



# Semiannual Report to Congress, No. 80

October 1, 2019–March 31, 2020

U.S. Department of Education  
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Office of Inspector General  
Sandra D. Bruce  
Acting Inspector General

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# Message from Acting Inspector General Sandra D. Bruce

In these unprecedented times, our sincere appreciation goes to everyone on the front lines trying to stop the coronavirus disease 2019 (COVID-19), and our thoughts and prayers are with those who are ill or who have lost loved ones to the pandemic.

On behalf of the employees of the U.S. Department of Education (Department) Office of Inspector General (OIG), I want to acknowledge the extraordinary actions Americans are taking to protect themselves, their loved ones, and our nation's citizens in the fight against the spread of COVID-19. We are particularly grateful for the selflessness of our country's medical professionals, first responders, grocery and other retail employees, postal workers, cleaning crews, delivery drivers, transit workers, and others who leave the safety of their homes to help people in need. I also want to thank America's teachers and other education professionals for their unwavering commitment to their students and their herculean efforts to keep educating through whatever means possible. To the students: we know you may be missing your friends and plans you had for the coming months—graduations, proms and performances, sporting events and field trips. We admire your fortitude, and the patience, flexibility, and creativity that you and your families have shown as we take the necessary actions to keep our nation safe.

These are challenging times indeed, but at the OIG, we are committed to carrying out our responsibilities, reaching our goals, and meeting our mission on behalf of America's taxpayers and students. We have been operating at 100-percent telework since March 16, 2020. We have been in contact with the Department and our auditees, such as State educational agencies and schools, to understand the challenges they face and how we can work together to move forward with our ongoing work. We also conducted outreach to auditees regarding new work, and we are ready to adjust as needed with auditees that are dealing with more immediate crises. OIG criminal investigators have been communicating with our law enforcement and prosecutive partners about ongoing and new investigative work efforts that are more complicated in this present environment. We are working closely with these partners and adjusting as necessary. We also continue to address requests from Congress, the media, and the general public, and of course our hotline so we are there for those who need our help. America's students deserve nothing less.

To the members of the U.S. Congress, we thank you for all that you are doing to help our nation during the pandemic, particularly through passage of the Coronavirus Aid, Relief, and Economic Security Act. The OIG will fulfill its responsibilities set forth in the Act by ensuring that the funding you provided to the Department and its grantees is used as intended and by investigating misuse, theft, or other criminal activity involving these funds. As a member of the Pandemic Response Accountability Committee established by the Act, we will work tirelessly with our colleagues to help ensure that all of the funding you allotted is protected from fraud, waste, and abuse. America's taxpayers deserve nothing less.

In closing, to all reading this report, thank you for your interest in and support of our efforts. Please stay well by taking appropriate action to protect yourselves, your loved ones, and your communities.

We are all in this together!



Sandra D. Bruce  
Acting Inspector General





# Contents

**2**

**Executive Summary**

**4**

**Federal Student Aid Programs  
and Operations**

**18**

**Elementary and Secondary  
Education Programs**

**32**

**Department Management and  
Operations**

**40**

**Other OIG Efforts**

**49**

**Required Reporting**

**70**

**Acronyms and Abbreviations**



# Executive Summary

This Semiannual Report presents the activities and accomplishments of the U.S. Department of Education (Department) Office of Inspector General (OIG) from October 1, 2019, through March 31, 2020. The audits, investigations, and related work highlighted in the report are products of our mission to identify and stop fraud, waste, and abuse, and promote accountability, efficiency, and effectiveness through our oversight of the Department's programs and operations.

The work that the OIG accomplished over the last 6 months reflects our ongoing dedication and commitment to our mission and goals. In our audit-related work, we issued 10 reports with recommendations aimed at improving Department programs and operations. Examples of this audit work include the following.

- We issued two audits involving the Texas Education Agency's (Texas) administration of disaster recovery funds. One found that the Texas system of internal control over displaced student count data did not ensure that the data Texas provided to the Department were accurate and complete, and Texas did not always prevent or detect inaccurate displaced student counts reported by local educational agencies (LEAs).

As a result, Texas reported inaccurate displaced student count data to the Department for school year 2017–2018, and its Emergency Impact Aid program grant allocations to the three LEAs we reviewed were incorrect. We estimate that \$10.55 million of the \$23.1 million in Emergency Impact Aid program funds that the three LEAs received was not supported because of the inaccurate and incomplete displaced student count data.

- Our audit found that the Individuals Dedicated to Excellence and Achievement (IDEA) Public Schools, a nonprofit charter management organization in Texas, did not fully comply with Federal grant reporting requirements nor did it always spend grant funds in accordance with Federal cost principles and its grant application. As a result, the Department might not have had the information it needed to determine whether the charter school was making substantial progress in meeting its performance goals and was eligible for continued funding.

- Our audit of Federal Student Aid (FSA) oversight of the heightened cash monitoring (HCM) payment methods found overall that FSA's use of HCM was an effective oversight tool, and it consistently administered its HCM payment methods for schools that it placed on HCM. However, we also identified areas needing improvement. The audit found that FSA did not have adequate internal controls to reasonably ensure that it consistently placed schools on HCM payment status when they submitted late annual financial statements or had composite scores that fell below the minimum financial responsibility score. It also found that FSA did not have control activities to track a school's method of payment status from FSA's recommendation for HCM placement until the placement was made, and it did not retain all required documentation for administering HCM payment methods for some of the schools we reviewed.
- We also issued another audit in our Free Application for Federal Student Aid (FAFSA) verification series, where we looked to determine whether selected schools completed verification of applicant data in accordance with Federal requirements and whether they accurately reported the results to the Department in accordance with Federal guidelines. This audit involved the University of Southern California and found that the school did not always complete verification in accordance with Federal requirements and did not accurately report verification results to FSA.
- Our fiscal year (FY) 2019 Federal Information Security Modernization Act, or FISMA, review concluded that the Department's and FSA's overall information security programs were not effective in any of the five security functions reviewed. We also identified weaknesses in all of the metric domains reviewed, which included findings with the same or similar conditions identified in previous FISMA reports. Similar to our previous FISMA reports, we did find that both the Department and FSA are making progress in strengthening their information security; however, weaknesses remain, leaving their systems and resources vulnerable to compromise and loss.

- For FY 2019, although the Department and FSA received unmodified opinions on their financial statements, the auditors identified the following internal control weaknesses: one material weakness in controls over the reliability of information used by management supporting the subsidy reestimate related to student loan portfolio costs; and two significant deficiencies, one involving information technology controls and the second involving controls over monitoring of certain service organizations hosting and administering Department information technology systems. Ineffective controls impact management's ability to prevent, detect, and correct errors and can increase the risk of unauthorized access to the Department's systems. In addition, the auditors identified one instance of noncompliance involving a provision of the Debt Collection Improvement Act of 1996, as amended.

In our investigative work, we closed 26 investigations involving fraud or corruption and secured more than \$15.5 million in restitution, settlements, fines, recoveries, forfeitures, and estimated savings. As a result of this work, criminal actions were taken against numerous people, including current and former school officials and service providers who cheated students and taxpayers. Our investigative work included the following.

- In this report, we highlight two investigations involving student debt relief fraud. One investigation involves officials of a company called "Student Loan Relief Department" who were arrested in a 20-count indictment for allegedly preying on student loan borrowers. The second investigation involves the chief executive officer of three companies who pled guilty to charges in connection with a multimillion-dollar fraud scam that targeted student loan borrowers.
- Criminal actions were taken against schools, college and university officials, contractors, and employees, including two people—one of whom is the now-former associate registrar at Delaware State University—who were sentenced to prison for running a scheme that charged students a fee to change their residency from out-of-State to Delaware to receive in-State tuition from the university. We estimate that the school received \$3 million less in tuition payments because of this scam.
- Members of student aid fraud rings were sentenced, pled guilty, or were indicted on charges of fraud, including a father and son team in Arizona who were sentenced to prison for orchestrating a ring that targeted nearly \$7.5 million in student aid.
- Two former Haverford College students were sentenced for accessing the school's computer system without authorization in an attempt to access President Trump's tax returns from the Internal Revenue Service.
- K-12 school officials, employees, contractors, and vendors were sentenced, pled guilty, or were indicted for fraud, theft, or other criminal activity involving Department funds. This included guilty pleas by two officials of the now-closed Bradley Academy of Excellence in Arizona for their roles in a \$2.5 million fraud scheme, and a former chief executive officer of Celerity Educational Group who was found guilty by a jury for her role in a \$2.5 million fraud scheme.
- Our cases involving public corruption, where criminal actions have been taken against elected officials or senior officials in State or community leadership positions, include the following. A Philadelphia City Councilman who was charged for allegedly accepting bribes in exchange for taking actions to benefit a charter school company. The former Puerto Rico Secretary of Sports and Recreation pled guilty to his role in a \$9.8 million fraud scheme. Additionally, the Puerto Rico municipality of Sabana Grande and the Puerto Rico Olympic Committee agreed to a \$1.2 million settlement for violating the False Claims Act, which was followed by the former mayor of the municipality pleading guilty for fraud.

Our Semiannual Report also contains information on other efforts completed during this reporting period specific to the OIG. This includes information on our response to COVID-19, our required non-Federal audit-related work, and other reports issued during the reporting period, including our FY 2020 Management Challenges and FY 2020 Annual Plan. Lastly, this report includes summary tables and tables containing statistical and other data as required by the Inspector General Act of 1978, as amended, and other statutes.



## Federal Student Aid Programs and Operations

The Federal student financial aid programs have long been a major focus of our audit and investigative work. These programs are inherently risky because of their complexity, the amount of funds involved, the number of program participants, and the characteristics of student populations. U.S. Department of Education (Department) Office of Inspector General (OIG) efforts in this area seek not only to protect Federal student aid funds from fraud, waste, and abuse, but also to protect the interests of the next generation of our nation's leaders—America's students.

# Audits

The Department disburses about \$121 billion in Federal student aid annually and manages an outstanding loan portfolio valued at more than \$1.5 trillion. This makes the Department one of the largest financial institutions in the country. As such, effective oversight and monitoring of its programs, operations, and program participants are critical. Within the Department, the Office of Postsecondary Education and Federal Student Aid (FSA) are responsible for administering and overseeing the student aid programs. The Office of Postsecondary Education develops Federal postsecondary education policies, oversees the accrediting agency recognition process, and provides guidance to schools. FSA disburses student aid, authorizes schools to participate in the student aid programs, works with other participants to deliver services that help students and families finance education beyond high school, and enforces compliance with FSA program requirements. During this reporting period, OIG work identified actions that FSA should take to address weaknesses in program operations and management. Summaries of these reports follow.

## FSA's Oversight of the Heightened Cash Monitoring Payment Methods

The audit objectives were to determine whether (1) FSA consistently administered its heightened cash monitoring (HCM) payment methods and (2) FSA's use of HCM was an effective oversight tool. Generally, schools operate under the advance payment method, where they draw down Title IV of the Higher Education Act of 1965, as amended (Title IV) funds from the Department before disbursing funds to eligible students and parents. However, the Department may place schools on an HCM payment method when it determines that additional oversight of the school's cash management of its Title IV program funds is necessary because of financial, administrative, or compliance issues. FSA is responsible for this oversight and monitoring. There are two levels of HCM.

- **HCM 1.** A school makes payments to eligible students from its own funds and then submits the payment records to the Department's Common Origination and Disbursement System before the school can draw down its Title IV program funds to cover the payments.

- **HCM 2.** A school must make payments to students from its own funds and then submit a payment request with supporting documentation to FSA to be reimbursed for the payments. FSA reviews the documentation for a sample of students in the request to determine whether to reimburse the school for all the students in the submission.

Overall, we found that FSA's use of HCM was an effective oversight tool, and that FSA consistently administered HCM payment methods for schools that it placed on HCM. However, we identified areas that needed some improvement. First, for the data reviewed, we found that FSA did not have adequate internal controls to reasonably ensure it consistently placed schools on HCM payment status when the schools submitted late annual financial statements or had composite scores that fell below the minimum financial responsibility score (nonpassing composite score.) As a result, School Participation Divisions (FSA's regional offices that monitor schools to determine Title IV eligibility, administrative capability, financial responsibility, and noncompliance with Title IV laws and regulations) did not consistently or timely cite and place schools on provisional certification and HCM for submitting financial statements after the due dates. In addition, schools with nonpassing composite scores were not consistently placed on HCM or required to submit a letter of credit. We also found that FSA did not have control activities to track a school's method of payment status from a School Participation Division's recommendation for HCM monitoring placement until the placement was made. As a result, schools that may pose a risk to Title IV program funds were able to draw down funds in advance without monitoring and participate in the Title IV programs without restrictions intended to protect students from harm and taxpayers from loss. Further, we determined that FSA did not retain all required documentation for administering its HCM payment methods for some of the schools in our review. Without complete and accurate documentation of the HCM process, FSA did not have adequate evidence that it administered the HCM process according to its policies and procedures.

To address the issues identified, we recommended that FSA develop and implement controls to (1) ensure consistent, appropriate, and timely actions are taken when schools fail to submit financial statements timely or receive nonpassing composite scores; (2) track a school's method of payment status from the recommendation for placement until the change is implemented; and (3) ensure that all required HCM documentation is retained. FSA partially agreed with our findings and recommendations. [HCM Audit](#)

## Compliance with Verification and Reporting Requirements

To ensure that the information students and parents provide on the Free Application for Federal Student Aid (FAFSA) is accurate, the Department requires colleges and universities to verify financial and demographic data included on the FAFSA. Schools must then report the results of the verification to the Department. Verification helps ensure that students receive the appropriate amount of Federal financial aid and is an important control to prevent improper payments of Federal financial aid.

The OIG is conducting a series of audits to determine whether schools completed verification of applicant data in accordance with Federal requirements and whether

the schools accurately reported the results to the Department in accordance with Federal guidance. In our recent Semiannual Reports, we have highlighted the results of our previous reports in this series, all of which are available on our [website](#). During this reporting period, we issued another report in the series involving The University of Southern California. A summary of this report is below. We will share the results of our additional work once completed.

### *University of Southern California's Compliance with Federal Verification and Reporting Requirements*

We found that the University of Southern California did not complete verification of applicant data in accordance with Federal requirements for 7 of the 60 students included in our statistical random sample. As a result, the university improperly disbursed \$21,530 in Title IV aid to four students and improperly disbursed \$1,000 less in Title IV aid than one student was eligible to receive. There was no effect on the amount of Title IV aid disbursed for the other two students. Based on our statistical sample, we estimated that the University of Southern California did not complete verification in accordance with Federal requirements for 184 (12 percent) of the 1,534 Pell recipients selected for verification for award year 2017–2018. We concluded that the university did not complete verification in accordance with Federal requirements because of human error. The university did not detect the errors because its quality control process was not designed to detect and correct noncompliance with Federal requirements for verifying applicant data.

We also found that the University of Southern California did not accurately report verification results to the Central Processing System and Common Origination and Disbursement System for 8 of the 60 students included in our statistical random sample. Based on the results of our statistical random sample, we estimate that the University of Southern California did not accurately report verification results for 199 (13 percent) of the 1,534 Pell recipients selected for verification for award year 2017–2018. We concluded that the university did not accurately report verification results to Federal Student Aid because its information system contained errors in the programming logic used to automatically create a report with verification updates that the university would submit to the Central Processing System.



Based on our findings, we recommended that FSA require the school to (1) correct the \$22,530 in improper payments; (2) revise its quality control process to ensure that students selected for verification are a separate category of students for sample selection purposes; (3) review its records for the 1,474 students who received a Pell disbursement and whose applications were selected for verification for award year 2017–2018 but were not included in our sample, determine whether the school has records to support that verification of applicant data was completed in accordance with Federal requirements, correct any improper payments, and ensure that verification results were reported to FSA; (4) review the programming logic for its information system and implement any necessary changes to the system logic to provide reasonable assurance that all verification updates are submitted to the Central Processing System; and (5) and implement a process to evaluate whether the Central Processing System accurately reflects verification updates. The University of Southern California agreed with our findings and stated that it made or planned to make changes to address most of our recommendations. [USC Verification Audit](#)

## Investigations

Identifying and investigating fraud in the Federal student financial assistance programs has always been a top OIG priority. The results of our efforts have led to prison sentences for unscrupulous school officials and others who stole or criminally misused Federal student aid funds, significant civil fraud actions against entities participating in the Federal student aid programs, and hundreds of millions of dollars returned to the Federal government in fines, restitutions, and civil settlements.

### Investigations of Schools and School Officials

The following are summaries of OIG investigations and links to press releases involving Federal student aid fraud and other fraud involving schools and school officials.

#### *Conspirators Sentenced to Prison for Perpetrating Phony Residency Scheme at Delaware State University (Delaware)*

Two people, including a now former associate registrar at Delaware State University, who had previously pled guilty to their roles in a scheme where students paid to change their residency from out-of-State to Delaware in order to receive in-State tuition, have now been sentenced. The mastermind was sentenced to serve 42 months in prison. His co-conspirator, the former assistant registrar, was sentenced to serve 15 months in prison. Between 2013 and 2017, the scheme's mastermind recruited students to pay him a fee to change their registration status. After students paid him the fee, the man created forged residency documents and delivered them to the associate registrar to place in the students' files and recorded the changes in the school's computer system. The mastermind paid the associate registrar a percentage of the fees he collected, amounting to some \$70,000. The mastermind also paid students a fee to help recruit other students to participate in the scheme. The estimated cost of reduced tuition payments to the school as a result of this scam exceeded \$3 million. [Press Release #1](#), [Press Release #2](#)

*Caldwell University Agrees to \$4.8 Million Settlement (New Jersey)*

As reported in [previous Semiannual Reports](#), our investigation involving a former associate dean of Caldwell University, the owner of the company ED4Mil, and an ED4Mil employee were sentenced to prison for their roles in a fraud scheme that defrauded veterans and scammed more than \$24 million in tuition benefits under the Post 9/11 GI Bill. During this reporting, Caldwell University agreed to pay \$4.8 million to settle claims associated with that scheme. The former associate dean helped the ED4Mil owner get approval from Caldwell University to develop and administer a series of noncredit online courses for veterans in Caldwell University's name. The courses, however, were not approved by the U.S. Department of Veterans Affairs, nor were they developed, taught, or administered by Caldwell University faculty. Instead, they were developed, taught, and administered by an unapproved subcontractor and an online correspondence school that ED4Mil hired. Even though Caldwell University contributed no content or value to the courses, it charged between 10 and 30 times the price that the online correspondence school charged. Thousands of veterans enrolled in the online courses believing they were taking courses from Caldwell University. [Press Release](#)

*Concorde Career Colleges Agrees to \$931,700 Settlement (Texas)*

Concorde Career Colleges, Inc., operator of postsecondary institutions that offer vocational career training programs in healthcare fields with 16 campuses across the country, agreed to pay more than \$931,700 to resolve allegations that it violated the False Claims Act by falsifying externship attendance records for students who were enrolled at its Grand Prairie, Texas, campus and received Federal student aid. The school was alleged to have falsified attendance records for students enrolled in its Medical Assistant, Medical Office Assistant, and Dental Assistant programs from January 2016 through May 2019.

*More Actions Taken in \$250,000 Scam Led by Former Bossier Parish Community College Comptroller (Louisiana)*

In our [last Semiannual Report](#), we highlighted our case involving the former Bossier Parish Community College comptroller and other participants who were indicted for stealing more than a quarter of a million dollars from the school. During this reporting period, two of those participants pled guilty. Another participant, the sister of the comptroller, was indicted for her role in the scam. From 2013 through 2016, the former comptroller allegedly used her position to access school computer systems to issue more than \$259,000 in student aid funds to her indicted conspirators and others even though none of them were qualified to receive the student aid. In most cases, they were not even attending the school during the semesters for which they received the funds. When the participants received the money, they allegedly kicked back two-thirds or a half of the money to the former comptroller.

*Former Trident Technical College Official Sentenced in Satisfactory Academic Progress Fraud Scam (South Carolina)*

A former assistant director in the financial aid office of Trident Technical College was sentenced for using her position to override financial aid holds on accounts of students who failed to meet satisfactory academic progress requirements required for participation in the Federal student aid programs. The former official recruited people to act as "straw students" for the sole purpose of stealing student aid. After

initially attending some classes, the straw students stopped participating and thus began receiving financial aid warnings as they were not meeting satisfactory academic progress—standards required for continuing to receive Federal student aid. When a student does not make satisfactory progress, the school's financial aid office places the student's account on hold and the student may become ineligible to receive further aid. However, the former official used her position to access to the school's financial aid files and remove the holds, resulting in the disbursement of more than \$60,000 in student aid to the straw students. Once the straw students received the aid, they kicked back a portion to the former official. She was sentenced to 5 years of probation and was ordered to pay more than \$19,900 in restitution.

#### *Guilty Plea by Another Former Trinity Valley Community College Financial Aid (Texas)*

We reported in our [last Semiannual Report](#) that the former director of financial aid at Trinity Valley Community College was sentenced to 6 months in prison and 6 months of home confinement and was ordered to pay more than \$61,700 in restitution for student aid fraud. During this reporting period, and in an unrelated matter, a second school official, the former Veterans' Financial Aid Officer, pled guilty to theft. The former officer applied for and received Federal student aid for purported attendance at the school when he had no intention of using the money for education. Rather, he used the money to help pay his bills.

### Investigations of Student Loan Debt Relief Fraud

The following are summaries of student loan debt relief fraud where the OIG led or assisted in the investigation.

#### *Leaders and Other Employees of Company Called "Student Loan Relief Department" Indicted on Theft, Fraud, Other Charges (California)*

Five officials, including the chief executive officer, chief financial officer, and general manager, of a company called "Student Loan Relief Department" were arrested in



“Luring the borrowers through advertisements on Facebook, the officials allegedly obtained personally identifiable information from student borrowers responding to the ads that the officials then used to illegally gain access to FSA’s student loan portal.

a 20-count indictment for allegedly preying on student loan borrowers. Luring the borrowers through advertisements on Facebook, the officials allegedly obtained personally identifiable information from student borrowers responding to the ads that the officials then used to illegally gain access to FSA’s student loan portal. Using data obtained from the portal about the borrowers’ loans, the official allegedly advised borrowers that they qualified for a debt relief program and enticed them to take out high-interest loans to pay the company for their services to help reduce their debt. The services they offered, however, are

available free of charge to borrowers. The officials are also alleged to have used the personally identifiable information of the borrowers to create some 16,000 new FSA IDs on behalf of borrowers that they used to alter records without the permission of FSA or the borrowers. With the company’s name, many borrowers assumed that they were talking with the Department directly. Additionally, the officials allegedly concocted an investment scheme, marketing the Student Loan Relief Department as a “business in a box” concept through which investors could purchase the right to start a franchise or an affiliated business, allegedly enticing individuals to invest more than \$2.5 million in the company or to purchase an affiliated business. We conducted our investigation jointly with the California Department of Justice.

*Third Party Loan Consolidator Pled Guilty to Charges Stemming from Multimillion Student Loan Repayment Services Scam (California)*

The owner, operator, and chief executive officer of three companies—American Financial Benefits Center, Financial Education Benefits Center, and Ameritech Financial—pled guilty to charges in connection with a multimillion-dollar fraud scam that targeted student loan borrowers who were seeking student loan forgiveness, loan consolidation, and reduced payment programs. From January 2014 through November 2018, the official instructed his employees to follow misleading sales scripts and to employ deceptive sales tactics so that people would enroll for services without fully understanding what they were paying for. This included optional benefits programs unrelated to student loans, such as identity theft protection and roadside assistance programs. He also instructed his employees to make false statements concerning the companies’ ability to deliver fixed payments for the life of student loans and loan forgiveness under alternative repayment plans, engaged in practices that improperly inflated a customer’s family size to make it appear that their monthly payments would be lower than they would be; and hid monthly fees associated with the other unrelated programs. In his plea agreement, the chief executive officer admitted that the purpose of the scheme was to obtain no less than \$25 million and up to \$65 million. The OIG provided assistance to the agencies leading this investigation and the prosecution, including the Federal Trade Commission, the Federal Bureau of Investigation, the Internal Revenue Service

Criminal Investigation Division, and the U.S. Attorneys Office for the Northern District of California. [Press Release](#)

## Investigations of Student Aid Fraud Rings

Below are summaries and links to press releases on actions taken over the last 6 months against people who participated in Federal student aid fraud rings. Fraud rings are large, loosely affiliated groups of criminals who seek to exploit distance education programs in order to fraudulently obtain Federal student aid. These cases are just a sample of the large number of actions taken against fraud ring participants during this reporting period.

### *Father and Son Sentenced for Orchestrating Fraud Ring that Targeted More Than \$7.4 Million (Arizona)*

A father and son were sentenced to prison for filing hundreds of fraudulent college admissions forms and applications for Federal student aid and defrauding the Department out of millions of dollars in grants and loans. The two had access to the identities—some of which were stolen—of more than 300 people they used to register for classes at community colleges in Arizona, Ohio, and elsewhere to obtain student aid. Upon receiving the grant and loan money for the straw students, the colleges disbursed a portion of the financial aid funds onto prepaid debit cards that the father and son then used for their own personal expenses. The duo targeted more than \$7.4 million in Federal student aid funds in the scam. The father was sentenced to serve 15 months in prison and 36 months of supervised release; his son was sentenced to serve 1 year and 1 day in prison, followed by 36 months of supervised release. They were also ordered to pay more than \$936,000 in restitution.

### *Leader of Ring That Targeted More than \$1 Million in Federal Student Aid Sentenced (Arizona)*

A woman was sentenced to serve 33 months in prison and 36 months of supervised release and was ordered to pay nearly \$850,000 in restitution for operating a \$1 million student aid fraud ring. The woman and others used the identities of straw students—some with and some without permission—to apply for admissions to and receive Federal student aid from a number of community colleges. The admissions and student aid forms for these straw students included mailing addresses controlled or accessible by the ringleader and her co-conspirators so they could obtain all student aid refund balances. Those balances were placed on prepaid debit cards that the woman and her co-conspirators used for their own personal expenses and benefit. According to court records, the ring stored documents related to the scheme that included various lists including a list with the names and identifying information for the straw students, fake reading and math skills placement tests results, notes indicating that the scheme was intended to make money, and a list tracking items to be completed in the scheme.

### *First of a Three-Member Fraud Ring Pled Guilty to Targeting More Than \$1 Million in Student Aid (California)*

In our [last Semiannual Report](#), we highlighted our case involving three women who were arrested for their roles in a fraud ring that targeted more than \$1 million in Federal student aid. During this reporting period, one of the women pled guilty for her role in the ring. The woman and her co-conspirators obtained the personally

identifiable information of some 235 people—including victims of identity theft and inmates in California State prisons—that they used to apply for admissions to and receive student aid from Fullerton College and other schools. As a result of their actions, more than \$1 million in Federal student aid was disbursed to the straw students.



*Members Sentenced for Roles in \$200,000 Fraud Ring (Illinois)*

Two members of a fraud ring that targeted more than \$200,000 of Federal student aid at the College of DuPage were sentenced to prison. The two used the personally identifiable information of people to fraudulently apply for admissions to and receive Federal student aid from the school, knowing that the “students” would not be completing their own coursework. The ringleader was sentenced to serve 6 years in prison and 3 years of supervised release and was ordered to pay more than \$216,800 in restitution. His conspirator was sentenced to serve 30 days in jail and 2 years of probation and was ordered to pay about \$9,000 in restitution.

*First of Two People Running \$193,700 Fraud Ring Sentenced (California)*

[In 2019](#), we highlighted our case involving two people who pled guilty for their roles in a ring that fraudulently obtained more than \$193,000 in student aid. During this reporting period, one of the two was sentenced to serve 9 months of home detention and 3 years of probation. Beginning in 2014, the woman, her co-conspirator, and others obtained the personally identifiable information of people, most of whom were incarcerated in California prisons, to act as “straw students.” The duo and their co-conspirators used the information to apply for admissions to and receive Federal student aid from Liberty University on behalf of the straw students, knowing that these straw students would never attend any classes. The ring completed all required forms and supplied all contact information, including addresses that were under the control of the ring members. This enabled them to receive the student aid award balances.

## Investigations of Other Student Aid Fraud Cases

The following are summaries and links to press releases on the results of additional OIG investigations into abuse or misuse of Federal student aid.

*Woman Sentenced for Using Identities of 15 People to Apply for and Receive at Least \$276,000 Federal Student Aid (Louisiana)*

A woman was sentenced for using the identities of 15 unwitting people to apply for admissions to and receive Federal student aid from Delgado Community College. The woman falsified FAFSAs and created numerous bank accounts, which she controlled and in which the proceeds for each person were deposited. The scheme caused at least \$276,000 in Federal financial aid to be disbursed, of which she used more than \$195,400 for her personal use. The woman was sentenced to serve 6 months at a residential reentry center, 60 months of probation, and was ordered to pay more than \$195,400 in restitution.

*Multiagency Investigation Leads to Prison Sentence for Scammer Who Defrauded Federal and State Programs, Including Some \$220,000 in Federal Student Aid (Ohio)*

A woman was sentenced to 28 months in prison, 12 months home detention, and 3 years of supervised release for fraud. She was also ordered to pay more than \$457,200 in restitution, of which nearly \$220,000 will go to the Department. The multiagency investigation revealed from 2011 through 2017, the woman and her co-conspirators used the personally identifiable information of other people to defraud several government agencies by committing student aid fraud, tax return fraud, Medicaid, and SNAP fraud. Specific to defrauding the Department, the woman and others recruited more than 5 people to provide their personally identifiable information that the woman and others used to apply for admissions to and receive Federal student aid from Columbus State Community College, knowing that none of the people had any intention of attending classes. As a result of their fraudulent efforts, they received more than \$220,000 in Federal student aid. [Press Release](#)



From 2011 through 2017, the woman and her co-conspirators used the personally identifiable information of other people to defraud several government agencies by committing student aid fraud, tax return fraud, Medicaid, and SNAP fraud.

*Guilty Plea by Woman Who Used the Stolen Identities of More than 30 People to Obtain \$121,200 in Student Aid (Georgia)*

A woman pled guilty to charges associated with her using the stolen identities of more than 30 people to fraudulently apply for and receive Federal student aid. Initially stopping her for speeding, a Cook County Sheriff's Deputy found that the woman's license had been suspended. A subsequent search of her car found notebooks filled with people's names and personally identifiable information, laptops, tablets, and bags with debit cards from various banks. Based on the information found in the car, a multiagency investigation determined that the woman used the personally identifiable information to defraud multiple Federal agencies and programs, including more than \$121,200 in Federal student aid in the names of more than 30 unwitting victims.

*Participant in Debt Elimination Scheme Sentenced (New Jersey)*

One of five people who were charged with using phony money orders, cashier's checks, and other fabricated documents that they used to fraudulently discharge hundreds of thousands of dollars in financial obligations, including student loans, has been sentenced for her role in the scam. The woman and her alleged conspirators submitted phony money orders and cashier's checks to various financial institutions, sometimes in amounts larger than the debt owed so they could eliminate the debt and obtain extra money that they used for their personal benefit. Among the debt she sought to eliminate was \$52,000 in student loans. She sent phony money orders and cashier's checks totaling more than \$67,000 to the Department. The Department rejected the payment. The woman was sentenced to serve 1 year and 1 day in prison followed by 5 years of supervised release, and she was ordered to pay more than \$587,000 in restitution.

*Man Sentenced for Using 37 Identities to Obtain \$60,000 in Student Aid (Virginia)*

A man was sentenced to 30 months in prison for using the identities of 37 people, without their knowledge or consent, to apply for and receive Federal student aid from a number of schools, including Strayer University. The man claimed that he obtained the information from a former college friend. The admissions and student aid forms that the man submitted on behalf of those 37 people included bank account information that he controlled, which enabled him to receive the student award balances. As a result of his fraudulent efforts, the man obtained some \$60,000. He was also sentenced to 3 years of supervised release and was ordered to pay more than \$22,600 in restitution.

*Business Owner Pled Guilty to Fraud Charges, Including \$57,300 in Student Aid Fraud (Illinois)*

The owner of Ebiz Accounting Services pled guilty to charges relating to stealing Social Security benefits and preparing false income tax returns, including her personal income tax returns. On these tax returns, she failed to report income from her business and other assets. She included this fraudulent information on FAFSAs for her children. As a result, they received more than \$57,300 in Federal student aid to which they were not entitled.

*"Student" Who Enrolled at 13 Schools Indicted on Fraud Charges (North Carolina)*

A woman who enrolled at 13 postsecondary institutions, allegedly to obtain Federal student aid rather than obtain an education, was indicted on multiple fraud charges. The woman allegedly falsified FAFSAs and admissions forms, indicating that she intended to pursue degrees, often online at the schools. After she received the student aid funds, she allegedly stopped attending classes. As a result of her efforts, the woman allegedly obtained more than \$34,400. [Press Release](#)

*Final Person Sentenced in Family & Friends Student Aid Scams (Colorado)*

In [recent Semiannual Reports](#), we highlighted a case involving family members and their friends who operated separate student aid fraud scams that targeted community colleges in Colorado. Family members obtained Federal student aid for purported attendance at the schools when in fact they used the money for various

extravagances, including gambling, vacations, cosmetic surgery, and event tickets. One of the family members even used the personally identifiable information of her unwitting mother to apply for and receive student aid. During this reporting period, the fifth and final person involved was sentenced to serve 24 months in prison and 1 year of supervised release and was ordered to pay about \$20,000 in restitution. The man used the identities of at least three unwitting coworkers to apply for and receive Federal student aid from Community College of Denver.

# OTHER ACTIVITIES

## Participation on Committees, Work Groups, and Task Forces

- **FBI Cyber Crime Investigations Task Force.** The OIG is a member of this task force of Federal, State, and local law enforcement agencies conducting cybercrime investigations nationwide, with agents physically located in Washington, D.C., and Boston, Massachusetts. OIG agents are currently assisting with investigations in Minnesota and Arkansas in association with this task force.

## Reviews of Legislation, Regulations, Directives, and Memoranda

- **Guidance for Interruptions of Study Related to Coronavirus (COVID-19).** The OIG provided comments on the electronic announcement to improve the document's quality, clarity, and integrity.



## Elementary and Secondary Education Programs

The Department administers more than 100 programs that involve 56 States and territorial educational agencies, nearly 18,400 public school districts, 132,000 schools, and numerous other grantees and subgrantees. Effective oversight of and accountability in how these entities spend the Department funding they receive is vital. Through our audit work, we identify problems and propose solutions to help ensure that the Department's programs and operations meet the requirements established by law and that federally funded education services reach the intended recipients—America's students. Through our criminal investigations, we help to protect public education funds for eligible students by identifying those who abuse or misuse Department funds and holding them accountable for their unlawful actions.

## Audits

During this reporting period, we issued three audits specific to elementary and secondary education. The first audit involves a charter school management organization's administration of Federal Replication and Expansion of High-Quality Charter School grants. The second and third audits involve grantee controls over funding for disaster recovery efforts. Summaries of these reports follow.

### IDEA Public Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools

The objectives of our audit were to determine whether Individuals Dedicated to Excellence and Achievement (IDEA) Public Schools (1) reported complete and accurate information on the annual performance reports that it submitted for its Charter Schools Program, Grants to Charter Management Organizations for the Replication and Expansion of High-Quality Charter Schools (Replication and Expansion grants) and (2) spent grant funds in accordance with Federal cost principles and its approved grant applications. Our audit covered the annual performance reports that IDEA Public Schools submitted to the Department for October 1, 2014, through September 30, 2018. Our audit also covered IDEA Public Schools' financial records relevant to the grantee's expenditures from July 1, 2017, through June 30, 2018.

Despite certifying that annual performance reports were true, complete, and accurate, IDEA Public Schools did not include complete and accurate information for all performance measures on which it was required to report in its 2016, 2017, and 2018 annual performance reports. We found that IDEA Public Schools did not report any information for 61 (84 percent) of the 73 performance measures on which it was required to report in the 2016 and 2017 annual performance reports. In September 2018, we informed IDEA Public Schools officials of the missing information for the 61 performance measures. IDEA Public Schools agreed that it did not provide the required information to the Department. The vice president of financial planning for IDEA Public Schools stated that some information required to be reported in annual performance reports is not available in April and must be submitted later in the fall, via email, to the Department. However, IDEA Public

Schools did not provide us with records showing that it sent the information for the 61 performance measures to the Department in the fall. In October 2018, IDEA Public Schools submitted to the Department its 2018 annual performance report, which included all but 2 (8 percent) of the 23 performance measures on which IDEA Public Schools was required to report. We also found that IDEA Public Schools did not retain records that supported the information for 5 of the 11 performance measures on which it reported in its 2016, 2017, and 2018 annual performance reports and were included in our sample of performance measures. As a result of the incomplete and inaccurate reporting, the Department might not have had the information it needed to determine whether IDEA Public Schools was (1) making substantial progress in meeting the performance goals for each Replication and Expansion grant and (2) eligible for continuation awards.

IDEA Public Schools did not report any information for 63 of 96 required performance measures because it did not have a process for ensuring that information for all performance measures was included in the annual performance reports. IDEA Public Schools did not provide accurate information for the performance measures on which it did report because its employees were not provided guidelines for determining which records to use when compiling information for the annual performance report. For example, reports on enrollments and student persistence were created throughout the year, but IDEA Public Schools did not designate which reports should be used to prepare the annual performance report. IDEA Public Schools also did not have a process for retaining all the records supporting the information it reported to the Department. We also found that IDEA Public Schools did not always spend grant funds in accordance with Federal cost principles and its approved grant applications. Specifically, of the \$1,002,406 of expenses that we examined, IDEA Public Schools charged \$13,800 (1.4 percent) in unallowable expenses and did not adequately document \$9,735 (1.0 percent) in expenses that it charged to the three grants from July 1, 2017, through June 30, 2018. Although IDEA Public Schools had written policies and procedures for approving purchases and documenting the use of grant funds, it did not have processes to provide reasonable assurance that employees consistently adhered to those policies and procedures.

Based on our findings, we recommended that IDEA Public Schools (1) provide the omitted performance information for each award; (2) develop and implement policies and procedures to provide reasonable assurance that it prepares complete and accurate annual performance reports, reviews the reports for completeness and accuracy before submitting them to the Department, retains records to support the information reported in the annual performance reports, and charges only allowable and adequately documented expenses to the Replication and Expansion grant. We also recommended that IDEA Public Schools credit the Replication and Expansion grant for \$13,800 in unallowable expenses and provide records supporting the \$9,735 in inadequately documented expenses or credit the Replication and Expansion grant for this amount. IDEA Public Schools did not state whether it agreed or disagreed with our findings but generally agreed with our recommendations.

[IDEA Public Schools Report](#)



## Disaster Recovery Audits

In 2018, the Bipartisan Budget Act of 2018 was signed into law, providing some \$2.7 billion to assist K–12 schools, school districts, and institutions of higher education in meeting the educational needs of students affected by Hurricanes Harvey, Irma, and Maria and the California wildfires. This disaster assistance looks to help schools, school districts, colleges, universities, and other institutions return to their full capabilities as quickly and effectively as possible. The OIG plays a critical role in the Federal disaster recovery process. We are tasked with auditing Department grantee spending of disaster recovery funds, examining the effectiveness of recovery programs, and investigating misuse, theft, and other criminal activity involving these funds. Congress provided \$4 million to the OIG to carry out these oversight activities over the next several years. Further, in June 2019, the Additional Supplemental Appropriations for Disaster Relief Act of 2019 was signed into law, providing \$165 million to assist educational entities in meeting the needs of students affected by the disasters that occurred in 2018 and 2019 and providing the OIG with an additional \$2 million to carry out related oversight activities.

Our work involving disaster recovery funds is well underway. OIG staff have met with impacted State and territorial educational agencies, governments, and law enforcement officials to stress the importance of establishing strong accountability and oversight controls to protect disaster recovery funds from fraud, waste, and abuse. State and territorial schools, school districts, and institutions of higher education (which are the grantees and subgrantees receiving Federal funds) have a critical role in the process: they need to establish good internal controls to help ensure that they use these funds appropriately, as required by law. Our role is equally

important: we make sure that disaster recovery grantees and subgrantees design effective controls, spend the funds timely and for allowable purposes (including providing them only to eligible recipients), and achieve the intended results.

During this reporting period, we issued two disaster recovery-related reports, both involving the Texas Education Agency (Texas). You will find summaries of this work below. The first audit examined the Temporary Emergency Impact Act for Displaced Students (EIA) program—funding that LEAs and nonpublic schools can use to provide instructional opportunities for displaced students who enroll in their schools and for expenses incurred in serving displaced students. Our audit examined whether Texas established and implemented systems of internal controls that ensured (1) displaced student count data provided to the Department were accurate and complete, (2) EIA program funds were appropriately allocated to LEAs, and (3) LEAs used EIA program funds in accordance with applicable Federal requirements. This was the first in a planned series of audits on this subject involving State educational agencies. The second audit examined Immediate Aid to Restart School Operations Program (Restart) funding and whether Texas had effectively designed internal controls for the administration of these funds. Restart funds assist local educational agencies and nonpublic schools with expenses related to restarting schools in areas affected by disasters. Recipients must use these funds to assist school administrators and personnel in restarting school operations, reopening schools, and reenrolling students. This was the third in a planned series of audits on this subject. You can find copies of our previously issued reports (involving the Puerto Rico Department of Education and the Virgin Islands Department of Education) on the [Disaster Recovery section](#) of our website. We will share the results of our additional disaster recovery work once completed.

### *Texas Education Agency's Administration of the Temporary Emergency Impact Aid for Displaced Students Program*

We determined that Texas's system of internal control over displaced student count data did not ensure that the data provided to the Department were accurate and complete because it did not always prevent or detect inaccurate displaced student counts reported by LEAs. Texas did not provide adequate guidance to LEAs, and a reasonableness check that it performed on displaced student count data was inadequate to prevent or detect potential errors in the data. Specifically, we found that Texas instructed LEAs to identify displaced students using existing student crisis codes but did not inform the LEAs that they needed to pair each student's crisis code with enrollment data to correctly report each quarter's displaced student count. In addition, Texas's reasonableness check on displaced student count data submitted by the LEAs, which involved comparing counts between two data sources, was not designed in a way that would have provided assurance that reported data were accurate and complete. Regarding other oversight processes, our audit determined that Texas monitored LEAs through focused desk reviews and, for fiscal year 2019 and beyond, plans to review independent public accountant single audits for findings related to the EIA program. Both of these activities can be effective if implemented appropriately. However, Texas's controls neither prevented LEAs from submitting inaccurate and incomplete displaced student count data nor resulted in Texas detecting errors in the data before it applied for EIA program funds from the Department. The displaced student count data for the three LEAs that we reviewed—Goose Creek

Consolidated Independent School District, Houston Independent School District, and Spring Independent School District—were inaccurate and incomplete. As a result, Texas reported inaccurate displaced student count data to the Department for school year 2017–2018, and its EIA program grant allocations to these three LEAs were incorrect. We estimate that \$10.55 million of the \$23.1 million in EIA program funds that the three LEAs received was not supported because of the inaccurate and incomplete displaced student count data.

We also determined that Texas's system of internal control over LEAs' use of EIA program funds did not ensure that (1) LEAs accounted for EIA program funds received for students reported as children with disabilities in accordance with Federal requirements and (2) LEAs used EIA program funds to pay salaries only for employees who supported schools with displaced students. We identified about \$1.94 million in unsupported costs for students reported as children with disabilities at the three LEAs we reviewed and \$750,088 in unsupported costs for employees who worked at schools for which no displaced students were reported at two of the three LEAs we reviewed (Houston and Goose Creek).

Based on our findings, we recommended that Texas (1) provide required support for or return \$12.37 million in unsupported costs identified in this report; (2) review support for students reported as displaced by quarter for Spring and all other Texas LEAs with reported displaced student counts that matched previously reported data or that increased by quarter, and return funds related to unsupported displaced student counts; (3) return any EIA program funds allocated to any other LEAs that did not separately account for and properly use EIA program funds for the benefit of displaced students reported as students with disabilities; and (4) develop and implement procedures that include guidance for tracking student enrollment in the event of a disaster; collecting, documenting, and reporting data on displaced students; and monitoring the EIA program and any future emergency funding from the Department. Texas generally disagreed with our findings and did not state whether it agreed or disagreed with our recommendations. [Texas EIA Audit](#)

### *Texas Education Agency's Administration of the Immediate Aid to Restart School Operations Program*

We found that Texas established and implemented systems of internal control that provided reasonable assurance that Restart program funds were allocated appropriately and that sufficiently ensured that LEAs and nonpublic schools used Restart program funds for allowable and intended purposes. However, we identified instances of noncompliance with applicable Federal requirements and guidance at one of the three LEAs (Houston Independent School District) and at the one education service center (Region 4 Education Service Center) covered by our review. Specifically, we found that the Houston Independent School District (Houston) improperly charged some of its personnel expenditures to the Restart program. We selected and reviewed payroll transactions for 31 employees (7 teachers and 24 nonteachers) and identified improper charges of \$34,065 in extra duty pay for 4 of 7 teachers, which represented about 17 percent of the \$200,562 in payroll transactions that we reviewed at Houston. Because Houston's application for the Restart program mistakenly included all extra duty pay for teachers for fiscal year 2018 and we found that the extra duty pay for four of seven teachers in our review was unallowable, it is likely that extra duty pay



charged to the Restart program for other teachers that we did not select for review may also have been improperly charged to the program. In addition, we found that the Region 4 Education Service Center used Restart program funds to reimburse two nonpublic schools for prior purchases of materials (such as books, bookcases, and wood lockers), totaling \$84,243, but did not obtain or maintain control and ownership of the purchased materials. Without proper public control of the items purchased by the nonpublic schools, the Education Service Center runs the risk that materials or equipment will be misappropriated.

Based on our findings, we recommended that Texas (1) require Houston to return to the Restart grant \$34,065 in personnel expenditures that it charged for four teachers whose extra duty work was not for the purposes of the grant; (2) review a random, statistically valid sample of the remaining payroll expenditures for teachers whose extra duty pay Houston charged to the Restart grant to determine whether the personnel expenditures were allowable under the grant and require Houston to return funds to the grant for unallowable costs; (3) provide additional guidance to Education Service Centers on providing equitable services and assistance to nonpublic schools that specifies how to handle items purchased by nonpublic schools using Federal funds; (4) verify transfer of the title for the materials and equipment purchased by the Region 4 Education Service Center on behalf of nonpublic schools using Restart program funds or require the Education Service Center to return funds to the grant for unallowable costs; and (5) review the other Education Service Centers that are providing equitable services and assistance to nonpublic schools to ensure that the Education Service Centers have maintained control and ownership to materials and equipment purchased using Restart program funds. Texas partially agreed with our findings and agreed with our recommendations. [Texas Restart Audit](#)

# Investigations

OIG investigations in the elementary, secondary, and vocational education areas include criminal investigations involving bribery, embezzlement, and other criminal activity, often involving State and local education officials, vendors, and contractors who abused their positions of trust for personal gain. Examples of some of these investigations and links to press releases follow.

## Investigations of School Officials and Contractors

The following are summaries of OIG investigations involving K–12 school officials and contractors.

### *Philadelphia City Councilman, His Wife, and Former Education Executives Indicted in Case Involving a Philadelphia-Based Education and Development Company (Pennsylvania)*

In our [last Semiannual Report to Congress](#), we highlighted our case involving the former president of the Milwaukee Public Schools Board, who had pled guilty to accepting bribes in exchange for taking official acts to help University Companies charter schools open a campus in Milwaukee. During this reporting period, a Philadelphia City Councilman was charged for allegedly accepting bribes in exchange for taking actions to benefit Universal Companies in Philadelphia, and his wife was charged for allegedly helping to hide more than \$66,000 in bribery payments. Two Universal executives were also indicted for the bribery scam involving the former president of the Milwaukee School Board, as well as for allegedly embezzling more than \$463,000 from the company. The two allegedly charged excessive, inflated, or outright fraudulent reimbursements for travel or other purported business expenses related to the operation of the company, including its charter schools. They allegedly used the funds for personal expenses that should not have been reimbursed, including vacations, gym memberships, and political contributions.

[Press Release](#)

### *Municipality of Sabana Grande, Puerto Rico Olympic Committee Agree to \$1.2 Million Settlement, and its Former Mayor Pled Guilty to Fraud Charges (Puerto Rico)*

The Municipality of Sabana Grande and the Puerto Rico Olympic Committee agreed to pay \$1.2 million to settle claims that they violated the False Claims Act. The municipality, in conjunction with members of the Puerto Rico Olympic Committee and the owner of Administrative, Environmental, and Sports Consultants, entered into a contract involving Department funds whereby the municipality subcontracted with the Olympic Committee and the company to provide training for public school teachers. Based on the rules governing the grant funds provided to the Puerto Rico Department of Education, the municipality was precluded from subcontracting the services for the training to nongovernmental entities; however, the municipality submitted falsified records to bypass the rules and obtain the funding. As a result of those false claims, the Puerto Rico Department of Education disbursed more than \$1.7 million to the municipality, of which the municipality provided \$1.3 million to the Olympic Committee and the consulting company. The municipality agreed to pay \$500,000; the Olympic Committee previously paid \$700,000, pursuant to an

out-of-court settlement; and the United States seized more than \$1 million from bank accounts belonging to the owner of the consulting company relating to criminal charges filed against him. In addition, the former Mayor of Sabana Grande Municipality pled guilty to charges related to his role in the scheme, including knowingly misrepresenting the cost of the project. [Press Release](#)

*Former Puerto Rico Secretary of Sports and Recreation Pled Guilty to Role in \$9.8 Million Fraud Scheme (Puerto Rico)*

In previous Semiannual Reports, we highlighted our investigation involving the former secretary of the Puerto Rico Department of Sports and Recreation, his assistant, and five vendors for their roles in a kickback, fraud, and money laundering conspiracy involving more than \$9.8 million in fraudulently awarded contracts. During this reporting period, the former secretary pled guilty to his role in the scheme. The former secretary used his position to enter into contracts with Puerto Rico Department of Education and Puerto Rico Public Housing Department vendors in exchange for kickbacks. He awarded federally funded contracts without a competitive bidding evaluation process and awarded contracts for services at inflated prices. Federal funds fraudulently obtained through this scheme were used to operate and promote boxing events, television shows, travel, political campaigns, and business ventures. He also entered into a lease agreement with one of his co-conspirators for a facility at inflated price and used the overpayments for kickbacks. The former secretary's assistant and vendors previously pled guilty to their roles in the scheme.

“Federal funds fraudulently obtained through this scheme were used to operate and promote boxing events, television shows, travel, political campaigns, and business ventures.”

*Former Diocese of Columbus Schools Official Sentenced, and Executive Director of Internet Service Provider Pled Guilty to Wrongdoing in Federal E-Rate Schools Program (Ohio)*

The former director of Communications and Instructional Technology for the Office of Catholic Schools, an arm of the Roman Catholic Diocese of the Columbus Department of Education, was sentenced, and the executive director of the South Central Ohio Computer Association, the school district's internet services provider, pled guilty, to false claims charges related to the Federal E-Rate program. The two negotiated a contract between the school district and the company whereby the company would provide internet access for 5 years at an annual cost of \$600,180. The contract specified that it was only for internet access, which was an E-Rate eligible service. The charges, however, were inflated and included expenses that were not eligible for E-Rate funding. The two knew the charges under this contract were inflated, which included \$142,500 in undisclosed or hidden expenses. The former school official was sentenced to serve 30 months of probation, including 6 months of home detention, and was ordered to pay a \$5,000 fine. In addition, the former executive director, whose company had contracts with other Ohio public and private schools, unlawfully withheld

E-rate reimbursements to schools, or would pay schools reimbursements one to two years later than was required, and would use the funds from one funding year to reimburse what was owed for previous funding years. The amount of lost reimbursements plus the amount the schools paid in additional fees as a result of his actions totaled \$3.2 million. [Press Release](#)

*Former Executive Director of Lessie Bates Davis Neighborhood House Sentenced, Actions Taken Against Others in Embezzlement Scheme (Illinois)*

In our [last Semiannual Report](#), we highlighted our investigation into the former executive director of the Lessie Bates Neighborhood House, a nonprofit organization in East St. Louis, Illinois which provided various community services that included tutoring services. During this reporting period, the former executive director pled guilty to embezzlement and was sentenced, a conspirator pled guilty, and two others were indicted for their roles in the scheme. The former executive director, who oversaw the organization's fiscal affairs, used his position to embezzle money from the organization. He did so by creating false invoices for payment to a company called the "Computerized Information Group," a company that the official owned that was incorporated as the "Coleman Investment Group." He changed the name on the invoices to "CIG" to conceal his ownership. The former official used the funds for the benefit of himself and others. The former executive director was sentenced to serve 18 months in prison and 2 years of supervised release and was ordered to pay more than \$270,600 in restitution. Two of the conspirators were charged with aiding and abetting the former official, the third was charged with making false statements to the FBI. [Press Release](#)

*Florida Nursing School President Sentenced, District of Columbia Vocational Rehabilitation Counselor Pled Guilty in Fraud Scheme (Washington, D.C.)*

The president of a Florida nursing school was sentenced to prison, and a vocational rehabilitation counselor with the District of Columbia Department of Disability Services pled guilty for their roles in a fraud scheme. From 2012 through 2016, the counselor conspired with others to defraud the D.C. government by having benefits awarded to people who were not eligible to receive them. In her position, the counselor was responsible for determining whether an individual was eligible to receive the benefits. Despite D.C. government policy regarding conflicts of interest, she served as the counselor for more than 20 people whom she described as being related to her. She knew these people were not eligible to receive disability benefits but ensured that she was assigned as their counselor so she could process and approve their applications. As a result, the D.C. government awarded vocational rehabilitation benefits totaling more than \$834,500 to the counselor's family members and friends. When one of the counselor's family members wanted to attend the Florida nursing school, the counselor worked with the nursing school president to get his school added as an approved vendor with the D.C. government. During that process, the president told the counselor that his school was struggling financially and asked her to use her position to help pay tuition for students at his school. The counselor did so, getting \$47,895 in benefits awarded to five students at his school who were not D.C. residents. Further, the president awarded the counselor's relative a full

school scholarship. The former president was sentenced to serve 1 month in prison and 7 months of home confinement and was ordered to pay more than \$47,000 in restitution and fines. [Press Release](#)

### *Former Vocational Rehabilitation Business Employee Sentenced to Prison for Fraud (Delaware)*

A former job placement counselor with Connections Community Support Programs, Inc., a vendor of the Delaware Division of Vocational Rehabilitation, was sentenced to serve 12 months in prison for fraud. Between 2015 and 2016, the former counselor submitted falsified client paperwork and created bogus client paystubs so that the Delaware Division of Vocational Rehabilitation would pay Connections Community Support Programs for completed client services. By submitting over 30 false documents, the former counselor not only caused the payments between \$40,000 and \$95,000 in excess funds to his employer but made the company's services appear more successful than it was and so improved his own job security. [Press Release](#)

### *Purported Grant Public Schools Vendor Agrees to \$40,000 Settlement (Oklahoma)*

The owner of Cross K Supplies, a purported vendor of Grant Public Schools, agreed to pay \$40,000 to settle allegations that he received payment for goods and services never provided. The case relates to that of the former Grant-Goodland Public Schools superintendent who was sentenced to prison for embezzling more than \$1 million from the school system. From 2010 through 2016, the former superintendent, with assistance from a school employee, created phony invoices, purchase orders, and payment requests in the names of legitimate school district vendors, prepared and presented checks to the school board for payment of those purchases and services that were never provided, converted the checks to be payable to himself, and pocketed the money. The owner of Cross K Supplies' now-deceased mother was an employee of the former superintendent and worked with her son to create false invoices from Cross K Supplies for nonexistent goods and services, submitted those invoices to the district, and received payment.

## Investigations of Charter Schools and Charter School Officials

The following are summaries and links to press releases on OIG criminal investigations involving charter schools and charter school officials. These now-former school leaders were in control of or in positions overseeing Federal education programs.

### *Another Celerity Charter Chief Executive Official Found Guilty in \$2.5 Million Fraud Scheme (California)*

In November, a former chief executive officer of Celerity Educational Group, a nonprofit company that owned and operated charter schools, was found guilty by a jury for her role in a \$2.5 million fraud scheme. The former chief executive officer conspired with others, including the founder and preceding chief executive officer, to misappropriate about \$2.5 million in public education funds awarded to several Celerity charter schools. They used the money to pay for personal expenses, including first-class air travel, fine dining, and luxury goods from shops in Beverly Hills and Tokyo. Money was also used to purchase a building for another charter



school in Ohio, monthly rent, and renovations at a soundstage and recording studio that Celerity students rarely used. To cover up the theft, the officials falsely certified to Federal, State, and local authorities that they were complying with all rules and regulations governing the use of the public funds that they received.

*Two Officials of the Now-Closed Bradley Academy of Excellence Pled Guilty to Roles in \$2.5 Million Fraud Scheme (Arizona)*

[In 2018](#), we reported that the former director of the now-defunct Bradley Academy of Excellence pled guilty to participating in a \$2.5 million conspiracy, and two other school officials—the former principal and the former registrar—had been indicted by a State Grand Jury for their roles in the scam. During this reporting period, the two pled guilty to theft. From 2016 through 2018, the two officials and the former director fraudulently overreported the number of students enrolled in the school in order to receive additional funding they were otherwise not entitled to receive. For school year 2016–2017, the school reported 652 enrolled students; however, 191 of them were fraudulent; for school year 2017–2018, the school reported 528 enrolled students, 453 of whom were fraudulent. As a result of the false reporting, the school received about \$2.5 million from the State and the Federal government. [Press Release #1](#), [Press Release #2](#)

*Accelerated Learning Systems Agreed to \$326,400 Settlement (Florida)*

Accelerated Learning Solutions, a Tennessee-based charter school management company that operated several charter schools in Florida, agreed to pay the State of Florida more than \$326,400 to resolve allegations that it violated the Florida Deceptive and Unfair Trade Practices Act. Accelerated Learning Solutions conducted an internal investigation and self-reported irregularities to the U.S. Attorney's Office for the Southern District of Florida and to the OIG regarding attendance reporting

for one of its schools, the Lauderhill High School. Specifically, it reported that it found 40 students whose attendance was inconclusive and 52 students whose attendance signatures were not authentic, for a total of 92 student who should not have been included for funding, resulting in an overpayment. In the agreement, Accelerated Learning Solutions agreed to pay the amount arising from Lauderhill High School's false reporting.

*Founder and Former Superintendent of Zoe Learning Academy Indicted (Texas)*

The founder and superintendent of the now-closed Zoe Learning Academy, a charter school in Houston, was indicted on charges of conspiracy, fraud, theft, money laundering, and false bankruptcy declarations. The founder allegedly embezzled funds intended for the school's operation and used them for his personal expenses, including legal fees, a lawsuit settlement, and purchase of a timeshare. The indictment also alleges that after the school ceased operations, the founder, as the school's agent, filed for bankruptcy and made various false statements under penalty of perjury in documents regarding payments to insiders, creditors, and others. [Press Release](#)

# OTHER ACTIVITIES

## Participation on Committees, Work Groups, and Task Forces

### *Federal and State Audit-Related Groups*

- **Association of Government Accountants Partnership for Management and Accountability.** The OIG participates in this partnership that works to open lines of communication between Federal, State, and local governmental organizations to improve performance and accountability.
- **Intergovernmental Audit Forums.** OIG staff serve on several intergovernmental audit forums, which bring together Federal, State, and local government audit executives who work to improve audit education and training and exchange information and ideas regarding the full range of professional activities undertaken by government audit officials.



## Department Management and Operations

Effective and efficient business operations are critical to ensure that the Department effectively manages and safeguards its programs and protects its assets. Our reviews in this area seek to help the Department accomplish its objectives by ensuring its compliance with applicable laws, policies, and regulations and the effective, efficient, and fair use of taxpayer dollars with which it has been entrusted.

## Audits and Reviews

OIG work completed over the last 6 months in this area includes statutory audits involving information technology security and financial management, as well as reviews of the Department's compliance with the Digital Accountability and Transparency Act (DATA Act), and the risks associated with the Department's use of government purchase cards. Summaries of this work follow.

### Information Technology Security

The E-Government Act of 2002 recognized the importance of information security to the economic and national security interests of the United States. Title III of the E-Government Act, the Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014 (FISMA), requires each Federal agency to develop, document, and implement an agency-wide program to provide 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 inspectors general to perform independent evaluations of the effectiveness of their agency's information security programs.

Our FY 2019 FISMA review reporting metrics were grouped into five cybersecurity framework security functions that have a total of eight metric domains, as outlined in the National Institute of Standards and Technology's Framework for Improving Critical Infrastructure Cybersecurity. The five functions and their associated metric domains were Identify (Risk Management); Protect (Configuration Management, Identity and Access Management, Data Protection and Privacy, and Security Training); Detect (Information Security Continuous Monitoring); Respond (Incident Response); and Recover (Contingency Planning). Using this framework, we assessed the effectiveness of each security function using maturity level scoring prepared in coordination with the Council of Inspectors General on Integrity and Efficiency, the Office of Management and Budget, and the Department of Homeland Security. The scoring distribution is based on five maturity levels: (1) Ad-hoc, (2) Defined, (3) Consistently Implemented, (4) Managed and Measurable, and (5) Optimized. Level 1, Ad-hoc, is the lowest maturity level and Level 5, Optimized, is the highest

maturity level. For a security function to be considered effective, agencies' security programs must score at or above Level 4, Managed and Measurable.

### *FY 2019 FISMA Review Results*

As guided by FY 2019 FISMA Metrics, we found that the Department and FSA were not effective in any of the five security functions—Identify, Protect, Detect, Respond, and Recover. We also identified findings in all eight metric domains, which included the same or similar conditions contained in prior OIG reports.

At the metric domain level, we determined the Department's and FSA's programs were consistent with Level 2, Defined, for Risk Management, Configuration Management, Identity and Access Management, Data Protection and Privacy, Security Training, Information Security Continuous Monitoring, and Incident Response. We also determined the Contingency Planning program was consistent with Level 3, Consistently Implemented. For a security function to be considered effective, agencies' security programs must score at or above Level 4, Managed and Measurable.

For FY 2019, we found that the Department had improved on individual metric scoring questions. Specifically, we found the Department and FSA improved their Security Training for two metric questions from Defined to Consistently Implemented; Identity and Access Management for one metric question from Ad Hoc to Defined; and Configuration Management for one metric question from Defined to Consistently Implemented. The Department also demonstrated improvement within several metric areas, such as Configuration Management, Identity and Access Management, and Data Privacy and Protection. However, the Department declined from FY 2018 within several metric areas. The most significant change was in Risk Management. Although the Department did not have any questions at the Ad Hoc level, it did decrease in the Optimized and Consistently Implemented levels resulting



in 10 questions identified at the Defined level. As a result, the overall maturity rating for the security function went from Consistently Implemented to Defined. This was due to the new requirements in this year's FY 2019 FISMA IG Metrics addressing the SECURE Technology Act provisions for supply chain management, as well as related policy and procedural requirements such as imposing restrictions on the procurement and use of certain telecommunication equipment, software, and services from manufacturers owned, controlled, or connected to the Government of the People's Republic of China.

We made 37 recommendations (5 of which are repeat recommendations included in prior OIG reports) to assist the Department and FSA with increasing the effectiveness of their information security programs. The significant number of similar findings is due to prior year recommendations with corrective action plans' due dates being outside of our audit timeframe. Full implementation of corrective action plans will help the Department and FSA fully comply with all applicable requirements of FISMA, the Office of Management and Budget, the Department of Homeland Security, and the National Institute of Standards and Technology. The Department concurred with 31 of our recommendations, partially concurred with 4 recommendations, and did not concur with 2 recommendations. [FY 2019 FISMA Report](#)

## Financial Management

One of the purposes of the Chief Financial Officers Act of 1990 is to improve agency systems of accounting, financial management, and internal controls to ensure the reporting of reliable financial information and to deter fraud, waste, and abuse of government resources. The act requires an annual audit of agency financial statements, which is intended to help improve an agency's financial management and controls over financial reporting. A summary of our FY 2019 financial statements audits follows.

### *FY 2019 Financial Statements Audits*

The OIG's contracted auditors found that the FY 2019 financial statements for the Department and FSA were presented fairly in all material respects, in accordance with generally accepted accounting principles. However, the auditors identified one material weakness and two significant deficiencies in internal controls over financial reporting. First, the auditors found material weaknesses in controls over the reliability of information used in management's documentation supporting the subsidy reestimate related to student loan portfolio costs. Deficiencies in controls over management's review and documentation of the subsidy reestimate could lead to a material misstatement of the financial statements. Second, the auditors noted two significant deficiencies, one involving information technology controls and the other involving insufficient monitoring of information technology services. The auditors found that although management demonstrated progress implementing corrective actions to remediate previous information technology controls, it had not fully remediated prior-year deficiencies related to logical access administration, user access removal, user access reviews, and recertification and system configuration management. Ineffective information technology controls increase the risk of unauthorized use, disclosure, disruption, modification, or destruction of information and information systems that could impact the integrity and reliability of information processed in the associated applications, which could lead to misstatements of the

financial statements. Regarding ineffective monitoring of information technology servicers, the auditors found that both the Department and FSA needed to improve monitoring of its servicers as deficiencies with the testing performed over the design and operation of the controls at these servicers was ineffective. As a result, neither the Department nor FSA may be aware of existing or potential weaknesses that could impact the integrity of their financial and mixed systems production data. The auditors also found an instance of noncompliance involving a provision of the Debt Collection Improvement Act of 1996, as amended by the Digital Accountability and Transparency Act of 2014, which requires Federal agencies to notify the Secretary of the Treasury of debts that are more than 120 days delinquent—60 days earlier than the previous 180 days requirement. The auditors found that due to the number of entities and systems involved in handling student loan debts and the decentralized nature of such processes, FSA was not yet capable of meeting this accelerated timeline. Accordingly, as of September 30, 2019, the Department and FSA were not in compliance with the requirement to refer student debt delinquent for 120 days to the Department of the Treasury. The auditors made recommendations to address the weaknesses identified. [FY 2019 Department Report](#), [FY 2019 FSA Report](#)

#### *Department's Compliance Under the DATA Act*

The DATA Act requires Federal agencies to report financial and payment data to the USASpending.gov website. It also requires the OIG of each agency to report to Congress on the completeness, timeliness, quality, and accuracy of the agency's spending data. For FY 2019, we found that the Department generally met reporting requirements under the DATA Act. Specifically, we found that the Department had adequate controls over its DATA Act source systems and submission processes to provide reasonable assurance that it met reporting requirements under the DATA Act. Further, we found that Files A (Appropriations Account), B (Object Class and Program Activity), and C (Award Financial Data) were generally complete, and the Department's quarterly DATA Act submission was timely. However, we found that File C did not include 36 records that should have otherwise been recorded in the quarter. Specifically, records were excluded from File C because the Department did not have an adequate process to assess programming code, test for missing records, and obtain all required data as soon as File C was generated. We also found that Files A and B were generally accurate, and that valid linkages established by the DATA Act existed between Files A, B, and C. Lastly, we determined that the Department reported the data in accordance with established Government-wide financial data standards.

We also found that improvements could be made in the quality of the Department's data in Files C and D2 (Financial Assistance Award and Awardee Attributes). Specifically, although we determined that the overall quality of the data in Files C and D2 was considered higher, 15.7 percent, the Department could further improve the completeness, accuracy, and timeliness of the data elements contained in File D2. This occurred because Award Identification linkages did not exist between selected records in File C and File D2. Because linkages did not exist between those files, the Council of Inspectors General on Integrity and Efficiency-Federal Audit Executive Council Working Group required that all required data elements for each record would be counted as errors for completeness, accuracy, and timeliness. As such, we concluded that the data elements for these selected records were not



accurate, complete, timely, and therefore of quality. By ensuring that linkages exist between File C and D2, the Department could improve the quality of the data it submits under the DATA Act.

We made two recommendations to improve the Department's DATA Act reporting. Specifically, we recommend that the senior accountable official ensure that corrective actions identified by the Department during the audit are implemented, including updating the programming code, implementing a reconciliation process to test for missing records, and obtaining all required data as soon as File C is generated. We also recommend that the senior accountable official design, document, and implement a process to ensure that linkages exist between Files C and D2 before being certified and submitted to USASpending.gov, including verifying that Financial Assistance Broker Submissions are published by the Treasury, and that File D2 is complete. The Department concurred with our findings and recommendations.

[FY 2019 DATA Act Report](#)

#### *Purchase Card Risk Assessment*

As required by the Government Charge Card Abuse Prevention Act of 2012, we performed a review to analyze the risk of illegal, improper, and erroneous purchases and payments made through the Department's purchase card program, and to use the results to determine the scope, frequency, and number of periodic audits of purchase card transactions to perform in the future. Based on our review of the Department's FY 2019 purchase card data, we determined that the purchase card program does not pose a high risk to the Department and an audit of the program was not necessary. [FY 2019 Purchase Card Risk Assessment](#)

# Investigations

The following is a summary and a press release on an OIG investigation related to abuse of a Department data system.

## Two Former Haverford College Students Sentenced for Attempting to Access President Trump’s Tax Information (Pennsylvania)

In our last Semiannual Report, we highlighted our investigation of two former Haverford College students who pled guilty to accessing the school’s computer system without authorization to access President Trump’s tax returns from the Internal Revenue Service. During this reporting period, the two were sentenced to serve 2 years of probation and to perform 200 hours of community service. While at Haverford, the students conspired to use computers at the school’s computer lab and the FAFSA website to illegally access the tax returns. The students opened a false FAFSA application in the name of a member of the Trump family and found that someone else had already obtained a username and password for Donald Trump. To reset the password, the students were prompted to answer challenge questions, which the original person had created when setting up the account. The students were able to answer the questions and reset the password, and then used the President’s personally identifiable information, including his Social Security number and date of birth, to attempt to import the President’s Federal tax information into the bogus FAFSA application. Ultimately, this illegal attempt failed. [Press Release](#)

# OTHER ACTIVITIES

## Participation on Committees, Work Groups, and Task Forces

### *Department*

- **Department of Education Senior Assessment Team.** The OIG participates in an advisory capacity on this team that provides oversight of the Department's assessment of internal controls and related reports. The team also provides input to the Department's Senior Management Council concerning the overall assessment of the Department's internal control structure, as required by the Federal Managers' Financial Integrity Act of 1982 and Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control."
- **Department of Education Investment Review Board and Planning and Investment Review Working Group.** The OIG participates in an advisory capacity in these groups that review technology investments and the strategic direction of the information technology portfolio.
- **Department Human Capital Policy Working Group.** The OIG participates in this group that meets monthly to discuss issues, proposals, and plans related to human capital management.

## Review of Legislation, Regulations, Directives, and Memoranda

- **Human Capital Policy 537-1, Student Loan Repayment Program.** The OIG provided clarifying comments.
- **ED.gov Web Content, OCO:20-001.** The OIG provided comments related to OIG independence.



## Other OIG Efforts

This section of our Semiannual Report contains information on other efforts completed during this reporting period specific to the OIG. This includes our required non-Federal audit-related work, other reports and noteworthy activities. Below you will find summaries of this work.

## COVID-19 Response

In response to the COVID-19 pandemic, the OIG took immediate and significant actions to ensure the health and safety of OIG employees and provide for the seamless continuity of the OIG's business operations. This included the creation of a COVID-19 Working Group composed of OIG staff, managers, and senior personnel who represent each OIG component and have extensive experience and knowledge in a multitude of functional areas. The group benchmarked with other Federal agencies and OIGs to identify best practices that they incorporated into a series of steps, checklists, guidance, and resources for all OIG staff. In addition, OIG staff have been in contact with the Department and our auditees, such as State educational agencies and schools, to discuss the challenges they face and to discuss how we can work together to move forward with our ongoing work. We also conducted outreach to auditees regarding new work and stand ready to adjust as needed with auditees that are dealing with more immediate crises. OIG criminal investigators have been communicating with our law enforcement and prosecutive partners about ongoing and new investigative work, efforts that are more complicated in this present environment. We are working closely with these partners and adjusting as necessary. We also continue to address requests from Congress, the media, and the general public, and of course our hotline so we are there for those who need our help. As the pandemic continues and conditions shift, the OIG will continue its actions to ensure employee safety, continuity of operations, and coordination with the Department and other stakeholders, as well as plan for its eventual return to in-office operations.

### CARES Act

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Among its provisions, the CARES Act provides more than \$30 billion to assist States, K-12 schools, school districts, and institutions of higher education in meeting the needs of students impacted by the pandemic. The law also provides the OIG with \$7 million to carry out its oversight activities related to these funds. The OIG has begun initial planning for its CARES Act funding work, which will include auditing Department and grantee management and spending of these funds, examining the effectiveness of the relief programs, and investigating misuse, theft, and other criminal activity involving these funds.

The CARES Act also establishes the Pandemic Response Accountability Committee, composed of inspectors general from across the Federal government. The Committee is tasked with conducting, coordinating, and supporting inspectors general in the oversight of more than \$2 trillion in emergency Federal spending to address the economic impacts of the coronavirus pandemic. The CARES Act names nine specific agency inspectors general to the Committee, including the Department of Education. Acting Inspector General Sandra D. Bruce is representing the OIG on the Committee. The OIG will report on its work with the Committee in future Semiannual Reports to Congress.

## Federal-State Coronavirus Fraud Task Forces

OIG criminal investigators will be participating in Federal-State task forces focused on fighting COVID-19 fraud across the country. These task forces are a collective of Federal and State law enforcement and prosecutive entities combining their investigative power to quickly address fraud complaints and to identify, investigate, and prosecute fraud related to the pandemic, including unlawful hoarding, price-gouging, and a series of scams—vaccine scams, supply scams, charity scams, phishing, apps, and investment scams. A number of U.S. Attorneys' Offices have issued press releases on the task forces, such as this one: [press release](#).

# Non-Federal Audit Activities

The Inspector General Act of 1978, as amended, requires that inspectors general take appropriate steps to ensure that any work performed by non-Federal auditors complies with Government Auditing Standards. To fulfill these requirements, we perform a number of activities, including conducting desk reviews and quality control reviews of non-Federal audits, providing technical assistance, and issuing audit guides to help independent public accountants or audit organizations performing audits of participants in the Department's programs.

## Desk Reviews and Quality Control Reviews

The Office of Management and Budget's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" requires entities, such as State and local governments, universities, and nonprofit organizations that spend \$750,000 or more in Federal funds in one year to obtain an audit, referred to as a "single audit." Additionally, for-profit institutions and their servicers that participate in the Federal student aid programs and for-profit lenders and their servicers that participate in specific Federal student aid programs are required to undergo annual audits performed by independent public accountants or audit organizations in accordance with audit guides that the OIG issues. These audits assure the Federal government that recipients of Federal funds comply with laws, regulations, and other requirements that are material to Federal awards. To help assess the quality of the thousands of audits performed each year, we conduct quality control reviews of a sample of audits. During this reporting period, we also established a process for and began performing desk reviews of a sample of audit reporting packages. The objectives of a desk review include identifying quality issues that may warrant follow-up work, revisions to the reporting package, or appropriate management official attention.

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) issued the following guidance regarding the classification of desk reviews and quality control review results.

- Pass—reporting package or audit documentation contains no quality deficiencies or only minor quality deficiencies that do not require corrective action for the audit under review or future audits.
- Pass with Deficiencies—reporting package or audit documentation contains quality deficiencies that should be brought to the attention of the auditor (and auditee, as appropriate) for correction in future audits.
- Fail—reporting package or audit documentation contains quality deficiencies that affect the reliability of the audit results or audit documentation does not support the opinions contained in the audit report and require correction for the audit under review.

During this reporting period, we completed 31 desk reviews of engagements conducted by 16 independent public accountants or audit organizations. We concluded that 18 (58 percent) were pass, 13 (42 percent) were Pass with Deficiencies, and none were Fail.

We also completed 15 quality control reviews of engagements conducted by 9 independent public accountants or audit organizations. We concluded that 1 (7 percent) was Pass, 9 (60 percent) were Pass with Deficiencies, and 5 (33 percent) were Fail.

When a quality control review receives a rating of Fail, the independent public accountant or audit organization must resolve the deficiencies identified. If the independent public accountant or audit organization does not adequately resolve the deficiencies, we may find the audit report is not reliable and we will recommend the report be rejected. During this reporting period, we made no recommendations to FSA to reject audit reports. We also made no referrals of independent public accountants to the American Institute of Certified Public Accountants or to State Boards of Accountancy for unacceptable audit work. However, during this reporting period, we received information from the American Institute of Certified Public Accountants regarding disciplinary actions taken against one independent public accountant as a result of a previous referral. The independent public accountant was found guilty of violating bylaws and was expelled from membership in the American Institute of Certified Public Accountants.

## Technical Assistance

The OIG's Non-Federal Audit Team is also dedicated to improving the quality of non-Federal audits through technical assistance and outreach to independent public accountants or audit organizations and others, including auditee officials and Department program officials. Technical assistance involves providing advice about standards, audit guides and guidance, and other criteria and systems pertaining to non-Federal audits.

During this reporting period, we issued a new audit guide for foreign institutions. During this period, we also conducted a training session focused on the new audit guide for foreign institutions and held a listening session focused on non-Federal audit issues. These sessions were presented to financial aid professionals and auditors at the 2019 Federal Student Aid Training Conference.

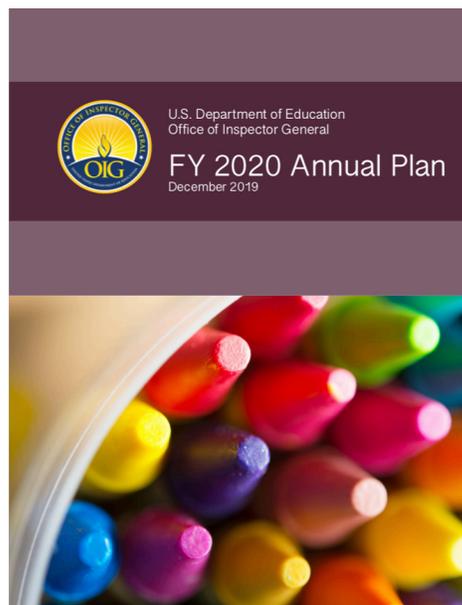
The OIG has developed a reporting system to better track audit deficiencies identified through quality control reviews. This type of tracking will allow us to focus our resources on training and outreach activities to address common audit quality issues. We have collected information about the results of quality control reviews of fiscal year 2017, 2018, and 2019 audits. We used those results to update our list of frequently asked questions and to compile a list of common quality control review deficiencies, which are discussed during training sessions. We will also use these results as a baseline to compare future quality control review results.

## Other OIG Reports and Efforts

During this reporting period, the OIG issued three reports specific to the OIG mission and goals, including the required Management Challenges report. Summaries of these three reports and an update on other OIG efforts follow.

### FY 2020 Management Challenges

In November, the OIG issued its FY 2020 Management Challenges Report, a statutorily required report that highlights the most serious management challenges the Department faces and actions the Department needs to take to address them. To identify these challenges, the OIG routinely examines past audit, inspection, and investigative work and reports issued by the Government Accountability Office, including reports issued to management where corrective actions have yet to



be taken; assesses ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyzes new programs and activities that could pose significant challenges because of their breadth and scope. For FY 2020, the OIG identified four management challenges: (1) improper payments, (2) information technology security, (3) oversight and monitoring, and (4) data quality and reporting.

[FY 2020 Management Challenges](#)

## FY 2020 Annual Plan

In December, the OIG issued its FY 2020 Annual Plan, which presents the major initiatives and priorities that we intend to undertake to assist the Department in fulfilling its responsibilities to America's taxpayers and students. It details the assignment areas and resources the OIG plans to devote to evaluating the efficiency, effectiveness, and integrity of Department programs and operations. It incorporates suggestions from Department leaders, the Office of Management and Budget, and members of Congress. [FY 2020 Annual Plan](#)

## FY 2019 Small Business Innovation Research Report

In October, the OIG issued its statutory report on OIG investigations involving the Small Business Innovation Research program. The National Defense Authorization Act for FY 2012 requires the inspector general of a Federal agency that participates in the program to submit an annual report describing its investigations involving those programs. The Department participates in the Small Business Innovation Research program, although it is a relatively small program within the agency. As reported, for FY 2019, no cases involving the Small Business Innovation Research were referred to the OIG. [FY 2019 SBIR Report](#)

## Eye on ED Podcasts

During this reporting period, the OIG released additional episodes in its "Eye on ED" podcast series, including an episode focused on OIG's audit and investigative work involving K-12 programs and our disaster recovery efforts. OIG staff write, produce, and are featured on Eye on ED podcasts, which are available on the [OIG's website](#) and your [favorite podcast listening apps](#).



# OTHER ACTIVITIES

## Participation on Committees, Work Groups, and Task Forces

### *Inspector General Community*

- **Pandemic Response Accountability Committee.** Acting Inspector General Sandra D. Bruce is a member of this Committee, established under the CARES Act.
- **CIGIE.** OIG staff continue to play an active role in CIGIE efforts. Currently, Acting Inspector General Bruce is a member of CIGIE's Audit Committee and the Information Technology Committee.
  - **CIGIE Disaster Assistance Working Group.** The OIG participates in this group that helps coordinate the Federal inspectors general community's oversight efforts of disaster-related funds.
  - OIG staff serve on the following CIGIE committees, subcommittees, and work groups:
    - Information Technology Investigations Subcommittee (Chair)
    - Assistant Inspector General for Investigations Subcommittee
    - Assistant Inspector General for Management Working Group
    - Council of Counsels to the Inspectors General
    - Data Analytics Working Group of the Information Technology Committee
    - CIGIE/Office of Management and Budget Grant Reform Working Group
    - Undercover Review Committee
    - Federal Hotline Working Group
    - Quality Standards for Digital Forensics Working Group
    - Disaster Assistance Working Group
    - Human Resources Directors' Roundtable
    - Enterprise Risk Management Working Group
    - Internal Affairs Working Group

- OIG Communitywide Quality Assurance Working Group
- CIGIE/Government Accountability Office Annual Financial Statement Audit Conference
- OIG staff lead or facilitate CIGIE training courses, including the following:
  - Planning, Organizing, and Writing Effective Reports
  - Introduction to Auditing
  - IG Criminal Investigator Academy
    - Essentials of Inspector General Investigations
    - Contract Fraud
    - Grant Fraud
    - Suspension and Debarment
    - Transitional Training Program
    - IG Hotline Operator Training Program
    - IG Hotline Strategies
    - Ethics
    - Legal Refresher Courses, including a class on the 4th Amendment
    - Adjunct Instructor Training Program

*Government-Wide Audit-Related Groups*

- **Interagency Fraud and Risk Data Mining Group.** The OIG participates in this group that shares best practices in data mining and evaluates data mining and risk modeling tools and techniques that detect patterns indicating possible fraud and emerging risks.
- **Federal Audit Executive Council, Financial Statement Audit Committee Workgroup.** OIG staff serve on this interagency workgroup consisting of OIG auditors from numerous Federal agencies. The committee addresses government-wide financial management and financial statement audit issues through coordination with the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget. It also provides technical assistance on audit standards, policies, legislation, and guidance, and plans the CIGIE/Government Accountability Office Annual Financial Statement Audit Conference.





# Required Reporting

# Required Tables and Appendices

The following provides acronyms, definitions, and other information relevant to the tables that follow.

## Acronyms and Abbreviations Used in the Required Tables

|            |  |
|------------|--|
| Department | U.S. Department of Education   |
| FFEL       | Federal Family Education Loan  |
| FSA        | Federal Student Aid  |
| HEA        | Higher Education Act of 1965, as amended   |
| IES        | Institute of Education Sciences  |
| IG Act     | Inspector General Act of 1978, as amended  |
| OCFO       | Office of the Chief Financial Officer  |
| OCIO       | Office of the Chief Information Officer  |
| OCTAE      | Office of Career, Technical, and Adult Education   |
| ODS        | Office of the Deputy Secretary   |
| OESE       | Office of Elementary and Secondary Education   |
| OFO        | Office of Finance and Operations   |
| OIG        | Office of Inspector General  |
| OM         | Office of Management   |
| OPE        | Office of Postsecondary Education  |
| OPEPD      | Office of Planning, Evaluation and Policy Development  |
| OS         | Office of the Secretary  |
| OSDFS      | Office of Safe and Drug Free Schools   |
| OSEP       | Office of Special Education Programs   |
| OSERS      | Office of Special Education and Rehabilitative Services  |
| Recs       | Recommendations  |
| SAR        | Semiannual Report to Congress  |
| Title I    | Grants to local educational agencies through State educational agencies funded under Title I of the Elementary and Secondary Education Act of 1965, as amended by Every Student Succeeds Act |
| Title IV   | Federal student aid programs funded under Title IV of the HEA  |

## Definitions

**Attestation Reports.** Attestation reports convey the results of attestation engagements performed within the context of their stated scope and objectives. Attestation engagements can cover a broad range of financial and nonfinancial subjects and can be part of a financial audit or a performance audit. Attestation engagements are conducted in accordance with American Institute of Certified Public Accountants attestation standards, as well as the related Statements on Standards for Attestation Engagements.

**Management Information Reports.** Management information reports are used to provide the Department with information and suggestions when a process other than an audit, attestation, or inspection is used to develop the report. For example, OIG staff may compile information from previous OIG audits and other activities to identify overarching issues related to a program or operational area and use a management information report to communicate the issues and suggested actions to the Department.

**Inspection Reports.** Inspections are analyses, evaluations, reviews, or studies of the Department's programs. The purpose of an inspection is to provide Department decision makers with factual and analytical information, which may include an assessment of the efficiency and effectiveness of their operations and vulnerabilities created by their existing policies or procedures. Inspections may be conducted on any Department program, policy, activity, or operation. Typically, an inspection results in a written report containing findings and related recommendations. Inspections are performed in accordance with quality standards for inspections approved by the Council of Inspectors General for Integrity and Efficiency.

**Special Project Reports.** Special projects include OIG work that is not classified as an audit, attestation, inspection, or any other type of alternative product. Depending on the nature and work involved, the special project may result in a report issued outside the OIG. Information presented in the special project report varies based on the reason for the special project (for example, response to congressional inquiry or other evaluation and analysis). The report may contain suggestions.

**Questioned Costs.** As defined by the Inspector General Act of 1978 (IG Act), as amended, questioned costs are identified during an audit, inspection, or evaluation because of (1) an alleged violation of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) such cost not being supported by adequate documentation; or (3) the expenditure of funds for the intended purpose being unnecessary or unreasonable. OIG considers that category (3) of this definition would include other recommended recoveries of funds, such as recovery of outstanding funds or revenue earned on Federal funds or interest due the Department.

**Unsupported Costs.** As defined by the IG Act, as amended, unsupported costs are costs that, at the time of the audit, inspection, or evaluation, were not supported by adequate documentation. These amounts are also included as questioned costs.

### OIG Product Website Availability Policy

OIG final issued products are generally considered to be public documents, accessible on OIG's website unless sensitive in nature or otherwise subject to Freedom of Information Act exemption. Consistent with the Freedom of Information Act, and to the extent practical, the OIG redacts exempt information from the product so that nonexempt information contained in the product may be made available on the OIG website.

## Required Reporting

The following pages presents summary tables and tables containing statistical and other data as required by the IG Act, as amended, and other statutes.

| Section                                   | Requirement  | Table Number | Page Number        |
|---|--|--------------|--------------------|
| -   | Statistical Summary of Audit and Other Report Accomplishments (October 1, 2019, through March 31, 2020)  | 1            | <a href="#">54</a> |
| -   | Statistical Summary of Investigations Accomplishments (October 1, 2019, through March 31, 2020)  | 2            | <a href="#">55</a> |
| Section 5(a)(1) and 5(a)(2) of the IG Act | Significant Problems, Abuses, and Deficiencies Related to the Administration of Programs and Operations  | 9            | <a href="#">69</a> |
| Section 5(a)(3) of the IG Act             | Significant Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed (October 1, 2019, through March 31, 2020) | 3            | <a href="#">56</a> |
| Section 5(a)(4) of the IG Act             | Matters Referred to Prosecutive Authorities (October 1, 2019, through March 31, 2020)  | 2            | <a href="#">55</a> |
| 5(a)(5) and 6(c)(2) of the IG Act         | Summary of Instances in Which Information or Assistance Was Refused or Not Provided  | 9            | <a href="#">69</a> |
| Section 5(a)(6) of the IG Act             | Listing of Reports<br>Audit and Other Reports and Products on Department Programs and Activities (October 1, 2019, through March 31, 2020)                                   | 4            | <a href="#">58</a> |
| Section 5(a)(8) of the IG Act             | Questioned Costs<br>Audit and Other Reports with Questioned or Unsupported Costs   | 5            | <a href="#">59</a> |
| Section 5(a)(9) of the IG Act             | Better Use of Funds<br>Audit and Other Reports with Recommendations for Better Use of Funds  | 6            | <a href="#">60</a> |
| Section 5(a)(10) of the IG Act            | Unresolved Reports<br>Unresolved Audit and Other Reports Issued before Reporting Period  | 7            | <a href="#">61</a> |
| Section 5(a)(10)(B) of the IG Act         | Reports for Which No Agency Comment Was Returned to the OIG within 60 days of Issuance   | 7            | <a href="#">61</a> |
| Section 5(a)(10)(C) of the IG Act         | Outstanding Unimplemented Recommendations with Aggregate Potential Cost Savings  | 7            | <a href="#">61</a> |
| Section 5(a)(11) of the IG Act            | Significant Revised Management Decisions   | 9            | <a href="#">69</a> |
| Section 5(a)(12) of the IG Act            | Significant Management Decisions with Which the OIG Disagreed  | 9            | <a href="#">69</a> |
| Section 5(a)(13) of the IG Act            | Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996   | 9            | <a href="#">69</a> |

| Section  | Requirement  | Table Number                              | Page Number        |
|--|--|---|--------------------|
| Section 5(a)(14)-(16) of the IG Act  | Peer Review Results  | 8   | <a href="#">69</a> |
| Section 5(a)(17) of the IG Act   | Investigative Reports Issued<br>Number of Persons Referred to the U.S. Department of Justice<br>Number of Persons Referred to State and Local Prosecuting Authorities<br>Indictments and Criminal Informations That Resulted from Prior Referrals to Prosecuting Authorities | 2<br><br>(All four requirements included) | <a href="#">55</a> |
| Section 5(a)(18) of the IG Act   | Description of the Metrics Used for Developing the Investigative Data for the Statistical Tables Under 5(a)(17)  | 2   | <a href="#">55</a> |
| Section 5(a)(19) of the IG Act   | Report on Each Investigation Conducted by the OIG Involving a Senior Government Employee (GS-15 or Above) Where the Allegations of Misconduct Were Substantiated   | 9   | <a href="#">69</a> |
| Section 5(a)(20) of the IG Act   | Description of Instances of Whistleblower Retaliation  | 9   | <a href="#">69</a> |
| Section 5(a)(21) of the IG Act   | Description of Attempt by Agency to Interfere with OIG Independence  | 9   | <a href="#">69</a> |
| Section 5(a)(22)(A) of the IG Act  | Description of Audits Closed but Not Disclosed to the Public   | 9   | <a href="#">69</a> |
| Section 5(a)(22) (B) of the IG Act   | Description of Investigations Involving Senior Government Employees (GS-15 or Above) that Were Closed but Not Disclosed to the Public  | 9   | <a href="#">69</a> |
| Section 845 of the National Defense Authorization Act for Fiscal Year 2008 | Contract-Related Audit Products with Significant Findings  | 9   | <a href="#">69</a> |

**Table I. Statistical Summary of Audit and Other Report Accomplishments (October 1, 2019, through March 31, 2020)**

| Accomplishment   | October 1, 2019–<br>March 31, 2020 |
|--|------------------------------------|
| Audit Reports Issued                                     | 9                                  |
| Inspection Reports Issued                                | 0                                  |
| Other Products Issued                                    | 1                                  |
| Questioned Costs (Including Unsupported Costs)           | \$12,447,072                       |
| Recommendations for Better Use of Funds                  | \$0                                |
| Reports Resolved By Program Managers                     | 5                                  |
| Questioned Costs Sustained (Including Unsupported Costs) | \$50                               |
| Unsupported Costs Sustained                              | \$0                                |
| Additional Disallowances Identified by Program Managers  | \$0                                |
| Management Commitment to the Better Use of Funds         | \$0                                |

**Table 2. Statistical Summary of Investigative Accomplishments  
(October 1, 2019, through March 31, 2020)**

| Accomplishment  | Description of the Metric  | October 1, 2019–<br>March 31, 2020 |
|---|--|------------------------------------|
| Investigative Cases Opened  | Number of cases that were opened as full investigations or converted from a complaint or preliminary inquiry to a full investigation during the reporting period.  | 28                                 |
| Investigative Cases Closed  | Number of investigations that were closed during the reporting period.   | 26                                 |
| Cases Active at the End of the Reporting Period   | Number of investigations not closed prior to the end of the reporting period.  | 220                                |
| Investigative Reports Issued  | Number of Reports of Investigation issued during the reporting period.   | 31                                 |
| Total Number of Persons Referred to State and Local Prosecuting Authorities                       | Number of individuals and organizations formally referred to State or local prosecuting authorities for prosecutorial decisions during the reporting period.   | 1 Criminal                         |
| Total Number of Persons Referred to the U.S. Department of Justice                                | Number of individuals and organizations formally referred to the U.S. Department of Justice for prosecutorial decisions.   | 33 Criminal<br>4 Civil             |
| Indictments and Criminal Informations that Result from Prior Referrals to Prosecuting Authorities | Number of individuals who were indicted or for whom a criminal information was filed during the reporting period.  | 40                                 |
| Convictions/Pleas   | Number of criminal convictions, pleas of guilty or nolo contendere, or acceptance of pretrial diversions that occurred during the reporting period.  | 25                                 |
| Fines Ordered   | Sum of all fines ordered during the reporting period.  | \$15,541                           |
| Restitution Payments Ordered  | Sum of all restitution ordered during the reporting period.  | \$9,272,967                        |
| Civil Settlements/Judgments (number)  | Number of civil settlements completed or judgments ordered during the reporting period.  | 5                                  |
| Civil Settlements/Judgments (amount)  | Sum of all completed settlements or judgments ordered during the reporting period.   | \$2,498,198                        |
| Recoveries  | Sum of all administrative recoveries ordered by the Department or voluntary repayments made during the reporting period.   | \$333,296                          |
| Forfeitures/Seizures  | Sum of all forfeitures/seizures ordered during the reporting period.   | \$623,680                          |
| Estimated Savings   | Sum of all administrative savings or cost avoidances that result in a savings to, or better use of funds for, a program or victim during the reporting period. These are calculated by using the prior 12 month period of funds obtained or requested and then projecting that amount 12 months forward. | \$3,217,538                        |
| Suspensions Referred to Department  | Number of suspensions referred to the Department during the reporting period.  | 7                                  |
| Debarments Referred to Department   | Number of debarments referred to the Department during the reporting period.   | 5                                  |

**Table 3. Significant Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed (October 1, 2019, through March 31, 2020)**

This table is limited to OIG internal audit reports of Departmental operations because that is the only type of audit in which the Department tracks each related recommendation through completion of corrective action.

| Office                     | Report Type and Number | Report Title (Prior SAR Number and Page)   | Date Issued | Date of Management Decision | Number of Significant Recs Open | Number of Significant Recs Completed | Projected Action Date |
|----------------------------|------------------------|--|-------------|-----------------------------|---------------------------------|--------------------------------------|-----------------------|
| FSA                        | Audit A17R0002         | Final Independent Auditors' Report Fiscal Years 2017 and 2016 Financial Statements Federal Student Aid (Budget Services is also designated as an action official) (SAR 76, page 58)                  | 11/13/17    | 2/16/18                     | 1                               | 9                                    | 1/14/21               |
| FSA                        | Audit A19R0003         | Federal Student Aid's Contractor Personnel Security Clearance Process (SAR 77, page 54)  | 4/17/18     | 8/20/18                     | 1                               | 16                                   | 5/30/20               |
| OCIO                       | Audit A11S0001<br>New  | The U.S. Department of Education's FIMSA Report for Fiscal Year 2018 (Report was addressed to ODS and FSA) (SAR 78, page 56)   | 10/31/18    | 1/29/19                     | 21                              | 24                                   | 9/30/21               |
| OESE (From the former ODS) | Audit A02M0012         | Nationwide Assessment of Charter and Education Management Organizations (SAR 73, page 52) (Note: Program Office was changed from ODS to OESE due to recent reorganization)                           | 9/29/16     | 1/10/17                     | 1                               | 4                                    | 12/31/19              |
| OESE                       | Audit A19Q0002<br>New  | The Department's Oversight of the Indian Education Formula Grant Program (SAR 77, page 54)   | 9/28/18     | 11/20/18                    | 5                               | 7                                    | 12/31/19              |
| OFO                        | Audit A17R0001         | Final Independent Auditors' Report Fiscal Years 2017 and 2016 Financial Statements U.S. Department of Education (Budget Services and OCIO are also designated as action officials) (SAR 76, page 58) | 11/13/17    | 3/23/18                     | 1                               | 8                                    | 1/14/21               |

| Office | Report Type and Number       | Report Title (Prior SAR Number and Page)  | Date Issued | Date of Management Decision | Number of Significant Recs Open | Number of Significant Recs Completed | Projected Action Date |
|--------|------------------------------|---|-------------|-----------------------------|---------------------------------|--------------------------------------|-----------------------|
| OM     | Audit<br>A19P0008<br><br>New | The Department's Implementation of the Contractor Personnel Security Clearance Process ( <i>SAR 77, page 54</i> ) | 9/20/18     | 12/11/18                    | 4                               | 7                                    | 4/30/20               |

**Note:** Audit control number A09R0003 (OPE) has been resolved over 1 year. It will not be moved to Table 3 because no "significant trackable recommendations" are contained in the audit report. The audit report will remain on Table 7 until it is closed.

Audit control number A09R0008 (OPEPD) has been resolved over 1 year. It will not be moved to Table 3 because no "significant trackable recommendations" are contained in the audit report. The audit report will remain on Table 7 until it is closed.

**Table 4. Audit and Other Reports and Products on Department Programs and Activities (October 1, 2019, through March 31, 2020)**

| Office       | Report Type and Number   | Report Title  | Date Issued | Questioned Costs    | Unsupported Costs   | Number of Recs |
|--------------|--------------------------|---|-------------|---------------------|---------------------|----------------|
| FSA          | Audit A03Q0006           | Federal Student Aid's Oversight of the Heightened Cash Monitoring Payment Methods                                   | 2/27/20     | -                   | -                   | 3              |
| FSA          | Audit A05T0008           | The University of Southern California's Compliance with Federal Verification and Reporting Requirements             | 2/10/20     | \$22,530            | -                   | 5              |
| FSA          | Audit A17T0002           | Final Independent Auditors' Report for Fiscal Years 2019 and 2018 Financial Statements Federal Student Aid          | 11/15/19    | -                   | -                   | 14             |
| OCIO         | Audit A11T0002           | The U.S. Department of Education's Federal Information Security Modernization Act of 2014 for Fiscal Year 2019      | 10/31/19    | -                   | -                   | 37             |
| OESE         | Audit A02T0001           | Texas Education Agency's Administration of the Temporary Emergency Impact Aid for Displaced Students Program        | 3/6/20      | \$12,366,942        | \$12,366,942        | 10             |
| OESE         | Audit A06T0001           | Texas Education Agency's Administration of the Immediate Aid to Restart School Operations Program                   | 2/13/20     | \$34,065            | -                   | 5              |
| OFO          | Audit A05S0013           | IDEA Public Schools' Administration of Grants for the Replication and Expansion of High-Quality Charter Schools     | 11/22/19    | \$23,535            | \$23,535            | 6              |
| OFO          | Audit A17T0001           | Final Independent Auditors' Report for Fiscal Years 2019 and 2018 Financial Statements U.S. Department of Education | 11/15/19    | -                   | -                   | 14             |
| OFO          | Audit A19T0004           | The Department's Compliance Under the DATA Act  | 11/13/19    | -                   | -                   | 2              |
| OFO          | Special Project S19U0001 | Completion of OIG Risk Assessment of the Department's Purchase Card Program for Fiscal Year 2019                    | 2/6/20      | -                   | -                   | 0              |
| <b>Total</b> | <b>10 reports</b>        | -   | -           | <b>\$12,447,072</b> | <b>\$12,390,477</b> | <b>96 Recs</b> |

## Table 5. Audit and Other Reports with Questioned or Unsupported Costs

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

| Requirement   | Number | Questioned Costs<br>(Includes Unsupported<br>Costs) | Unsupported Costs |
|---|--------|---|-------------------|
| A. For which no management decision has been made before the commencement of the reporting period | 1      | \$97,481  | \$0               |
| B. Which were issued during the reporting period  | 4      | \$12,447,072  | \$12,390,477      |
| Subtotals (A + B)   | 5      | \$12,544,553  | \$12,390,477      |
| C. For which a management decision was made during the reporting period                           | 0      | \$0   | \$0               |
| (i) Dollar value of disallowed costs  | 0      | \$0   | \$0               |
| (ii) Dollar value of costs not disallowed   | 0      | \$0   | \$0               |
| D. For which no management decision was made by the end of the reporting period                   | 5      | \$12,544,553  | \$12,390,477      |

**Note:** The Department reported that it disallowed \$50 in questioned costs for “South Florida Institute of Technology’s Compliance with Federal Verification and Reporting Requirements” (A06T0004) during this reporting period. We reported this item as corrected by the school in our final audit report and did not include the amount in our recommendations or as a questioned cost in prior semiannual reports.

## Table 6. Audit and Other Reports with Recommendations for Better Use of Funds

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

| Requirement  | Number | Dollar Value |
|--|--------|--------------|
| A. For which no management decision was made before the commencement of the reporting period | 0      | \$0          |
| B. Which were issued during the reporting period   | 0      | \$0          |
| Subtotals (A + B)  | 0      | \$0          |
| C. For which a management decision was made during the reporting period:                     |        |              |
| Dollar value of recommendations that management agreed to                                    | 0      | \$0          |
| Dollar value of recommendations that management did not agreed to                            | 0      | \$0          |
| D. For which no management decision has been made by the end of the reporting period         | 0      | \$0          |

## Table 7. Unresolved Reports Issued before Reporting Period, and Outstanding Unimplemented Recommendations with Aggregate Potential Cost Savings

The Department tracks audit resolution and the implementation of corrective actions related to OIG recommendations in its Audit Accountability and Resolution Tracking System. The Office of Finance and Operations maintains this system, which includes input from OIG and responsible program officials. The Audit Accountability and Resolution Tracking System includes recommendation-level detail for all internal reports where the Department is directly responsible for implementing corrective action. The system includes less detailed information on the status of individual recommendations made to external auditees, such as State educational agencies, local educational agencies, institutions of higher education, other grantees and other participants in the Federal student aid programs, and contractors. We generally do not estimate monetary benefits in our internal audits of the Department's management of its programs and operations, other than to identify better uses of funds.

We consider an audit resolved when the OIG and agency management or contracting officials agree on actions to be taken on reported findings and recommendations.

The Department commented on all reports within 60 days of issuance.

| Office | Report Title and Number   | Summary of Report and Status of Audit/Recommendations   | Date Issued | Audit Resolved | Number of Recs | Dollar Value of Aggregate Potential Cost Savings |
|--------|---|---|-------------|----------------|----------------|--|
| FSA    | Technical Career Institute's Administration of the Federal Pell Grant and Federal Family Education Loan Program<br><a href="#">A02H0007</a> | The audit found that although the school met requirements for institutional, program, and student eligibility and for award calculations, it improperly paid FFEL lenders to pay off its students' loans and prevent default, and it had internal control deficiencies in its administration of the Title IV programs.<br><br><b>Current Status:</b> FSA informed us that the audit is resolved, and it is working to complete the audit. | 5/19/08     | Yes            | 13             | \$6,458  |
| FSA    | Special Allowance Payments to Sallie Mae's Subsidiary, Nellie Mae, for Loans Funded by Tax-Exempt Obligations<br><a href="#">A03I0006</a>   | The audit found that although its billings for the special allowance payments under the 9.5 percent floor complied with laws, Sallie Mae's billing for Nellie Mae did not comply with other requirements for the 9.5 percent floor calculation.<br><br><b>Current Status:</b> FSA informed us that the audit is currently under the appeal process.   | 8/3/09      | Yes            | 3              | \$22,378,905                                     |

| Office | Report Title and Number  | Summary of Report and Status of Audit/Recommendations   | Date Issued | Audit Resolved                             | Number of Recs | Dollar Value of Aggregate Potential Cost Savings |
|--------|--|---|-------------|--|----------------|--|
| FSA    | SOLEX College's Administration of Selected Aspects of the Title IV Programs<br><a href="#">A05O0007</a>  | The audit found that the school improperly disbursed Federal student aid to students who were enrolled in programs that were not qualified to participate in Federal student aid programs under the HEA.<br><br><b>Current Status:</b> FSA informed us that the audit is resolved, and it is working to complete the audit.   | 9/30/15     | Yes  | 6              | \$1,795,500                                      |
| FSA    | South Florida Institute of Technology's Compliance with Federal Verification and Reporting Requirements<br><a href="#">A06T0004</a><br>New         | The audit found South Florida Institute of Technology did not complete verification in accordance with Federal requirements, in part, because it did not implement a quality control process to provide reasonable assurance that employees adhered to the school's verification policies and procedures.<br><br><b>Current Status:</b> FSA informed us that the audit is resolved, and it is working to complete the audit.  | 9/30/19     | Yes  | 1              | \$0  |
| OCIO   | The Department's Compliance with FITARA Requirements<br><a href="#">A19S0002</a><br>New  | The audit found that improvements are needed in the Department's compliance with CIO authority enhancements and in its process for ensuring transparency and risk management of information technology resources.<br><br><b>Current Status:</b> OCIO informed us that it is working to resolve this audit.  | 9/23/19     | No<br>Proposed resolution date: April 2020 | 12             | \$0  |
| OCTAE  | Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds<br><a href="#">A04O0004</a> | The audit found that the Puerto Rico Department of Education can improve its oversight of the Adult Education program to ensure that it (1) submits complete, supported, and accurate performance data to the Department, (2) uses funds in compliance with applicable laws and regulations, and (3) obtains and reviews single audit reports of subgrantees.<br><br><b>Current Status:</b> OCTAE informed us that it is working to resolve this audit.<br><br>OFO/Post Audit Group Program Determination Letter was issued on 8/27/2018. | 2/22/18     | No<br>Proposed resolution date: June 2020  | 9              | \$97,481   |

| Office | Report Title and Number  | Summary of Report and Status of Audit/Recommendations  | Date Issued | Audit Resolved                                  | Number of Recs | Dollar Value of Aggregate Potential Cost Savings |
|--------|--|--|-------------|---|----------------|--|
| OESE   | Harvey Public School District 152: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses<br><a href="#">A05Q0003</a>         | The audit found that the Harvey Public School District 152 did not always follow the policies that it designed to remediate previously reported findings of inadequate inventory management and did not design procedures to provide reasonable assurance that it submitted accurate periodic expenditure reports to the State.<br><br><b>Current Status:</b> OESE informed us that it is working to resolve this audit. | 5/18/17     | No<br><br>Proposed resolution date: August 2020 | 5              | \$0  |
| OESE   | Calculating and Reporting Graduation Rates in Alabama<br><a href="#">A02P0010</a>  | The audit found that the Alabama State Department of Education's system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete for the time period covered by our audit.<br><br><b>Current Status:</b> OESE informed us that it is working to resolve this audit.  | 6/14/17     | No<br><br>Proposed resolution date: July 2020   | 6              | \$0  |
| OESE   | Calculating and Reporting Graduation Rates in California<br><a href="#">A02Q0005</a>   | The audit found that the California Department of Education's system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete.<br><br><b>Current Status:</b> OESE informed us that the audit is in the Department's closure process.   | 1/11/18     | Yes   | 6              | \$0  |
| OESE   | Detroit Public Schools Community District: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses<br><a href="#">A05R0001</a> | The audit found that the school district's noncompliance occurred because it did not have adequate policies and procedures to review Title I contracts, invoices, employee insurance benefit costs, and adjust journal entries to ensure they were adequately documented, reasonable, and allowable.<br><br><b>Current Status:</b> OESE informed us that it is working to resolve this audit.                            | 3/28/18     | No<br><br>Proposed resolution date: July 2020   | 10             | \$0  |

| Office | Report Title and Number  | Summary of Report and Status of Audit/Recommendations   | Date Issued | Audit Resolved                                | Number of Recs | Dollar Value of Aggregate Potential Cost Savings |
|--------|--|---|-------------|---|----------------|--|
| OESE   | New York State's and Selected Districts' Implementation of Selected Every Student Succeeds Act Requirements under the McKinney-Vento Homeless Assistance Act<br><a href="#">A03Q0005</a> | The audit found that New York had not yet completed updating its policies and procedures, did not require local educational agencies to submit final documentation in response to monitoring findings, and was not ensuring that local educational agencies were reporting all unaccompanied youth.<br><br><b>Current Status:</b> OESE informed us that the audit is in the Department's audit closure process.   | 3/29/18     | Yes   | 9              | \$0  |
| OESE   | Orleans Parish School Board: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses<br><a href="#">A05R0002</a>   | Other than a deficiency involving nonpublic schools, nothing came to our attention during the followup audit indicating that Orleans Parish did not design and implement policies and procedures to reduce the risk of future noncompliance. Regarding the deficiency, we found that Orleans Parish did not design and implement procedures that provided reasonable assurance that expenditures for services provided to nonpublic school students and charged to Title I funds were allowable.<br><br><b>Current Status:</b> OESE informed us that it is working to resolve this audit.   | 5/14/18     | No<br><br>Proposed resolution date: July 2020 | 2 <sup>1</sup> | \$0  |
| OESE   | The Department's Oversight of the Indian Education Formula Grant Program<br><a href="#">A19Q0002</a>   | The report found the monitoring activities Office of Indian Education conducts are insufficient to ensure that grantees are making progress towards meeting program goals and spending grant funds appropriately. The report found a lack to written comprehensive procedures, follow-through and documentation. Although the Office of Indian Education collected some data on grantee performance and use of funds, the report found little evidence that the office used the data to provide assistance to grantees in implementing the program successfully.<br><br><b>Current Status:</b> OESE informed us that the audit is resolved, but all corrective actions have not been completed. | 9/28/18     | Yes   | 12             | \$0  |

<sup>1</sup> Report A05R0002 also contains one suggestion.

| Office | Report Title and Number   | Summary of Report and Status of Audit/Recommendations  | Date Issued | Audit Resolved                                       | Number of Recs | Dollar Value of Aggregate Potential Cost Savings |
|--------|---|--|-------------|--|----------------|--|
| OESE   | Nationwide Audit of Oversight of Closed Charter Schools<br><br>(The report was addressed to ODS (now OS) and recommended that ODS (now OS) coordinate with OESE, OSERS and OII on report recommendations)<br><br><a href="#">A02M0011</a> | The report found that the Department's oversight and monitoring of the States was not effective to ensure that the States performed the charter school closure process in accordance with Federal laws and regulations.<br><br><b>Current Status:</b> OESE and OSERS informed us that the audit is in the Department's audit closure process.  | 9/28/18     | Yes  | 3 <sup>2</sup> | \$0  |
| OESE   | Calculating and Reporting Graduation Rates in Utah<br><br><a href="#">A06R0004</a>  | The audit found Utah's system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete for the time period covered by our audit and that Utah did not calculate its adjusted cohort graduation rates in accordance with Federal requirements.<br><br><b>Current Status:</b> OESE informed us that it is working to resolve this audit. | 11/27/18    | No<br><br>Proposed resolution date:<br>July 2020     | 7              | \$0  |
| OESE   | Puerto Rico Department of Education's Internal Controls Over the Immediate Aid to Restart School Operations Program<br><br><a href="#">A04S0013</a><br><br>New  | The audit found that the Puerto Rico Department of Education's procurement and monitoring processes did not provide reasonable assurance that it would properly administer or adequately monitor Restart program funds.<br><br><b>Current Status:</b> OESE informed us that it is working to resolve this audit.   | 7/17/19     | No<br><br>Proposed resolution date:<br>December 2020 | 6              | \$0  |
| OESE   | U.S. Virgin Islands Department of Education's Internal Controls over the Immediate Aid to Restart School Operations Program<br><br><a href="#">A04S0014</a><br><br>New  | The audit found that the Virgin Islands Department of Education's fiscal and programmatic monitoring processes did not provide reasonable assurance that it would spend Restart program funds timely or that it would conduct effective monitoring of Restart program performance.<br><br><b>Current Status:</b> OESE informed us that it is working to resolve this audit.                      | 6/3/19      | No<br><br>Proposed resolution date:<br>December 2020 | 5              | \$0  |

<sup>2</sup> Report A02M0011 also contains one suggestion.

| Office | Report Title and Number  | Summary of Report and Status of Audit/Recommendations   | Date Issued | Audit Resolved | Number of Recs | Dollar Value of Aggregate Potential Cost Savings |
|--------|--|---|-------------|----------------|----------------|--|
| OFO    | Audit of the University of Illinois at Chicago's Gaining Early Awareness and Readiness for Undergraduate Programs Project (OPE also designated as action official)<br><a href="#">A05D0017</a> | The audit found that the school did not serve the number of participants it was funded to serve and that its partnership did not provide the required matching funds.<br><br><b>Current Status:</b> OFO informed us that the audit is resolved, but all corrective actions have not been completed.   | 1/14/04     | Yes            | 4              | \$1,018,212                                      |
| OFO    | Massachusetts Department of Elementary and Secondary Education's Oversight of Local Educational Agency Single Audit Resolution<br><a href="#">A09P0001</a>                                     | The audit found that the Massachusetts Department of Elementary and Secondary Education's oversight of local education agency single audit resolution was not sufficient, as it did not always work collaboratively or communicate effectively with local educational agencies that had audit findings to ensure that they took timely and appropriate corrective action; did not have internal controls that were sufficient to ensure that it provided adequate oversight of the local educational agency audit resolution process; and did not appear to make local educational agency audit resolution a high priority.<br><br><b>Current Status:</b> OFO informed us that the audit is resolved, but all corrective actions have not been completed. | 1/25/16     | Yes            | 5              | \$0  |
| OFO    | Protection of Personally Identifiable Information in the Commonwealth of Virginia's Longitudinal Data System<br><br>(Note: Audit was transferred from IES to OFO.)<br><a href="#">A02P0006</a> | The audit found internal control weaknesses in the State's system that contains students' personally identifiable information that increases the risk that the State will be unable to prevent or detect unauthorized access and disclosure of personally identifiable information.<br><br><b>Current Status:</b> OFO informed us that the audit is in the Department's audit closure process.  | 7/12/16     | Yes            | 3              | \$0  |

| Office                   | Report Title and Number  | Summary of Report and Status of Audit/Recommendations   | Date Issued | Audit Resolved                                  | Number of Recs | Dollar Value of Aggregate Potential Cost Savings |
|--------------------------|--|---|-------------|---|----------------|--|
| OFO                      | Illinois State Board of Education's Oversight of Local Educational Agency Single Audit Resolution<br><br><a href="#">A02P0008</a>  | The audit found that the Illinois State Board of Education did not provide effective oversight to ensure that local educational agencies took timely and appropriate action to correct single audit findings.<br><br><b>Current Status:</b> OFO informed us that the audit is resolved, but all corrective actions have not been completed.   | 11/7/16     | Yes   | 7              | \$0  |
| OFO                      | Protection of Personally Identifiable Information in Indiana's Statewide Longitudinal Data System (IES is also designated as an action official)<br><br><a href="#">A06Q0001</a> | The audit found that Indiana did not provide adequate oversight of the Management and Performance Hub during the development of the Indiana Network and Knowledge system to ensure that the system meet the minimum security requirements found in the Indiana Code and the Indiana Office of Technology Information Security Framework.<br><br><b>Current Status:</b> OFO informed us that it is working to resolve this audit.  | 7/10/17     | No<br><br>Proposed resolution date:<br>May 2020 | 4              | \$0  |
| OFO (From the former OM) | The Department's Implementation of the Contractor Personnel Security Clearance Process<br><br><a href="#">A19P0008</a>   | The audit found that the Department had not effectively implemented requirements for the contractor personnel security screening process. The report also found that OM did not ensure the timeliness of security screening activities, ensure contractor employee screening information maintained was accurate and reliable, or provided adequate training to principal offices with regard to process requirements and responsibilities.<br><br><b>Current Status:</b> OFO informed us that the audit is resolved, but all corrective actions have not been completed. | 9/20/18     | Yes   | 11             | \$0  |

| Office | Report Title and Number  | Summary of Report and Status of Audit/Recommendations  | Date Issued | Audit Resolved | Number of Recs | Dollar Value of Aggregate Potential Cost Savings |
|--------|--|--|-------------|----------------|----------------|--|
| OFO    | <p>The U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2018 (The report is addressed to OFO and FSA)</p> <p><a href="#">A04T0004</a></p> <p>New</p> | <p>The audit found that the Department complied with IPERA and implemented corrective actions that could prevent and reduce improper payments in its Pell Grant Program and Direct Loan programs. However, the OIG could not accurately evaluate the Department's performance in recapturing improper payments because the amounts of identified and recaptured improper payments that the Department reported for all programs and activities were inaccurate and incomplete.</p> <p><b>Current Status:</b> OFO informed us that the audit is resolved, but all corrective actions have not been completed.</p> | 5/29/19     | Yes            | 6              | \$0  |
| OPE    | <p>U.S. Department of Education's Recognition and Oversight of Accrediting Agencies</p> <p><a href="#">A09R0003</a></p>  | <p>The audit found that the Department did not provide reasonable assurance that it recognized only agencies meeting Federal recognition criteria. We also found that the Department's oversight approach may not identify issues soon enough to mitigate or prevent potential harm to accredited institutions of higher education, students, or taxpayers.</p> <p><b>Current Status:</b> OPE informed us that the audit is resolved, but all corrective actions have not been completed.</p>  | 6/27/18     | Yes            | 3              | \$0  |
| OPEPD  | <p>Office of the Chief Privacy Officer's Processing of Family Educational Rights and Privacy Act Complaints (The report was addressed to OM)</p> <p><a href="#">A09R0008</a></p>                           | <p>The audit found that the Office of the Chief Privacy Officer had no controls in place to ensure that it timely and effectively processed the Family Educational Rights and Privacy Act complaints. The Privacy Office officials estimated they were about 2 years behind on complaint investigations.</p> <p><b>Current Status:</b> OPEPD informed us that the audit is resolved, but all corrective actions have not been completed.</p>   | 11/26/18    | Yes            | 8              | \$0  |

## Table 8. Peer Review Results

| Description  |
|--|
| During this reporting period, the OIG conducted a peer review of the Investigative Operations of the Office of Inspector General for the U.S. General Services Administration (GSA OIG) for the period that ended September 30, 2019. GSA OIG received a peer review rating of pass. There were no outstanding recommendations from prior peer reviews. The report was issued in January 2020. |

## Table 9. Other Reporting Requirements

| Requirement  | Results           |
|--|-------------------|
| Significant Problems, Abuses, or Deficiencies Related to the Administration of Programs and Operations   | Nothing to Report |
| Significant Management Decisions with which the OIG Disagreed  | Nothing to Report |
| Summary of Instances where Information or Assistance was Refused or Not Provided   | Nothing to Report |
| Summary of Audit Reports for which No Agency Comment was Returned to the OIG within 60 Day of Issuance   | Nothing to Report |
| Significant Revised Management Decisions   | Nothing to Report |
| Unmet Intermediate Target Dates Established by the Department under the Federal Financial Management Improvement Act of 1996                                     | Nothing to Report |
| Description of Instances of Whistleblower Retaliation  | Nothing to Report |
| Description of Attempt by the Agency to Interfere with OIG Independence  | Nothing to Report |
| Audits or Inspections Closed but Not Disclosed to the Public   | Nothing to Report |
| Report on Each Investigation Conducted by the OIG Involving a Senior Government Employee (GS-15 or Above) where the Allegations of Misconduct were Substantiated | Nothing to Report |
| Description of Investigations Involving Senior Government Employees (GS-15 or Above) that Were Closed by Not Disclosed to the Public                             | Nothing to Report |
| Contract-Related Audit Products with Significant Findings  | Nothing to Report |

## Acronyms and Abbreviations

|            |   |
|------------|---|
| CARES Act  | Coronavirus Aid, Relief, and Economic Security Act            |
| CIGIE      | Council of the Inspectors General on Integrity and Efficiency |
| COVID-19   | coronavirus disease 2019                                      |
| DATA Act   | Digital Accountability and Transparency Act                   |
| Department | U.S. Department of Education                                  |
| EIA        | Temporary Emergency Impact Act for Displaced Students         |
| FAFSA      | Free Application for Federal Student Aid                      |
| FISMA      | Federal Information Security Modernization Act of 2014        |
| FSA        | Federal Student Aid   |
| FY         | fiscal year   |
| HCM        | heightened cash monitoring                                    |
| IDEA       | Individuals Dedicated to Excellence and Achievement           |
| LEA        | local educational agency                                      |
| OIG        | Office of Inspector General                                   |
| Restart    | Immediate Aid to Restart School Operations Program            |
| Title IV   | Title IV of the Higher Education Act of 1965, as amended      |

### FY 2020 Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to identify and summarize the most significant management challenges facing the Department each year. Below are the management challenges that the OIG identified for FY 2020.

- Improper Payments, meeting requirements and intensifying efforts to prevent, identify, and recapture improper payments.
- Information Technology Security, including management, operational, and technical security controls to adequately protect the confidentiality, integrity, and availability of its systems and data.
- Oversight and Monitoring, including Federal student aid program participants and grantees.
- Data Quality and Reporting, specifically program data reporting requirements to ensure that accurate, reliable, and complete data are reported.

For a copy of our Management Challenges reports, visit our web site at <http://www2.ed.gov/about/offices/list/oig/managementchallenges.html>.

Anyone knowing of fraud, waste, or abuse involving U.S. Department of Education funds or programs should contact the Office of Inspector General Hotline:

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