of each report completed by OIG during the reporting period. During this period, ED/OIG Audit Services issued 39 audit reports (2 presented in consolidation). In addition, we issued 18 alternative products, which include 6 interim audit memoranda, 2 alert memoranda, 5 management information reports, 3 audit closeout letters, and 2 memoranda relating to contract pre-award audits <sup>1</sup> . The audit reports and alternative products are listed below <sup>2</sup> .					
<b>AUDIT REPORTS</b>					
<b>Federal Student Aid</b>					
<a href="#">A02-B0026</a>	Audit of Taylor Business Institute's Administration of the Title IV Student Financial Assistance Programs	7/8/03	\$2,089		5
<a href="#">A04-B0018</a>	Alcorn State University's Administration of Title IV Student Financial Assistance Programs Needs Strengthening	8/15/03	\$342,505		24
<a href="#">A04-B0019</a>	Advanced Career Training Institute's Administration of the Title IV Higher Education Act Programs	9/25/03	\$7,469,328		14
<a href="#">A06-C0035</a>	Audit of Flight Safety Academy's Compliance with Student Financial Assistance Citizenship and Program Eligibility Requirements, under Title IV of the Higher Education Act of 1965, as amended (HEA)	9/29/03	\$5,666,525		3
<a href="#">A07-C0009</a>	Audit of the Colorado Student Loan Program's Establishment and Use of Federal and Operating Funds for the Federal Family Education Loan Program	7/23/03	\$2,760,821		4
<a href="#">A07-C0030</a>	Address Match using the Department's Student Financial Assistance (SFA) Application Processing and Disbursement Systems - the Federal Student Aid's (FSA) Central Processing System (CPS) and the National Student Loan Data System (NSLDS)	8/25/03			2
A11-C0010	Review of Contingency Planning for Select U.S. Department of Education Information Systems - Federal Student Aid (FSA) ( <i>Office of the Chief Information Officer (OCIO) also designated action official for this report.</i> )	9/30/03			4
A11-C0011	Audit of Federal Student Aid's Development and Implementation of Oracle Federal Financials	5/22/03			13
A17-D0005 & A17-D0006	MANAGEMENT LETTERS Fiscal Years 2002 and 2001 Financial Statement Audits U.S. Department of Education and Federal Student Aid ( <i>OCIO &amp; Office of the Chief Financial Officer (OCFO) also designated as action officials for this combined report.</i> )	4/3/03			9
<b>Institute of Education Sciences</b>					
<a href="#">A05-C0010</a>	Review of Management Controls Over Scoring of the National Assessment of Educational Progress (NAEP) 2000	6/17/03			2

**Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (April 1, 2003 to September 30, 2003)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<b>Office of the Chief Financial Officer</b>					
<a href="#">A03-C0021</a>	Review of Aspen Systems Corporation's (Aspen) administration of the Education Publications (ED Pubs) contract (Contract Number ED-98-C0-0007) for the period March 13, 1998, through June 30, 2002	5/6/03			3
<a href="#">A04-C0020</a>	Contract Closeout Audit of Office of Educational Research and Improvement Contract No. RJ96006001 at Appalachia Educational Laboratory	7/28/03	\$344,530		2
<a href="#">A05-C0028</a>	Audit of Governors State University's (GSU) Administration of its Student Support Services and Upward Bound Programs ( <i>Office of Postsecondary Education (OPE) also designated as action official for this report.</i> )	8/18/03	\$3,213		7
<a href="#">A05-D0019</a>	Audit of the C.I. Wilson Academy I's (Academy) use of U.S. Department of Education (ED) funds for the period July 1, 2001, through June 30, 2002 (2001-2002 school year) ( <i>Office of Innovation and Improvement (OII) also designated as action official for this report.</i> )	9/22/03	\$32,783	\$1,044	3
<a href="#">A05-D0024</a>	Audit of Career Success High School's (School) use of U.S. Department of Education (ED) funds for the period July 1, 2001, through June 30, 2002 (project period)	9/30/03	\$15,882		2
<a href="#">A05-D0025</a>	Audit of The Shelby School's (School) use of U.S. Department of Education (ED) funds for the period August 10, 2001, through August 30, 2002 ( project period)	9/30/03	\$4,815		2
<a href="#">A05-D0030</a>	Audit of the C.I. Wilson Academy II's (Academy) use of U.S. Department of Education (ED) funds for the period July 1, 2001, through June 30, 2002 (project period) ( <i>OII also designated as action official for this report. )</i>	9/26/03	\$63,189		3
<a href="#">A06-C0034</a>	Audit of the Texas Education Agency's (TEA) Treatment of the Costs of Unused Accrued Vacation Leave of Retiring or Separating Employees (terminal leave) for the period September 1, 1999, through August 31, 2002	7/8/03			2
<a href="#">A06-D0014</a>	Audit of the 21 <sup>st</sup> Century Community Learning Centers (21 <sup>st</sup> Century) grant to Mt. Judea Public School (Mt. Judea) for the period June 1, 2000, through January 31, 2003	9/29/03	\$24,786	\$372,714	2
<a href="#">A07-D0002</a>	Audit of the Talent Search Program at Case Western Reserve University (CWRU)	7/11/03	\$212,428		5
<a href="#">A09-C0026</a>	Northwest Indian College Administration of the U.S. Department of Education, Office of Vocational and Adult Education Grant No. V101A990026	9/30/03	\$632,241		6
<b>Office of the Chief Information Officer</b>					
<a href="#">A07-C0033</a>	Audit of Capital Planning and Investment Management	9/12/03			9



**Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (April 1, 2003 to September 30, 2003)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
A11-D0003	The Department of Education's Implementation of FISMA	9/22/03			10
<b>Office of Elementary and Secondary Education</b>					
<a href="#">A02-C0011</a>	The Virgin Islands Department of Education-St. Thomas/St. John School District's Control of Equipment Inventory ( <i>Office of Special Education and Rehabilitative Services (OSERS) and Office of Vocational and Adult Education (OVAE) also designated action officials for this report.</i> )	6/5/03		\$1,451,218	6
<a href="#">A02-C0012</a>	The Virgin Islands Department of Education Did Not Effectively Manage Its Federal Education Funds	9/30/03	\$1,542,928		18
<a href="#">A02-C0017</a>	Puerto Rico Department of Education's Administration of Contracts with the League of United Latin American Citizens National Educational Service Center ( <i>OVAE also designated as action official for this report.</i> )	6/10/03	\$5,689	\$109,701	5
<a href="#">A05-C0029</a>	Audit of Minnesota's local educational agencies' (LEA) allocations of Elementary and Secondary Education Act, as amended, Title I, Part A, funds to schools for the period July 1, 2001, through June 30, 2002 (2001-2002 school year)	9/30/03			2
<a href="#">A05-D0009</a>	Audit of Cleveland Municipal School District's Set-Aside Funds for District-Wide Activities	8/6/03	\$43,067		7
<a href="#">A06-C0031</a>	Audit of the Migrant Education Program at the Florida Department of Education	5/2/03			3
<a href="#">A06-C0032</a>	Kansas Department of Education's Compliance with the Priority for Services Requirements of the Migrant Education Program	5/15/03			3
<a href="#">A06-C0033</a>	California Department of Education's Compliance with the Priority for Services Requirements of the Migrant Education Program	5/30/03			3
<a href="#">A09-D0014</a>	Charter Schools' Access to Title I Funds in the State of New York ( <i>OII also designated as action official for this report.</i> )	7/28/03			6
<b>Office of Postsecondary Education</b>					
<a href="#">A05-D0010</a>	Oversight Issues Related to Guaranty Agencies' Administration of the Federal Family Education Loan Program Federal and Operating Funds ( <i>FSA also designated as action official for this report.</i> )	7/31/03			5
<a href="#">A07-B0011</a>	Audit of Valencia Community College's Gaining Early Awareness and Readiness for Undergraduate Programs Matching Requirement	5/8/03	\$1,822,864		5
<a href="#">A09-C0014</a>	Office of Postsecondary Education, Accrediting Agency Evaluation Unit's Review of Selected Accrediting Agency Standards and Procedures	7/23/03			13
<b>Office of Special Education and Rehabilitative Services</b>					
<a href="#">A02-B0023</a>	Review of Data Reliability for Rehabilitative Services Administration Reporting Under the Government Performance and Results Act	5/30/03			2

**Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (April 1, 2003 to September 30, 2003)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<b>Office of Vocational and Adult Education</b>					
<a href="#">A03-C0019</a>	Audit of Florida's Management Controls Over Perkins III Performance Data	7/30/03			6
<a href="#">A05-D0012</a>	Audit of Indiana's Management Controls Over Perkins III Performance Data	9/11/03			4
<b>ALTERNATIVE AUDIT SERVICES PRODUCTS</b>					
<b>Federal Student Aid</b>					
A06-B0002	Notice of Audit Termination - Audit of the William D. Ford Federal Direct Loan Program (Direct Loan) Reconciliation Process ( <i>Audit Closeout Letter</i> )	5/13/03			
A06-D0019	Texas State Technical College Waco ( <i>Audit Closeout Letter</i> )	9/18/03			
<b>Office of the Chief Financial Officer</b>					
X02-D0010	Contract Negotiations, Contract Performance Measures, and Contract Monitoring ( <i>Management Information Report State and Local No. 03-01</i> )	7/11/03			4**
<a href="#">X05-D0022</a>	Audit of the Department's Ability to Identify and Monitor High-Risk Contracts ( <i>Management Information Report State and Local No. 03-02</i> )	9/18/03			1**
<b>Office of Elementary and Secondary Education</b>					
<a href="#">X06-D0021</a>	States' Compliance with Priority for Services for Migratory Children ( <i>Management Information Report State and Local No. 03-03</i> )	9/30/03			3**
<b>Office of Postsecondary Education</b>					
<a href="#">E06-D0008</a>	PLUS Could Be Disbursed to Ineligible Non-Citizens ( <i>Management Information Report Student Financial Assistance No. 03-01</i> )	8/22/03			2**
A09-D0019	Audit of Lower Columbia College's (LCC) administration of the Student Support Services (SSS) Program Grant No. P042A970447 ( <i>Audit Closeout Letter</i> )	7/29/03			
<b>Office of the Deputy Secretary</b>					
S17-D0004	Suggestions for Improving Department of Education's Policies on Expenditures for Presidential Appointees and Executive Staff ( <i>Management Information Report FIN-03-01</i> )	4/2/03			2**
<p>* For purposes of this schedule, questioned costs include other recommended recoveries.</p> <p>** These are suggestions and not recommendations, and will not be tracked or follow the audit resolution process.</p> <p>Note - We identified \$690,232 in better use of funds in audit A05-C0029.</p>					

**Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (April 1, 2003 to September 30, 2003)**

Report Number	Report Title	Date Issued	Questioned Costs*	Unsupported Costs	No. of Recommendations
<sup>1</sup> DESCRIPTION OF ALTERNATIVE PRODUCTS <b>Interim audit memoranda</b> notify Department management of a serious condition or issue requiring immediate attention that we identified in an ongoing assignment. <b>Alert memoranda</b> are prepared when a serious condition is identified outside of the agreed-upon objectives of an ongoing assignment, or while doing work not related to an on-going assignment (when an audit report will not be issued). <b>Management information reports</b> provide management with information that can be useful in carrying out program activities. <b>Closeout letters</b> are issued to provide written notification to auditees of audit closure when the decision is made to close an assignment without issuing an audit report. <sup>2</sup> The interim audit memoranda, alert memoranda, and pre-award memoranda are not identified individually as they are not publicly distributed.					

**Table 3: Other ED/OIG Reports on Education Department Programs and Activities (April 1, 2003 to September 30, 2003)**

Report Number	Title of Report	Date Issued
I13C0022	Review of Management Controls Governing Changes in Discretionary Grants	8/1/03
I13D0015	Campus Crime Statistics Reporting and the Cleary Act	8/26/03
I13C0003	Review of Lender Inducements	8/1/03
I13D0006	OIG Safety/Security Follow-up Report	6/15/03

**Table 4: Inspector General Issued Audit Reports with Questioned Costs**

		Number	Questioned <sup>1</sup>	Unsupported <sup>2</sup>
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	54	\$293,353,968	\$45,180,954 <sup>3</sup>
B.	Which were issued during the reporting period	<u>19</u>	<u>\$22,924,360</u>	<u>\$1,934,677</u>
	Subtotals (A + B)	73	\$316,278,328	\$47,115,631
C.	For which a management decision was made during the reporting period	8	\$6,996,112	\$6,238,361
	(i) Dollar value of disallowed costs		\$2,425,112	\$1,667,361
	(ii) Dollar value of costs not disallowed		\$4,571,000	\$4,571,000
D.	For which no management decision has been made by the end of the reporting period	65	\$309,282,216	\$40,877,270
E.	For which no management decision was made within six months of issuance	46	\$286,357,856	\$38,942,593

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

<sup>2</sup>Unsupported costs are costs that, at the time of the audit, were not supported by adequate documentation.

<sup>3</sup>Beginning Balance for Unsupported Costs was increased by \$45,500 (A06-B0028) to coincide with database.

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

		Number	Dollar Value
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	0	\$0
B.	Which were issued during the reporting period	1	\$690,232
	Subtotals (A + B)	1	\$690,232
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		\$0
	(ii) Dollar value of costs not disallowed		\$0
D.	For which no management decision has been made by the end of the reporting period	1	\$690,232
E.	For which no management decision was made within six months of issuance	0	\$0

**Table 6: Unresolved Reports Issued Prior to April 1, 2003**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
Section 5(a)(10) of the Inspector General Act as amended requires a listing of each report issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period.				
<b>New Since Last Reporting Period</b>				
<b>Federal Student Aid</b>				
<a href="#">A05-C0014</a>	Educational Credit Management Corporation's Administration of the Federal Family Education Loan Program Federal and Operating Funds (SAR 46, pg. 12) <i>Status: FSA does not fully agree with the recommendations and is reviewing the findings to determine other possible recommendations. FSA will be working with OIG to resolve these issues.</i>	3/18/03	\$15,096,156	10
<a href="#">A05-C0015</a>	Audit of American School of Technology's Administration of the Title IV, HEA Programs, Columbus, Ohio (SAR 46, pg. 12) <i>Status: Audit is being reviewed by FSA Chicago Case Team.</i>	3/21/03	\$1,311,249	13
<a href="#">A05-D0001</a>	Audit of Educational Credit Management Corporation's (ECMC) administration of the Federal Family Education Loan (FFEL) program Federal and Operating Funds for the period April 1, 2000 through March 31, 2001 (OPE also designated as action official for this report (SAR 46, pg. 12) <i>Status: FSA does not fully agree with the recommendations and is reviewing the findings to determine other possible recommendations. FSA will be working with OIG to resolve these issues.</i>	3/20/03	\$103,000,000	7
<a href="#">A06-C0018</a>	Gretna Career College's Administration of the Title IV Student Financial Assistance Programs (SAR 46, pg. 12) <i>Status: Audit was placed on administrative stay on June 17, 2003. FSA/SEC/CMO senior managers are reviewing the 90/10 calculations before approving the Final Audit Determination letter.</i>	12/19/02	\$1,383,470	6
<a href="#">A09-C0013</a>	California Student Aid Commission's Administration of the Federal Family Education Loan Program Federal and Operating Fund (SAR 46, pg. 13) <i>Status: FSA does not fully agree with the recommendations and is reviewing the findings to determine other possible recommendations. FSA will be working with OIG to resolve these issues.</i>	3/27/03	\$16,458,972	8

**Table 6: Unresolved Reports Issued Prior to April 1, 2003**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<b>Office of the Chief Financial Officer</b>				
<a href="#">A03-C0001</a>	Contract closeout audit of costs claimed for Temple University's (TU) Laboratory for Student Success (LSS), Contract Number RJ96006201, for the period December 11, 1995, through December 16, 2000 (SAR 46, pg. 13) <i>Status: OCFO has performed a reconciliation of the usage of federal cash on hand, and it has been determined that Temple University was not overpaid. Contracts and Purchasing Operations is working on finalizing the closing out of this contract.</i>	10/25/02		1
<a href="#">A04-C0014</a>	Audit of Kentucky State University's (KSU) compliance with the administration of the Title III, Part B, Strengthening Historically Black Colleges and Universities Program (SAR 46, pg. 14) <i>Status: Audit was originally assigned to OPE and has been reassigned to Post Audit Group, Office of the Chief Financial Officer (PAG/OCFO). PAG/OCFO is in the process of obtaining documentation to support questioned Title III expenditures. PAG/OCFO expects to issue Program Determination Letter (PDL) by November 30, 2003.</i>	3/12/03	\$28,083	4
<a href="#">A05-C0026</a>	Audit of Northeastern Illinois University's (NEIU) Administration of the Developing Institutions - Hispanic-Serving Institutions (HSI) grant for the period October 1, 2000, through October 31, 2002 (SAR 46, pg. 14) <i>Status: Audit was originally assigned to OPE and has been reassigned to PAG/OCFO. PAG/OCFO has requested information from the auditee and the requested information is expected by mid-November 2003.</i>	2/25/03	\$478,261	2
<a href="#">A07-C0031</a>	Audit of the Talent Search Program at Luther College (SAR 46, pg. 14) <i>Status: Audit was originally assigned to OPE and has been reassigned to PAG/OCFO. The college is to report back to PAG/OCFO by November 31, 2003 on additional data it is collecting regarding services for students that were questioned. PAG/OCFO expects to issue PDL by December 31, 2003.</i>	3/28/03	\$219,567	4
<b>Office of Elementary and Secondary Education</b>				
<a href="#">A02-C0019</a>	The Virgin Islands Department of Education-St. Croix School District's Control of Equipment Inventory (OSERS also designated as action official for this report) (SAR 46, pg. 13) <i>Status: OCFO team working with Office of Elementary and Secondary Education (OESE) to resolve audit.</i>	3/31/03	\$1,017,416	7
<a href="#">A05-C0022</a>	Audit of Community Consolidated School District 62's (District) administration of the 21 <sup>st</sup> Century Community Learning Centers (21 <sup>st</sup> Century) Grant for the period June 1, 2000, through May 31, 2002 (OUS also designated as action official for this report) (SAR 46, pg. 13) <i>Status: Audit was placed on administrative stay on October 17, 2003. OESE and (Office of General Counsel) OGC are working on resolving this audit. OGC is seeking further assistance from the OIG.</i>	2/24/03	\$126,709	3
<a href="#">A06-C0030</a>	Audit of the Migrant Education Program at the Texas Education Agency (TEA) (SAR 46, pg. 13) <i>Status: OESE informed us that a final audit determination letter and Audit Clearance Document were signed September 30, 2003. The audit will be removed in the next Semiannual Report.</i>	2/4/03		3

**Table 6: Unresolved Reports Issued Prior to April 1, 2003**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<b>Reported in Previous Semiannual Report</b>				
<b>Federal Student Aid</b>				
<a href="#">A03-A0022</a>	Audit of Commissioned Sales and Course Length at Wesley College (SAR 44, pg. 14) <i>Status: Audit was placed on administrative stay on January 29, 2002. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about commissioned sales and course length.</i>	1/15/02	\$1,431,560	5
<a href="#">A03-B0013</a>	Audit of the Ability-to-Benefit (ATB) Testing Process at Lincoln Technical Institute, Inc. (LTI), Philadelphia, PA (SAR 45, pg. 16) <i>Status: Audit was placed on administrative stay on October 15, 2002. A file review was requested and is being undertaken before resolution can begin.</i>	5/10/02	\$256,946	9
<a href="#">A03-B0022</a>	Audit of Wonderlic's Ability-to-Benefit Program (SAR 44, pg. 14) <i>Status: FSA/CFO informed us that a final audit determination letter was issued on April 4, 2003. The audit will be removed in the next Semiannual Report.</i>	2/5/02		4
<a href="#">A03-B0024</a>	Audit of American College Testing's Ability-to-Benefit (ATB) Policies and Procedures for its Career Programs Assessment Test (CPAt) SAR 45, pg. 16) <i>Status: FSA/CFO informed us that a final audit determination letter was issued on April 22, 2003. The audit will be removed in the next Semiannual Report.</i>	5/13/02		12
<a href="#">A04-B0015</a>	Review of Cash Management and Student Financial Assistance Refund Procedures at Bennett College (OPE designated as collateral action office for this report) (SAR 45, pg. 16) <i>Status: FSA informed us that the audit was closed March 14, 2003. The audit will be removed in the next Semiannual Report.</i>	9/26/02	\$997,313	7
<a href="#">A05-A0030</a>	Audit of Commissioned Sales at Olivet Nazarene University (SAR 43, pg. 11) <i>Status: Audit was placed on administrative stay on July 26, 2001. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about commissioned sales.</i>	5/21/01	\$3,299,891	4
<a href="#">A05-B0003</a>	Audit of Commissioned Sales and Course Length at Benedictine University (SAR 44, pg. 14) <i>Status: Audit was placed on administrative stay on March 19, 2002. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about commissioned sales and course length.</i>	12/13/01	\$221,988	5
<a href="#">A05-B0004</a>	Indiana Wesleyan University, Adult and Professional Studies Administration of Title IV Programs, Marion, Indiana (SAR 43, pg. 11) <i>Status: Audit was placed on administrative stay on October 24, 2001. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about commissioned sales and course length.</i>	9/28/01	\$31,682,782	5
<a href="#">A05-B0014</a>	Audit of Course Length at Olivet Nazarene University (SAR 43, pg. 12) <i>Status: Audit was placed on administrative stay on October 24, 2001. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about course length.</i>	9/28/01		4
<a href="#">A05-B0019</a>	Audit of Course Length at Trinity Christian College (Trinity) (SAR 45, pg. 16) <i>Status: Audit was placed on administrative stay on October 15, 2002. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about course length.</i>	9/17/02	\$111,061	3



**Table 6: Unresolved Reports Issued Prior to April 1, 2003**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A05-B0033</a>	United Student Aid Funds, Inc.'s Administration of the Federal Family Education Loan Program Federal and Operating Funds (SAR 45, pg. 16) <b>Status:</b> FSA does not fully agree with the recommendations and is reviewing the findings to determine other possible recommendations. FSA will be working with OIG to resolve these issues.	4/23/02	\$6,626,000	4
A06-70005	Professional Judgment at Yale University (SAR 36, pg. 18) <b>Status:</b> Audit was placed on administrative stay on June 29, 2000. Awaiting a policy decision to address and resolve this finding in the final audit determination letter.	3/13/98	\$5,469	3
<a href="#">A06-70009</a>	Professional Judgment at University of Colorado (SAR 37, pg. 17) <b>Status:</b> Audit was placed on administrative stay on June 29, 2000. Awaiting a policy decision to address and resolve this finding in the final audit determination letter.	7/17/98	\$15,082	4
<a href="#">A06-A0001</a>	Interactive Learning Systems' Administration of the Title IV Student Financial Assistance Programs (SAR 43, pg. 12) <b>Status:</b> Audit is still being reviewed by FSA Dallas Case Team.	7/20/01	\$990,828	7
<a href="#">A06-A0003</a>	International Business College's Administration of Title IV Student Financial Assistance Programs (SAR 42, pg. 22) <b>Status:</b> Audit was placed on administrative stay on September 24, 2001.	3/28/01	\$461,035	4
<a href="#">A06-A0024</a>	Audit of Commissioned Sales and Course Length at Southern Wesleyan University (SAR 45, pg. 16) <b>Status:</b> Audit was placed on administrative stay on October 11, 2002. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about commissioned sales and course length.	9/4/02	\$19,451,123	5
<a href="#">A06-B0012</a>	Audit of Los Angeles City College's Compliance with the Title IV, Student Financial Assistance, Verification Requirements (SAR 44, pg. 15) <b>Status:</b> FSA informed us that the Final Audit Determination letter was mailed on January 27, 2003. However when AARTS was implemented, the audit was inadvertently closed. As result, FSA could not enter the necessary closure information into AARTS. The audit will be removed in the next Semiannual Report.	11/14/01	\$14,072	3
<a href="#">A06-B0014</a>	Audit of United Education Institute's Compliance with the Title IV, Student Financial Assistance, Verification Requirements (SAR 43, pg. 12) <b>Status:</b> FSA informed us that the Final Audit Determination letter was mailed on February 20, 2003. However when AARTS was implemented, the audit was inadvertently closed. As a result, FSA could not enter the necessary closure information into AARTS. The audit will be removed in the next Semiannual Report.	9/6/01	\$7,285	1
A07-23545	State of Missouri, Single Audit Two Years Ended June 30, 1991 <b>Status:</b> Some of the findings involve political issues and require further discussions with the General Manager and Chief Operating Officer.	4/1/93	\$1,048,768	18
A07-33123	State of Missouri, Single Audit Year Ended June 30, 1992 <b>Status:</b> Some of the findings involve political issues and require further discussions with the General Manager and Chief Operating Officer.	3/7/94	\$187,530	18
<a href="#">A07-90035</a>	Audit of Commissioned Sales at William Penn University (SAR 43, pg. 12) <b>Status:</b> Audit was placed on administrative stay on August 1, 2001. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about commissioned sales.	5/15/01	\$5,023,447	4

**Table 6: Unresolved Reports Issued Prior to April 1, 2003**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A07-A0030</a>	Baker University School of Professional and Graduate Study's Administration of Title IV Federal Student Aid Programs (SAR 45, pg. 17) <i>Status:</i> Audit was placed on administrative stay on October 11, 2002. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about commissioned sales.	9/19/02	\$15,716,275	7
<a href="#">A07-A0031</a>	Fontbonne University Options Program's Administration of Title IV Federal Student Aid Programs (SAR 45, pg. 17) <i>Status:</i> Audit was placed on administrative stay on October 11, 2002. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about commissioned sales.	9/30/02	\$12,441,490	7
<a href="#">A07-B0001</a>	Audit of Course Length at William Penn University (SAR 43, pg. 12) <i>Status:</i> Audit was placed on administrative stay on October 24, 2001. FSA and OPE will be working with OGC on a settlement agreement with this school now that regulatory changes have been made about course length.	9/28/01		4
<a href="#">A07-B0002</a>	Audit of the National Student Loan Program's Establishment of the Federal Family Education Loan Program Federal and Operating Funds (SAR 45, pg. 17) <i>Status:</i> FSA does not fully agree with the recommendations and is reviewing the findings to determine other possible recommendations. FSA will be working with OIG to resolve these issues.	9/27/02	\$2,672,941	10
<a href="#">A09-70015</a>	Associated Technical College (ATC) Eligibility of Institutions to Participate in Title IV Programs & Other Issues (SAR 37, pg. 16) <i>Status:</i> Audit was placed on administrative stay on June 29, 2000. FSA/SEC/CMO senior managers are reviewing the 90/10 calculations before approving the Final Audit Determination letter.	9/9/98	\$8,600,000	7
<a href="#">A09-C0005</a>	Silicon Valley College's Administration of the Higher Education Act, Title IV Programs (SAR 45, pg. 17) <i>Status:</i> Program Office informed us that the Final Audit Determination letter was mailed on March 5, 2003. The audit will be removed in the next Semiannual Report.	9/20/02	\$436	6
<a href="#">N06-90010</a>	Inspection of Parks College's Compliance with Student Financial Assistance Requirements (SAR 40, pg. 18) <i>Status:</i> FSA Dallas Case Team denied school's recertification on December 31, 1999. School closed February 5, 2000.	2/9/00	\$169,390	1
<b>Office of the Chief Financial Officer</b>				
<a href="#">A07-C0008</a>	Contract Closeout Audit of Office of Educational Research and Improvement Contract No. RJ96006501 at Northwest Regional Educational Laboratory (SAR 45, pg. 17) <i>Status:</i> Check was received in amount of \$324,845.61 dated May 6, 2002, and taken to accounts receivable on May 31, 2002.	9/12/02	\$320,195	4
<b>Office of the Chief Financial Officer (OCFO) (dealing with discretionary grants) Office of Innovation and Improvement</b>				
<a href="#">A05-C0011</a>	Audit of the Public Broadcasting Service's (PBS) Administration of the TeacherLine Grant No. R286A000003-01 (Grant) awarded under the Telecommunication Project for Mathematics for the period June 1, 2000, through May 31, 2001 (SAR 45, pg. 18) <i>Status:</i> PAG/OCFO signed a Final Audit Determination letter, and an Audit Control Document on September 26, 2003. However, the Audit Control Document needed to be corrected. The audit will be removed in the next Semiannual Report.	9/10/02	\$149,430	5

**Table 6: Unresolved Reports Issued Prior to April 1, 2003**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<a href="#">A05-C0020</a>	Audit of the Public Broadcasting Service's (PBS) Administration of the Ready-To-Learn Cooperative Agreement No. R295A000002 (Agreement) awarded under the Department of Education's Ready-To-Learn Television Program for the period September 1, 2000, through August 31, 2001 (SAR 45, pg. 18) <i>Status: PAG/OCFO signed a final audit determination letter, and an Audit Control Document on August 12, 2003. However, documents have not been received by the OIG. The audit will be removed in the next Semiannual Report.</i>	9/10/02	\$140,716	4
<b>Office of the Chief Information Officer</b>				
A11-C0008	The Department of Education's Implementation of the Government Information Security Reform Act (GISRA) Year 2 <sup>1</sup> (SAR 45, pg. 17) <i>Status: Program Office informed us that all of the systems are required to complete security certification and accreditation before the audit can be closed.</i>	9/16/02		26
<b>Office of Elementary and Secondary Education</b>				
<a href="#">A01-90006</a>	Puerto Rico Department of Education Needs Major Improvements in Its Administration of the Even Start Program (SAR 41, pg. 22) <i>Status: CAROI team effort working on resolution.</i>	9/27/00	\$181,305	18
<a href="#">A01-A0004</a>	Puerto Rico Department of Education Did Not Administer Properly a \$9,700,000 Contract with National School Services of Puerto Rico (SAR 42, pg. 21) <i>Status: CAROI team effort working on resolution.</i>	3/28/01	\$7,841,493	14
<a href="#">A02-50200</a>	The Puerto Rico Department of Education Must Institute a Time Distribution System (SAR 36, pg. 13) <i>Status: CAROI team effort working on resolution.</i>	11/14/97		1
<a href="#">A02-B0012</a>	Puerto Rico Department of Education Did Not Administer Properly Title I Contracts with National School Services of Puerto Rico for the 1999/2000 and 2000/2001 School Years (SAR 43, pg. 11) <i>Status: CAROI team effort working on resolution.</i>	9/28/01	\$8,412,280	10
<a href="#">A02-B0025</a>	Puerto Rico Department of Education Did Not Administer Properly Three Contracts with R.V. Research and Management Group, Inc. (SAR 45, pg. 18) <i>Status: CAROI team effort working on resolution.</i>	9/12/02	\$2,146,023	10
<a href="#">A03-B0023</a>	Audit of Caroline Wilder Harris (C.W. Harris) Elementary School's Federal Grant Expenditures for the period July 1, 1999, through June 30, 2001 (SAR 45, pg. 18) <i>Status: OESE informed us that a final audit determination letter was signed on September 30, 2003. The audit will be removed in the next Semiannual Report.</i>	9/17/02	\$43,159	2
<a href="#">A05-B0011</a>	Audit of the Title I, Part A, Targeted Assistance Schools Grant (Grant) Administered by the Mount Clemens Community Schools District (District) for the July 1, 1997, through June 30, 1998, Award Year (SAR 45, pg. 18) <i>Status: OESE discussed with OCFO that the audit would continue on administrative stay. Audit was placed on administrative stay on April 2, 2003.</i>	8/2/02	\$338,571	4
<a href="#">A05-C0012</a>	Audit of East Cleveland City Schools' (ECCS) Administration of the 21st Century Community Learning Centers (21st Century) Grant at Kirk Middle School (Kirk) for the period June 1, 1998, through December 31, 2001 (SAR 45, pg. 18) <i>Status: Audit was placed on administrative stay on October 17, 2003. OESE and OGC are working on resolving this audit. OGC is seeking further assistance from the OIG.</i>	9/18/02	\$349,637	9
<b>Office of Safe and Drug Free Schools</b>				
A01-90007	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Governor's Safe and Drug-Free Schools Program (SAR 41, pg. 22) <i>Status: CAROI team effort working on resolution.</i>	9/27/00	\$82,452	17

**Table 6: Unresolved Reports Issued Prior to April 1, 2003**

Report Number	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Issued	Total Monetary Findings	No. of Recommendations
<b>Office of Special Education and Rehabilitative Services</b>				
<a href="#">A02-B0014</a>	Audit of the Puerto Rico Vocational Rehabilitation Administration (PRVRA) (SAR 45, pg. 18) <i>Status: The Program Office is still working on resolving this audit. A long list of obligations and unliquidated obligations are being examined.</i>	6/26/02	\$15,800,000	5
<sup>1</sup> Restricted Information. Note - Status comments reflect documents received, comments agreed to, or comments provided by the Department.				

**Table 7: Investigation Services Cumulative Actions  
(April 1, 2003 to September 30, 2003)**

Summary of Investigation	Subject Name	Action This Period	Fines/Restitutions	Civil Recoveries
<b>INSTITUTIONAL FRAUD</b>				
<b>Failure to Make Refunds/Refund Fraud</b>				
Former school controller issued refunds to non-students	Zennia Hayes	Sentenced: 4/29/03	\$31,329	
Owner, president, former director, and other school officials agreed to settlement pertaining to participation in Title IV programs	Baran Institute of Technology Inc.	Civil Settlement: 5/6/03		
Former school owner failed to refund approximately \$564,000 in Title IV funds and provided false statements to obtain \$1.5 million	Mary Hendrick*	Indicted: 7/29/03		
<b>Instructing Students How to Falsify FAFSAs</b>				
Eight admissions representatives helped hundreds of students falsify student aid applications	Theresa Leon	Convicted: 7/9/03 Sentenced: 9/15/03	\$243,163	
	Irma Warren	Convicted: 7/9/03 Sentenced: 9/16/03	\$193,682	
	Maria E. Mena	Convicted: 7/9/03 Sentenced: 9/22/03	\$45,590	
	Andrea del Carmen Mongalo	Convicted: 5/29/03 Sentenced: 8/15/03	\$42,955	
	Andrea C. Garrote	Convicted: 5/29/03 Sentenced: 8/11/03	\$138,575	
<b>Falsifying Application to Participate in Programs</b>				
Individual previously debarred from business with the Department purchased school in Puerto Rico and embezzled \$600,000 in Pell grants	Carlos Alvarez	Convicted: 4/29/03 Sentenced: 7/24/03	\$600,000	
<b>Fraudulent Work-Study</b>				
Individual presented fraudulent time cards for payment under Work-Study program	Lisa Costa	Civil Judgment: 7/8/03		\$11,573
Former school employee falsified federal work-study student employee timesheets and forged and cashed student's work-study checks	Alice Pruitt	Sentenced: 8/29/03	\$1,959	
Former student employee at school's financial aid office embezzled money from work-study program	Robert Jones*	Indicted: 9/17/03		

**Table 7: Investigation Services Cumulative Actions  
(April 1, 2003 to September 30, 2003) (Cont.)**

Summary of Investigation	Subject Name	Action This Period	Fines/ Restitutions	Civil Recoveries
<b>School Employee Theft</b>				
Former financial aid officer submitted false FFEL applications and fraudulently received \$248,500	Amy Schachter	Convicted: 6/3/03 Sentenced: 8/23/03	\$12,000	
Former school employee submitted false FFEL applications and fraudulently received more than \$182,000	Lisa Herrmann	Convicted: 7/2/03		
Former financial aid director at photography school submitted FFEL applications under fictitious names	Keith Magee	Convicted: 6/9/03		
Former school accountant embezzled approximately \$146,000 in Title IV finds	Glenda Shirley	Sentenced: 6/27/03	\$247,408	
Community college employee stole and embezzled student loan checks	Cynda Long	Sentenced: 7/1/03	\$30,272	
Former college comptroller embezzled approximately \$640,000	Louiston Louis	Convicted: 7/15/03		
Former school accountant issued fraudulent student refund checks to individuals who paid her kickbacks	Vanessa Neal*	Indicted: 7/22/03		
	Dianne Taylor*	Indicted: 7/22/03		
	Antonio Burton*	Indicted: 7/22/03		
	Joe Lee Williams*	Indicted: 7/22/03		
	Roger Williams*	Indicted: 7/22/03		
	Monica Hopson*	Indicted: 7/22/03		
	Denozanna Moore*	Indicted: 7/22/03		
Former school employee extorted money from student's refund check	Betty Smalls Rush	Sentenced: 7/28/03		
<b>Collusion Between Officials and Students</b>				
Individual conspired with financial aid director to illegally obtain student loans	Linda Lee Stewart	Convicted: 7/7/03		
Individual conspired with financial aid director to illegally obtain student loans	Stephanie Wanzo	Indicted: 6/18/03 Convicted: 7/7/03		
Individual conspired with school financial aid director and received kickbacks from student loan checks from individuals he recruited to illegally receive aid	David Carlton Edwards	Convicted: 8/28/03		
Individual conspired with school financial aid director and received kickbacks from student loan checks from individuals he recruited to illegally receive aid	Milow Rayvell LeBlanc	Convicted: 8/28/03		
<b>Submission of False Documents</b>				
Former grant administrator at school submitted false reports to increase grant funds to the school and used money for ineligible activities	Thomas Flaschberger*	Indicted: 6/25/03		
<b>RECIPIENT FRAUD</b>				
<b>Falsification of Income</b>				
Individual falsified income to receive student aid	Chanda Brown	Convicted: 5/29/03 Sentenced: 9/12/03	\$19,542	
Individual falsified marital status to obtain student aid	Nicole Osborne*	Indicted: 7/30/03		
Individual falsified income and marital status to obtain Pell Grants	Evelyn Pastrana-Bon	Civil Settlement: 9/26/03		\$22,700



**Table 7: Investigation Services Cumulative Actions  
(April 1, 2003 to September 30, 2003) (Cont.)**

Summary of Investigation	Subject Name	Action This Period	Fines/ Restitutions	Civil Recoveries
Individuals made false statements to obtain student aid	Dennis L. Lukasik*	Indicted: 5/14/03 Arrested: 6/13/03		
	Deborah D. Lukasik*	Indicted: 5/14/03 Arrested: 6/13/03		
Individual under-reported income to obtain Pell Grants	Kayce Ofodile	Indicted: 7/28/03 Convicted: 9/2/03		
<b>Falsification of Identity/Identity Theft</b>				
Individual used false Social Security number to obtain student grants and loans after previously defaulting on loans	Christina Coleman*	Indicted: 4/3/03 Arrested: 4/9/03		
Individuals used aliases to cash student aid refund checks	Grady McCrary	Convicted: 4/21/03		
	Brian Kornegay	Convicted: 4/21/03 Sentenced: 9/8/03	\$84,115	
	Sean McCrary	Convicted: 4/21/03 Sentenced: 7/24/03	\$5,982	
	Tasha Gordon	Convicted: 4/25/03		
	Carlton McCrary	Convicted: 6/6/03		
	Jamillah Allen	Sentenced: 7/22/03	\$6,006	
	Ramona K. Barber	Sentenced: 7/22/03	\$8,182	
	Shonda Feggins	Sentenced: 7/22/03	\$3,153	
Individual falsely claimed U.S. citizenship to obtain FFEL and Pell grant funds	Ruth Jean Baptiste	Sentenced: 5/9/03	\$9,075	
Individual used false name, Social Security number, identification card, and income information to obtain Pell grants and student loans	Anthony Taylor	Civil Judgment: 9/2/03		\$30,664
Individual used false Social Security number to obtain student aid	Willie J. Reed	Sentenced: 6/5/03	\$9,950	
Illegal immigrant bought identity papers and created new identity to obtain student aid	Berg Hyacinthe	Indicted: 7/01/03 Convicted: 8/27/03		
Individual used deceased husband's Social Security number to obtain student aid	Donna Hites	Sentenced: 6/17/03	\$5,244	
Individual used deceased brother's Social Security number to obtain student aid after previously defaulting on student loans in his own name	Michael Wayne Jennings	Convicted: 7/17/03		
Individual used another person's Social Security number to obtain Pell grants and loans and defaulted on loans under the victim's name	Angela D. Wright*	Arrested: 7/29/03		
Individual used false Social Security number to obtain Pell grants and student loans	Sherron M. Gouacide	Convicted: 8/1/03		
Student used another person's name and Social Security number to obtain student aid	Robb Lazenby	Sentenced: 8/18/03		
Individual used prison inmates' identities to obtain student aid	John Edward Christensen*	Arrested: 9/2/03		
Individual bought another person's identity to obtain student aid	Eddie L. Lewis*	Indicted: 8/29/03		
Former student used another person's name and Social Security number to obtain direct and PLUS loans	Toccaro Bates*	Indicted: 9/10/03		



**Table 7: Investigation Services Cumulative Actions  
(April 1, 2003 to September 30, 2003) (Cont.)**

Summary of Investigation	Subject Name	Action This Period	Fines/ Restitutions	Civil Recoveries
Individual used fraudulent driver's license to cash stolen student aid checks	Michelle Brown	Convicted: 6/11/03 Sentenced: 9/17/03	\$22,099	
<b>Falsification of Citizenship</b>				
Former student falsely claimed U.S. citizenship to obtain student aid	Thelma Idalia Gener	Arrested: 6/13/03 Convicted: 8/15/03	\$11,533	
Individual falsely claimed U.S citizenship to obtain aid	Parulian Sitorus	Convicted: 7/8/03		
<b>Falsification of Eligibility</b>				
Former student misrepresented graduate school eligibility to obtain student aid	Brian W. Cantwell	Convicted: 8/27/03		
<b>Foreign School Recipient Fraud</b>				
Individual claimed to be student at schools in the United Kingdom and made thousands of fraudulent student aid applications	Shane Bybee*	Arrested: 7/31/03		
Individual forged school certifications, exceeding loan limits and conspired with foreign fraud ring to fraudulently obtain FFEL funds	Max Noel*	Superceding Indictment: 9/17/03		
	Herold Pierre-Louis*	Superceding Indictment: 9/17/03		
<b>Fraudulent Loan Discharges/Deferments</b>				
Individual falsely claimed disability to have loan payment discharged	Amy R. Parker	Indicted: 4/10/03 Convicted: 5/27/03 Sentenced: 8/15/03	\$5,600	
Individual falsely claimed disability to have loans totaling \$20,593 discharged	Robin Cannon*	Indicted: 7/31/03		
Former student submitted forged doctor's signature to claim disability to have loan payment discharged	Tonya D. Ryans	Convicted: 7/30/03		
Individual fraudulently received unclaimed property	Adriese Thomas*	Indicted: 8/26/03		
<b>Fraudulent Online Schooling</b>				
<b>Other</b>				
Individual used stolen bank information to post online student loan payments to student loan account and used the loan money to make payments on personal accounts	Tamela N. Nunn*	Indicted: 7/29/03		
	Daresse Leigh*	Indicted: 7/29/03		
Individual attempted to obtain Pell grants after forging instructors' signatures, stole, and cashed student aid	Ebonie Gray	Convicted: 8/12/03	\$2,000	
Former student forged father's signature on promissory note for student aid	Kelly Ketcham	Civil Judgment: 9/16/03		\$1,953
<b>FINANCIAL AID PREPARER FRAUD</b>				
<b>Clients Prosecuted</b>				
School teacher under-reported income, created false documents, made false statements, and used fraudulent financial aid preparer to obtain student aid	Lloyd Norman	Sentenced: 5/16/03	\$30,584	
Made false statements on FAFSA applications so dependent children would receive federal financial aid to which they were not entitled. These false statments included misrepresenting marital status, income, family size and the number of family members attending college (5/23/03)	John Carter	Civil Settlement: 5/23/03		\$4,200

**Table 7: Investigation Services Cumulative Actions  
(April 1, 2003 to September 30, 2003) (Cont.)**

Summary of Investigation	Subject Name	Action This Period	Fines/ Restitutions	Civil Recoveries
Made false statements on FAFSA applications so dependent children would receive federal financial aid to which they were not entitled. These false statements included misrepresenting marital status, income, family size, and number of family members attending college (5/23/03)	Michael Glaser Marlene Glaser	Civil Settlement: 5/23/03		\$14,173
Individuals misrepresented marital status and income to obtain student aid (5/23/03)	Irwin Zaba Marsha Zaba	Civil Settlement: 5/23/03		\$7,500
Individuals under-reported income and used fraudulent financial aid preparer to obtain student aid	Kenneth Camp Phyllis Camp	Convicted: 6/13/03 Sentenced: 9/30/03	\$49,870	
<b>Preparers Prosecuted</b>				
Individual misrepresented income on student aid applications and income tax return to obtain aid	Vetevely Faye Stephens	Sentenced: 4/10/03	\$12,936	
<b>NON-TITLE IV PROGRAM FRAUD</b>				
Former school Title III director participated in embezzlement of Title III funds	Robbie Bateman	Sentenced: 5/19/03	\$24,622	
School engineer made false statements enabling son to illegally receive Title I funds	Thomas Reilly	Convicted: 9/19/03		
<b>INTERNAL INTEGRITY</b>				
Telephone technician, Department employees, her relatives, and others defrauded Department of more than \$1 million	Maurice Hayes	Sentenced: 5/19/03		
	Jeffrey Morgan	Sentenced: 5/19/03		
	Elizabeth C. Mellen	Sentenced: 8/4/03		
	Phillip Burrough Jr.	Sentenced: 8/4/03		
	Luther Mellen III	Sentenced: 8/4/03		\$50,000
Individuals illegally diverted education funds and used money for personal benefit	Beverly Cobham	Indicted: 5/29/03 Convicted: 8/14/03		
	Diallo Cobham*	Indicted: 5/29/03		
	Roger P. Bowen	Indicted: 5/29/03 Convicted: 8/20/03		
Individual participated in defrauding the Department	Christopher Griffin	Sentenced: 5/30/03	\$4,927	
Former Department employee used government computer for child pornography material	Robert E. Jamroz	Sentenced: 6/12/03		
Former Department employee used government credit card for personal benefit	Silvader Denise Estep	Sentenced: 9/10/03	\$146,977	

\* This person has been charged with criminal activity, but has not been convicted. Criminal complaints, informations, and indictments are methods by which persons are charged with criminal activity and raise no inference of guilt. An individual is presumed innocent until competent evidence is presented to a jury that establishes guilt beyond a reasonable doubt.

The Semiannual Report to Congress No. 46, October 1, 2002 - March 31, 2003, page 4 had incorrect information on the action involving the Florida Institute for Workforce Innovation (FIWI). The OIG investigation of FIWI resulted in an agreement whereby FIWI agreed to repay \$285,568 in federal vocational rehabilitation funds. Also, page 25, Table 7 incorrectly stated that Dr. Bruce Waite was sentenced on October 21, 2002 for embezzling vocational rehabilitation funds in the amount \$285,568. No legal action of any type was brought against Dr. Waite.

**Table 8: Statistical Profile: April 1, 2003 to September 30, 2003**

	Six-month Period Ending 9/30/03	Fiscal Year Ending 9/30/03
<b>OIG AUDIT REPORTS ISSUED</b>	39	66
Questioned Costs	\$20,989,683	\$157,181,659
Unsupported Costs	\$1,934,677	\$5,385,633
Recommendations for Better Use of Funds	\$690,232	\$690,232
<b>OTHER OIG PRODUCTS</b>	22	50
(Inspections, Action Memoranda, Alert Memoranda, Closeout Letters, Management Information Reports, Preaward Reviews, and Special Projects)		
<b>OIG AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS</b>	17	43
Questioned Costs Sustained	\$757,751	\$47,193,616
Unsupported Costs Sustained	\$1,667,361	\$5,069,952
Additional Disallowances Identified by Program Managers	\$10,671	\$8,543,330
Management Commitment to the Better Use of Funds	\$0	\$0
<b>INVESTIGATIVE CASE ACTIVITY</b>		
Cases Opened	102	184
Cases Closed	105	226 <sup>1</sup>
Cases Active at End of Period	339	339
Prosecutorial Decisions	70	175 <sup>2</sup>
-Accepted	45	117 <sup>3</sup>
-Declined	25	58 <sup>4</sup>
<b>INVESTIGATION RESULTS</b>		
Indictments/Informations	38	97 <sup>5</sup>
Convictions/Pleas	44	89 <sup>6</sup>
Fines Ordered	\$75,450	\$98,829 <sup>7</sup>
Restitution Payments Ordered	\$1,822,775	\$13,821,984 <sup>8</sup>
Civil Settlements/Judgments (#)	19	81
Civil Settlements/Judgments (\$)	\$382,920	\$3,536,837
Recoveries	\$13,003	\$668,453 <sup>9</sup>
Forfeitures/Seizures	\$58,748	\$58,748
<sup>1</sup> Includes 1 case not previously reported. <sup>2</sup> Includes 23 cases not previously reported. <sup>3</sup> Includes 18 cases not previously reported. <sup>4</sup> Includes 5 cases not previously reported. <sup>5</sup> Includes 17 cases not previously reported. <sup>6</sup> Includes 2 cases not previously reported. <sup>7</sup> Includes 1 case totaling \$1,377 not previously reported. <sup>8</sup> Includes 2 cases totaling \$288,018 not previously reported. <sup>9</sup> Includes 2 cases totaling \$247,207 not previously reported.		

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*Secretary*

## **Office of Inspector General**

John P. Higgins, Jr.  
*Inspector General*

## **Counsel's Office**

Mary Mitchelson  
*Counsel to the Inspector General*

November 2003

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