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Office of Inspector General

Semiannual Report to Congress, No. 65

April 1, 2012–September 30, 2012

Office of Inspector General
Kathleen S. Tighe
Inspector General

November 2012

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Message to Congress

On behalf of the U.S. Department of Education (Department) Office of Inspector General (OIG), I present this Semiannual Report on the activities and accomplishments of this office from April 1, 2012, through September 30, 2012. The audits, inspections, investigations, and related work highlighted in the report are products of our continuing commitment to promoting accountability, efficiency, and effectiveness in our oversight of the Department's programs and operations.

We stated in our Fiscal Year (FY) 2012 Annual Plan that we would focus our work on accountability and results. As you will read in the pages of this report, we met this goal. Our audit and inspection work identified needed improvements in each of the programs and operations we reviewed. By making these improvements, the Department will have more assurance that those programs or operations are achieving the desired results.

Our investigative efforts led to an unprecedented number of criminal actions taken against high-ranking school officials. These educators used their positions of trust for personal gain and cheated the students they promised to serve. Our mission and our goals are about results, and I am proud of the results we delivered over the last 6 months. For example, as highlighted in this report:

- Criminal actions were taken against 10 high-ranking school officials, including superintendents and school board officials. This included the former superintendent of the El Paso Independent School District in Texas who pled guilty to charges that he directed employees to change student records, reclassify student grade levels, and take other actions to make it appear that the district was meeting or exceeding its Adequate Yearly Progress in order to receive financial bonuses stipulated in his contract.

- One of our audits found that the Department did not effectively oversee and monitor charter school grants and did not have an adequate process to ensure that State educational agencies effectively oversaw and monitored their subgrants. As a result, the Department does not have assurance that charter school grantees comply with applicable requirements or follow through on required actions.

- Eight charter school leaders found themselves on the wrong side of the law, including the founder of four charter schools in the Philadelphia area who was indicted for allegedly defrauding three of those schools of more than $6.5 million. In addition, the two top officials of the New Media Technology Charter School in Pennsylvania were sentenced to prison for diverting more than $522,000 in school funds.

- We determined that the Department's Rehabilitation Services Administration did not provide the level of oversight of Centers for Independent Living required by the Rehabilitation Act of 1973, which leaves the Department unsure as to whether the Centers are meeting required program goals.

- Touro College agreed to pay the Department $7 million as a result of an OIG audit that found that the school did not fully comply with Federal student aid institutional and program eligibility requirements.
- An inspection found that the Department's nonprocurement suspension and debarment process was inefficient and lacked characteristics the Government Accountability Office identified as common in effective suspension and debarment programs.
- Another audit found that the Department's resolution system for external OIG audits was not effective and audits were not resolved in a timely manner, which has affected the potential recovery of funds and has likely created delays in the development and implementation of corrective action by auditees so that weaknesses in program management are not being addressed.

In this report, you will find more information on these actions, as well as summaries of other reports issued over the last 6 months. This includes our nationwide results-focused audit on how 22 school districts spent the American Recovery and Reinvestment Act and Education Jobs Funds. We look to issue additional audits in the next few months to provide insights into the key challenges associated with implementing the stimulus grant programs. These insights could help improve implementation and oversight of any future similar programs.

One last issue we highlight in this report is our work involving data analytics—a tool we use to identify emerging risks and patterns of fraud. During this reporting period, we developed three data analytic tools that are helping us proactively identify student aid fraud rings, better ensure the reliability of grantee data, and more readily assess grantee risk. With the demand for a more efficient government so high, integrating these tools into our audit and investigative efforts is critical.

I greatly appreciate the interest and support of this Congress, Secretary Duncan, and Deputy Secretary Miller in our efforts. I look forward to working with you in meeting the challenges and opportunities that lie ahead.

Kathleen S. Tighe
Inspector General

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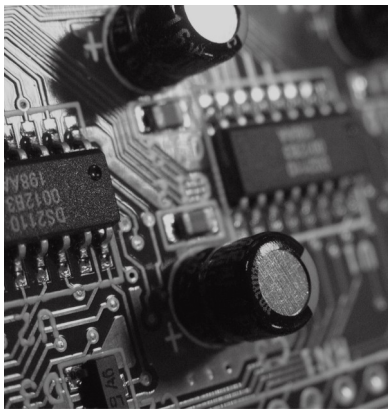

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Goal 1: Improve the Department's ability to effectively and efficiently implement its programs to promote educational excellence and opportunity for all students.

Our first strategic goal contributes to our statutory mission—to promote the efficiency, effectiveness, and integrity of the U.S. Department of Education's (Department) programs and operations. To achieve this goal, we conduct audits, inspections, investigations, and other activities. In our audit and inspection work, we evaluate program results, assess internal controls, identify systemic weaknesses, and make recommendations for improvement in the Department's programs and operations. In our investigative work, we focus on serious allegations of fraud and corruption and work with prosecutors to hold accountable those who steal, abuse, or misuse education funds.

Audits

Work related to this goal over the last 6 months involves the American Recovery and Reinvestment Act of 2009 (Recovery Act). Recovery Act funding, which provided more than $97 billion for existing and new education-related grant programs, ended at the close of FY 2011. A second education stimulus, the Education Jobs Fund (Ed Jobs), was enacted in 2010 and provided another $10 billion to help local educational agencies (LEAs) hire, retain, or rehire employees who provided school-level educational and related services, ended at the close of FY 2012. The Office of Inspector General (OIG) has conducted a significant amount of work involving these programs and continued to do so throughout this reporting period. Results of our efforts are below.

Recovery Act

Over the last 6 months, we issued two Recovery Act audit reports: a national perspective on how school districts used Recovery Act and Ed Jobs funds and an audit determining whether Centers for Independent Living received adequate monitoring and oversight, met evaluation standards, and complied with applicable program and Recovery Act reporting requirements. Summaries of these audits are below. We also continued with the fourth phase of our Recovery Act work, reviewing final expenditures at multiple LEAs in five States. We are also compiling data for two "lessons learned" reports—one multiagency OIG review to identify best practices and challenges in implementing and administering Recovery Act programs and a second Department-specific review to provide insights into the key challenges associated with implementing the Recovery Act and the Department's and its grantees' responses to those challenges. We will report the findings of these efforts once completed.

School Districts' Use of Recovery Act Funds

This report highlighted how selected school districts spent Federal funds awarded under the Recovery Act for the State Fiscal Stabilization Fund, Education Stabilization Fund (ESF); Elementary and Secondary Education Act of 1965, as amended, Title I, Part A (Title I); and the Individuals with Disabilities Education Act, Part B, Section 611 (IDEA) grant programs and under separate legislation for the Ed Jobs grant program. We refer to these collectively as "stimulus funds." For this audit, we judgmentally selected 1 school district in each of 22 States based on enrollment, geographic location, and various fiscal factors. The

22 school districts ranged in size from about 13,500 students to about 982,000 students, and represented a cross section of characteristics such as economic condition, poverty level, and level of Federal support. Below is a summary of our findings.

What Did School Districts Spend Stimulus Funds On? Almost two-thirds of the 22 districts spent or planned to spend all of their ESF funds on personnel-related activities such as salaries and benefits for teachers and other staff. The remaining districts spent or planned to spend at least a portion of their ESF funds on nonpersonnel activities such as career and technical education courses, technology, and new construction. The 22 districts spent or planned to spend all of their Ed Jobs funds on personnel-related activities as required by the statute. In contrast, the 22 districts spent or planned to spend about half of their Recovery Act Title I and IDEA funds on personnel costs and about half on nonpersonnel costs that were generally focused on student academic achievement, teacher performance, or parental support.

Will School Districts Spend All the Stimulus Funds? As of December 31, 2011, all 22 districts reported that they had spent all available ESF grant funds, more than 99 percent of available Recovery Act Title I and IDEA funds, and more than 80 percent of available Ed Jobs funds.

What Influenced How School Districts Spent the Funds? A variety of factors influenced how districts spent stimulus funds, including Federal requirements covering use of funds, State actions and budget decisions, each district's fiscal condition and educational priorities, and concerns about funding cliffs. As a result, the districts generally used the ESF and Ed Jobs grants to maintain existing services and activities; many used the grant money to offset or restore reductions in State and local funding.

What Results Did School Districts Identify? School district officials identified positive results from spending stimulus funds, such as creating and retaining jobs, improving student academic achievement, or pursuing educational reforms. Officials from several districts said those services and activities would not have been possible without the supplemental funding. However, measuring and interpreting results can be challenging. For example, oversight agencies and district officials have questioned the validity and accuracy of jobs data that stimulus fund recipients are required to report. Additionally, improvements in an area such as student academic achievement may be attributable to a variety of factors, only one of which may have been an activity or program supported by stimulus funds.

Will School Districts Face Funding Cliffs? A funding cliff occurs when a school district is unable to sustain activities or services after stimulus funds are no longer available. Most officials said they expected to face moderate to significant funding cliffs after stimulus funds were no longer available unless State or local revenues returned to prerecession levels in the near future. In some cases, districts knowingly used stimulus funds for unsustainable activities because they wanted more students to benefit from the one-time infusion of supplemental funds. The presence of a funding cliff does not mean that a district's use of stimulus funds was unsuccessful or did not achieve the intended result. District officials planned to continue essential

services to the extent possible by prioritizing spending and reducing costs, but in some cases districts may have to lay off staff or reduce educational services.

The report on school districts' use of Recovery Act funds included a 2-page summary for each of the 22 districts included in our review. It also highlighted several observations that may provide insight for policymakers if another stimulus program for elementary and secondary education were considered in the future. This included an observation involving performance measurements. Recipients of the stimulus funds had to comply with reporting requirements specified in the Recovery Act, such as quarterly reports on the status of grant funds and the number of jobs created and retained. Despite efforts to collect performance information, measuring performance was problematic. Specifically, the 22 districts in our review most commonly identified the number of jobs supported with stimulus funds as a positive result. However, the reported number of jobs did not always represent new or specific jobs. Some districts used the stimulus funds in place of other funds that previously supported personnel costs. The jobs that these districts reported as paid by stimulus funds might not have been in jeopardy.

Centers for Independent Living

We found that the Rehabilitation Services Administration (RSA), the Departmental unit responsible for administering the Centers for Independent Living (CIL) program, did not provide the level of oversight of CILs that is required by the Rehabilitation Act. We also found partially supported performance information reports and inadequately documented files at the 12 CILs we reviewed. As a result of these inadequacies, RSA did not have sufficient, accurate information to provide required oversight. Without appropriate oversight, the Department cannot ensure that CIL program goals are being met and that it is operating as intended. Specifically, for the 12 CILs we reviewed, we found the following.

- RSA did not conduct onsite monitoring reviews of CILs as required and did not randomly select CILs for review. The Rehabilitation Act requires RSA to randomly select and conduct an onsite compliance review of at least 15 percent of CILs receiving funds. We found that RSA conducted 40 onsite reviews, well below the 153 that were required during the 3 years covered in our audit.

- RSA lacked accurate documentation from the CILs. Although we found that all 12 CILs offered services that met the requirements of the core services defined in the Rehabilitation Act, we were unable to determine whether most of the CILs met selected evaluation standards and assurances as they did not maintain adequate evidence of compliance.

- Eight of the 12 CILs did not fully comply with reporting requirements of the Recovery Act. Eighteen of 26 reports from the 8 CILs were missing data elements or were untimely, and 5 of the CILs used an inaccurate methodology for calculating jobs created or retained.

- Although most CILs' expenditures were allowable and adequately supported, we identified about $39,100 in inadequately documented expenditures at three CILs involving payroll and other costs.

We recommended that RSA explore alternatives to assist in meeting the onsite monitoring requirements of the Rehabilitation Act, require CILs to verify that they have established or enhanced policies and procedures to maintain documentation supporting their compliance with statutory requirements, require the five CILs to follow Office of Management and Budget (OMB) guidance in calculating Recovery Act jobs created or retained for future reporting periods, and require the three CILs to provide supporting documentation for about $39,100 in payroll and other costs or return the funds to the Department. The Department accepted all of our findings and recommendations.

Investigations

During this reporting period, OIG investigators continued to examine allegations of waste, fraud, and abuse involving Recovery Act funds. Since the enactment of the Recovery Act, OIG has initiated more than 180 criminal investigations of various schemes involving the improper uses of Recovery Act funds. To date, our Recovery Act-related investigations have resulted in more than 120 judicial actions, which we estimated has saved the Department nearly $8 million.

Recovery Act

The following are summaries of some of our investigations, some of which involved Federal student aid funds, a portion of which was either applied for or obtained after passage of the Recovery Act. The Recovery Act increased funding for the Pell Grant program.

Owner and Employees of USA Beauty School Pled Guilty (New York)

The owner and four employees of USA Beauty School pled guilty to fraudulently obtaining Federal Pell Grant funds. The two falsified student aid applications and supporting documentation, including attendance records and high school diplomas, to enroll ineligible students into the school for the purposes of obtaining Federal student aid. Since 2006, the school has received more than $4 million in Pell Grant funds.

Former Executive Director of a Center for Independent Living Charged (Florida)

The former executive director of the now-defunct Center for Independent Living of Southwest Florida was charged with embezzlement and grand theft. The executive director allegedly embezzled more than $900,000 from the Center, including funds provided to the Center through the Recovery Act, to fund an extravagant lifestyle. The Center closed in 2011 when it no longer had any money with which to operate.

Whistleblower Reprisal (Arkansas)

Our investigation found that a school district contractor in Arkansas terminated an employee in reprisal for the employee reporting that the contractor did not pay prevailing wages on school construction projects funded by the Recovery Act. Following our investigation, the Secretary issued a final determination that the contractor had reprised against the employee in violation of the Recovery Act and

ordered the contractor to reinstate the employee, pay him back pay, and pay any wages owed to employees. The contractor has appealed the Secretary's order to the U.S. Court of Appeals for the Eighth Circuit.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Departmental Groups

- *Department Recovery Act Metrics and Monitoring Team.* OIG participates in an advisory capacity on this team that meets periodically to coordinate Recovery Act funds oversight efforts and develop reports for posting on the Recovery.gov Web site.

Inspector General Community

- *Recovery Accountability and Transparency Board (Recovery Board).* Inspector General Tighe is the Chair of the Recovery Board. OIG staff members also participate in a work group composed of all of the OIGs that provide Recovery Act oversight.

Federal and State Law Enforcement-Related Groups

- *U.S. Department of Justice's Financial Fraud Enforcement Task Force Recovery Act, Procurement, and Grant Fraud Working Group.* The Inspector General co-chairs and the OIG participates in this working group focused on improving efforts across the Government to investigate and prosecute significant financial crimes involving Recovery Act funds.

Other

- *Recovery Act Whistleblower Training.* OIG attorneys and an investigator trained all OIG investigators to prepare them for taking over whistleblower investigations in FY 2013 from personnel who are no longer funded by the Recovery Act. The OIG has received more than 100 whistleblower complaints since 2009, more than triple that of any other OIG.

Goal 2: Strengthen the Department's efforts to improve the delivery of student financial assistance.

This goal addresses an area that has long been a major focus of our audit, inspection, and investigative work—the Federal student financial aid programs. 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. Our efforts in this area seek not only to protect Federal student aid funds from waste, fraud, and abuse, but also to protect the interests of the next generation of our nation's leaders—America's students.

Audits and Reviews

With more than 6,200 postsecondary institutions, about 2,900 lenders, 33 guaranty agencies, and numerous third party servicers participating in the Federal student aid programs, OIG audits and other reviews help ensure that there is effective oversight, monitoring, compliance, and accountability in these programs by the Department and program participants. Also during this reporting period, the Department reached a significant settlement to resolve our prior audit of Touro College in New York City.

Program Participants

During this reporting period, OIG completed audits of two schools to determine whether they complied with specific requirements of the Higher Education Act of 1965, as amended, relating to Federal student aid (also referred to as Title IV). The first audit was of Metropolitan Community College, a public school located in Omaha, Nebraska, and the second audit was of Colorado Technical University (CTU) Online, the entirely online component of CTU, a for-profit school. Both audits found improvements were needed for the schools to better comply with all necessary requirements.

Metropolitan Community College

Among the more significant issues, we found that during the first three quarters of award year 2009–2010, Metropolitan Community College—

- Did not establish that students had a high school diploma or its equivalent or passed an approved Ability-to-Benefit test that was properly administered, resulting in the improper disbursement of more than $73,800 to students whose records we reviewed. Based on our statistical sample, we estimated that the school disbursed as much as $406,000 to students for whom the school maintained no evidence of a high school diploma or its equivalent or a passing score on an Ability-to-Benefit test.
- Did not ensure that students whose records we reviewed were meeting the satisfactory academic progress requirement before disbursing more than $12,200 in Title IV funds. We estimated that the school disbursed between $350,000 and $4 million to students not maintaining satisfactory academic progress.

- Disbursed nearly $27,000 in Title IV funds to students who had exceeded the maximum number of allowable credit hours of remedial coursework.
- Disbursed more than $88,000 in Title IV funds to students who were not enrolled in eligible programs.
- Did not properly administer its Federal Work Study program, resulting in improper payments of more than $21,200.
- Did not properly identify students who never attended their courses, and for student withdrawals, did not properly calculate the amounts to return to the Title IV programs. We estimated that Metropolitan improperly retained between $248,000 and $523,000 in Title IV funds.

We recommended that Federal Student Aid (FSA) require the school to (1) return nearly $233,000 in Title IV funds, (2) review the records for students who were not included in our samples and return all Title IV funds that were improperly disbursed, and (3) ensure that its personnel are adequately trained in the administration of the Title IV programs. The school did not agree with all of our findings or recommendations.

Colorado Technical University

Our audit determined that CTU Online did not comply with Federal requirements regarding student eligibility for Title IV funds, the identification of withdrawn students, and authorizations to retain credit balances. Specifically, CTU Online did not

- ensure that students were eligible for Title IV funds at the time of disbursement, which resulted in CTU Online improperly disbursing more than $155,000 for 37 of the 50 students we reviewed (the results for our sample of 50 students cannot be projected to the entire CTU student population);
- identify students who had unofficially withdrawn, which resulted in CTU Online improperly retaining unearned Title IV funds totaling more than $18,000 for20 of the 50 students we reviewed; or
- obtain proper authorizations to retain students' credit balances.

Other than the exceptions noted above, we determined that CTU Online generally complied with Federal requirements applicable to the return of Title IV funds and the payment of incentive compensation to admissions representatives. We recommended that FSA require CTU to (1) return more than $173,100, which represents the amount of Title IV funds improperly disbursed or retained for the students included in our review; (2) develop and implement written policies and procedures to ensure future compliance with Title IV requirements regarding student eligibility for program funds, identification of withdrawn students, and authorizations to retain students' credit balances; and (3) review records of all CTU Online students who were not included in our review for all terms from July 5, 2009, until such time as written policies have been implemented, and return all other Title IV funds that were improperly disbursed or retained. CTU did not concur with our findings and recommendations.

Touro College Agrees to $7 Million Settlement

Touro College agreed to pay $7 million to the Department as a result of our 2008 audit that found that the school did not fully comply with Title IV institutional and program eligibility requirements. Specifically, we found that the school had distributed Federal student aid to approximately 4,310 students who attended classes at ineligible Touro campuses.

Investigations

Identifying and investigating fraud and abuse 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 these funds, significant civil fraud actions taken against entities participating in the Higher Education Act's Title IV programs, and hundreds of millions of dollars returned to the Federal Government in fines, restitutions, and civil settlements.

Schools and School Officials

Below are summaries of some of our significant investigations involving schools or school officials.

Regional Vice President of Prism Career Institute Pled Guilty (New Jersey)

A regional vice president of Prism Career Institute pled guilty to stealing more than $400,000 from the school. The vice president, who had the authority to make purchases on behalf of the school, submitted fraudulent reimbursement requests and invoices for supplies, furniture, equipment, and other items that the school never received. She also wrote checks payable to herself, forged the school's chief executive officer's signature on them, and then deposited them into her personal bank account.

Civil Fraud Complaint Filed Against ATI Enterprises (Texas)

As a result of our investigative work, the U.S. Department of Justice (DOJ) intervened in and filed a civil fraud complaint against this private, for-profit chain of schools. The complaint alleges that from 2007 through 2010, ATI knowingly misrepresented job placement statistics at three of its campuses in order to maintain its eligibility to participate in the Federal student aid programs. ATI also allegedly enrolled ineligible students, falsified high school diplomas, kept students enrolled who should have been dropped, and made false representations to students regarding future employability and potential earnings. During the period of the complaint, the three ATI campuses received more than $236 million in Federal student aid. The case began as a lawsuit filed by former employees of ATI under the provisions of the False Claims Act that allow private citizens to file whistleblower suits to provide the government information about wrongdoing and share in the Government's recovery.

Civil Complaint Filed Against Owner of Beauty Schools (Oklahoma)

Also as a result of our investigative work, DOJ filed a complaint against the owner of several beauty schools, including the School of Hair Design and the Poteau Beauty Academy. The complaint alleges that the owner relocated these schools from Oklahoma to Texas and Arkansas and used the Oklahoma-based school's Title IV eligibility codes to make it appear as though students in Texas and Arkansas were attending the schools in Oklahoma. As a result of the alleged fraud, the schools received Federal student aid funding to which they were not entitled. The owner is allegedly liable for damages totaling more than $1.4 million.

Fraud Rings

Below are summaries of actions taken over the last 6 months against people who participated in Federal student aid "fraud rings"—large, loosely affiliated groups of criminals who seek to exploit distance education programs in order to fraudulently obtain Federal student aid.

Inspector General, U.S. Attorney Highlight Student Aid Fraud Rings (California)

In September, Inspector General Tighe and the U.S. Attorney for the Eastern District of California held a press conference to highlight criminal actions the U.S. Attorney's Office had taken against fraud ring participants. The Inspector General and the U.S. Attorney noted that actions had been taken against 21 people who participated in 7 Federal student aid fraud schemes that preyed on at least 15 schools operating in California. Each fraud scheme operated separately and independently from one another, and most targeted online education programs. As a result of their schemes, the defendants in these cases allegedly fraudulently obtained more than $770,000 in Federal student aid. The U.S. Attorney's Office released summaries of the schemes, which include a fraud ring that not only relied on family and friends to participate, but allegedly used stolen personally identifiable information of people with disabilities to fraudulently obtain more than $285,000 in Federal student aid and grants. Leaders of another ring allegedly recruited more than 50 straw students—including State prison inmates—to fraudulently receive $200,000 in student aid.

Actions Taken Against Two Participants in $152,300 Fraud Scheme (Georgia)

A woman who participated in a Georgia-based fraud ring was sentenced to serve 12 months in prison and 36 months of supervised release. She was also ordered to pay more than $152,300 in restitution. The woman recruited people to participate in the scam—straw students—knowing that they were not eligible for admission to the schools and that they did not plan to attend the classes. She completed and submitted fraudulent school enrollment and Federal student aid paperwork in the names of the straw students, and then took a portion of the refund once the straw student received it. Another fraud ring participant entered into a Pretrial Diversion program and agreed to 18 months of supervised release and to pay $7,200 in financial restitution.

Actions Taken Against 14 Participants in $689,000 Fraud Scheme (South Carolina)

The ringleader and 4 scam participants were sentenced and 10 others pled guilty for their roles in a Federal student aid fraud scheme. The scam's ringleader recruited straw students—including family, friends, and coworkers, some of whom were employees of the South Carolina Department of Corrections—to participate in the scam, telling them that they could get thousands of dollars in student financial aid without having to take any college courses. The ringleader filed false online college enrollment and student financial aid applications in their names, and then took a portion of the refund check received by the straw student. As a result of these fraudulent actions, at least $689,000 in student loans and grants were disbursed. The ringleader was sentenced to serve 27 months in prison and 3 years of supervised release, and was also ordered to pay more than $133,100 in restitution. Another participant was sentence to serve a year in prison, 5 years of supervised release, and was ordered to pay more than $116,700 in restitution. The participant was sentenced to 5 years of probation and was ordered to pay more than $28,100 in restitution.

Ringleaders Pled Guilty in $100,000 Fraud Scheme (South Carolina)

In our last Semiannual Report to Congress, we reported that 12 South Carolina residents were indicted for their alleged involvement in a scheme to obtain Federal student aid funds through online programs at the University of Phoenix and the Western Governors University. During this reporting period, the two ringleaders of the scam pled guilty. The two obtained the personally identifiable information from the other participants that they used to complete and submit fraudulent enrollment and student aid applications, knowing that they were not eligible for admission to the schools and that they did not plan to attend classes. As a result, more than $100,000 in Federal student aid was distributed to the scheme's participants.

Prison Inmate, Three Others Indicted (Arizona)

Four people were indicted for participating in a $153,000 student aid fraud scheme. The indictment alleges that the two ringleaders, one of whom is serving a prison sentence in Perryville, enrolled straw students into the distance education program at Rio Salado College for the sole purpose of obtaining Federal student aid. The prisoner allegedly provided her co-conspirator with the personally identifiable information of several inmates at the Arizona Department of Corrections Perryville Complex, which the co-conspirator used to complete and submit fraudulent school enrollment and Federal student aid paperwork in the names of the straw students, and then took a portion of the refund once the straw student received it.

Other Individuals

Below are summaries of some of our more significant investigations into allegations of abuse or misuse of Federal student aid by individuals.

Actions Taken Against Owners of Student Aid Services Business (Florida)

A woman pled guilty and her husband was indicted on charges related to student aid fraud. The couple formed a company called Graduate Assistance and

Consolidations, Inc., purportedly to assist people applying for Federal student aid. From 2005 through 2007, the woman assisted ineligible people—those who did not have a high school diploma or GED—in enrolling at St. Petersburg College. Similar to our fraud ring cases listed above, she also recruited people to act as straw students and used the information of those straw students to apply for and receive Federal student aid. Her husband allegedly conspired with her to commit the fraud. Once the refund checks were received, the straw student would kick back a portion to the couple.

Woman Pled Guilty to Aggravated Identity Theft, Student Aid Fraud (New York)

A woman pled guilty to charges of aggravated identity theft and other charges related to student aid fraud. From 2007 through 2011, the woman used false identities and fraudulent documents to obtain more than $53,100 in educational loans and bank account funds.

Former Public School Teacher Pled Guilty (Wisconsin)

A former Milwaukee City public school teacher pled guilty to charges related to student aid and tax fraud. From 2002 through 2008, she orchestrated a scheme to use two identities with two social security numbers to file false tax returns to fraudulently receive tax refunds, obtain graduate student loans in excess of the lifetime aggregate subsidized loan limit, and assist her daughter in obtaining Federal grant funds she was not entitled to receive by falsifying her income. As a result of her fraudulent activities, the former teacher improperly obtained about $65,000 in Federal student aid and $27,250 in earned income tax refunds.

Woman Sentenced for Student Aid and Insurance Fraud (Indiana)

A woman was sentenced to serve 30 months in prison and 24 months of supervised release. She was also ordered to pay more than $115,500 in restitution for fraud. The woman failed to report income on her Federal student aid application that would have reduced the amount of student aid she was entitled to receive. She also participated in a multi-State fraud conspiracy that involved staging phony automobile accidents with other individuals in order to collect the insurance proceeds.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

- *Department of Education Policy Committees.* OIG staff participate in an advisory capacity on these committees, which were established to discuss policy issues related to negotiated rulemaking for student loan regulations and for teacher preparation regulations.

Review of Legislation, Regulations, Directives, and Memoranda

- *Report to Congress on For-Profit Institutions' Revenues from Title IV Sources and Non-Title IV Sources as Provided by Institutions.* OIG provided technical suggestions to the Department's reporting, such as including the information on what constitutes an award year and clarifying that revenue percentages were provided through audited financial statements.

- *Higher Education Act of 1965, as amended (HEA) Amendments.* OIG provided suggestions to the Department regarding proposed amendments to the HEA that relate to eligibility for and interest charged on subsidized student loans.

- *2013–2014 Free Application for Federal Student Aid Update.* OIG provided suggestions to improve the certification of accuracy provided by students and parents applying for Federal student aid.

- *Annual Update to Income-Contingent Plan Formula.* OIG suggested revisions to improve clarity in the update.

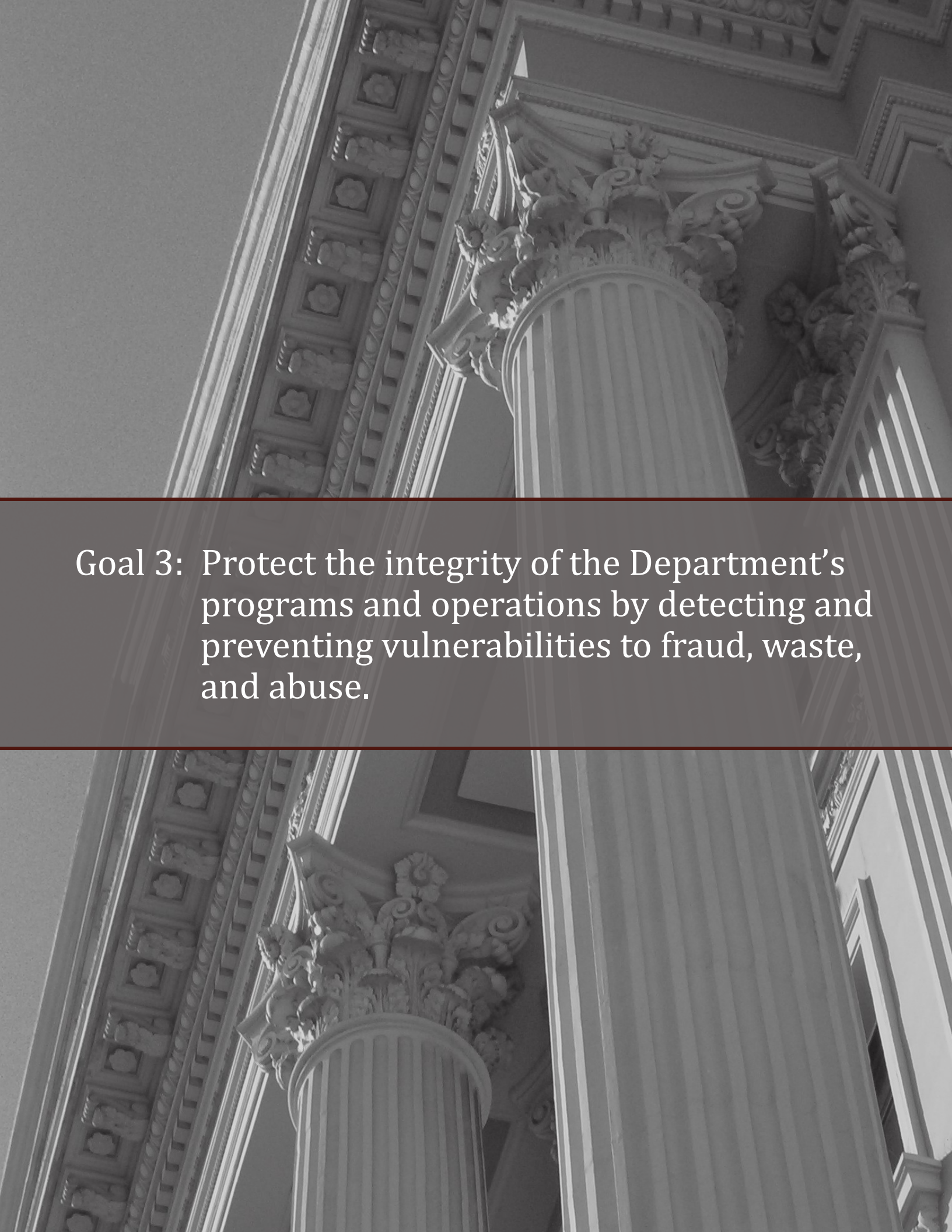
- *Draft Regulations on Teacher Preparation and TEACH Grant Programs.* OIG made suggestions regarding tracking the dates that grant recipients filed Free Applications for Federal Student Aid, use of new terminology, and the basis for denying eligibility for grant.

- *Draft Regulations on Student Loans.* OIG made suggestions regarding borrower's consent to IRS disclosure of tax return information and income contingent repayment plan thresholds being based on discretionary income.

- *Dear Colleague Letter Regarding Title IV Eligibility for Students Without a Valid High School Diploma.* OIG expressed concern with permitting a student with any prior enrollment and some attendance in a postsecondary institution to establish Title IV eligibility using the Ability-to-Benefit test or completion of six credit hours alternative even if the student had not previously established eligibility using either of those alternatives.

- *Joint Report by Department and Consumer Financial Protection Bureau Regarding Private Student Loan Marketplace.* OIG suggested adding reference to the right of appeal available to institutions that have been determined to be ineligible to participate in the Federal student loan programs based on high default rates.

- *Dear Colleague Letter regarding New Consumer Information Reporting Requirements for Foreign Graduate Medical Schools.* OIG suggested that the letter define on-time completion rate, use a combined rate that is used for the pass rate for very small schools, and reference schools' requirement to report citizen enrollment rate.



Goal 3: Protect the integrity of the Department's programs and operations by detecting and preventing vulnerabilities to fraud, waste, and abuse.

Our third strategic goal focuses on our commitment to protect the integrity of the Department's programs and operations. Through our audit and inspection work, we identify problems and propose solutions to help ensure that programs and operations are meeting the requirements established by law and that federally funded education services are reaching the intended recipients—America's students. Through our criminal investigations, we help 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 and Analytical Tools

During this reporting period, an OIG audit and our work involving data analytics contributed to this important goal. Data analytics is a process that detects patterns and trends to help identify and develop information that is not discernible simply by examining raw data. We are one of the first Inspector General offices to develop and actively use data analytics in its audit and investigative operations. We use data analytics to sift through large volumes of data to identify emerging risks and uncover hidden fraudulent patterns, relationships, and anomalies.

Audits

OIG audit work contributing to this goal focused on oversight of charter schools. Over the last 6 months, we completed the first in what will be a series of work on charter schools. Our next effort is underway and is examining SEA and Department oversight of agreements between charter schools and charter management organizations and educational management organizations to ensure independence of the charter schools and the appropriateness of other contract terms. We will report the findings of this audit once completed.

Oversight of Charter Schools

The audit examined two grant programs: the Charter Schools Program's SEA Planning and Implementation Grant (SEA grant) and the Charter School Program non-SEA Planning and Implementation Grant (non-SEA grant) to determine whether the grantees and subgrantees met grant goals and objectives. We found that the Department did not effectively oversee and monitor the SEA and non-SEA charter school grants and did not have an adequate process to ensure that SEAs effectively oversaw and monitored their subgrantees. We selected three SEAs (Arizona, California, and Florida) based on a risk matrix we developed of SEAs that received charter school grants during our audit period (2007–2011).

We found that the Department did not have an adequate corrective action plan process in place to ensure that grantees corrected deficiencies noted in annual monitoring reports, did not have a risk-based approach for selecting non-SEA grantees for monitoring, and did not adequately review SEA and non-SEA grantees' fiscal activities. In addition, we found that the Department did not provide the SEAs with adequate guidance on the monitoring activities they were to conduct in order to comply with applicable Federal laws and regulations. We

also found that none of the three SEAs adequately monitored charter schools receiving the SEA grants, had adequate methodologies to select charter schools for onsite monitoring, or monitored authorizing agencies. Additionally, we found that Florida did not track how much SEA grant funding charter schools drew down and spent and that California had unqualified reviewers performing onsite monitoring. We also determined that the Department did not ensure that SEAs had procedures to properly account for SEA grant funds spent by closed charter schools or for disposed-of assets purchased with SEA grant. We made a number of recommendations, including that the Department develop and implement policies and procedures for issuing and tracking corrective action plans to help ensure that all reported deficiencies are correctly timely. The Department agreed with all of our findings and almost all of our recommendations.

Analytical Tools

During this reporting period, we developed three data analytic tools that are helping us proactively identify student aid fraud rings, better ensure the reliability of grantee data, and better assess grantee risk.

E-Fraud Query System

This analytical tool was developed to respond to the escalating numbers of fraud rings preying on the student financial aid program. It assists investigators in ongoing student aid fraud ring cases and in the assessment of incoming investigative complaints. The system allows investigators and analysts to focus their attention as early as possible on fraudulent activities by helping them proactively detect fraud ring indicators, such as school enrollment irregularities and indicators of identity theft.

A-133/G5 Lookup System

This tool enables OIG to match information on grantee awards and payments from two separate systems to better identify discrepancies in reported data. G5 is the Department's system that contains the award and payment information of entities that receive grants directly from the Department. A-133 Single Audit data from the Federal Audit Clearinghouse provides a high-level overview of audit results and Federal program spending at such entities as State and local governments, as well as nonprofit organizations that spend $500,000 or more in Federal funds in one year. The Lookup System we developed allows our analysts to match an entity's award and payment information with its associated Single Audit data. It is an important tool in tracking awards from the Department to grantees as well as gathering vital information that we can use to conduct audits, investigations, and Single Audit quality reviews.

State and Local Educational Agencies Risk Model System

We developed the State and Local Educational Agencies Risk Model to enable OIG staff to better identify which SEAs and LEAs are at higher risk. The system will make data more readily available to OIG auditors and investigators and help contribute to deciding which SEAs and LEAs should be the focus of our work.

Investigations

OIG work includes criminal investigations involving bribery, embezzlement, and other criminal activity, often involving State and local education officials—people who have abused their positions of trust for personal gain. Our investigative work over the last 6 months led to a number of criminal actions taken against high-ranking school officials. OIG will continue to fight public corruption by identifying and holding accountable those who engage in defrauding Federal education programs and cheating America's students.

Schools and School Officials

Below are summaries of some of our more significant investigations involving school districts and State and local school officials.

Former Superintendent of the El Paso Independent School District Pled Guilty (Texas)

The former superintendent pled guilty to defrauding the school district and the Federal Government. He directed district employees to change student records, reclassify student grade levels, and take other actions to make it appear that the district was meeting or exceeding its Adequate Yearly Progress standards. He did this in order to receive the financial bonuses stipulated in his employment contract. The former superintendent also circumvented the district's contract processes by awarding a no-bid contract worth $450,000 to a company owned by his mistress and in which he held a financial interest. He tried to terminate the contract after the woman ended their relationship.

Former Associate Superintendent of the El Paso Independent School District Sentenced (Texas)

In a separate case, the former associate superintendent for special education of El Paso Independent School District was sentenced to serve 48 months in prison and 3 years of supervised release. He was also ordered to pay more than $2 million in restitution for bribery and fraud. The former official accepted bribes from a now-defunct contractor in exchange for his support on a contract worth several million dollars. The bribes included cash, campaign contributions, and kickbacks.

Former Superintendent of the Greenville Public School District Pled Guilty (Mississippi)

The former superintendent of Greenville Public Schools pled guilty to charges involving bribes, kickbacks, and embezzlement. During his tenure, the former superintendent conspired with the owner of Teach Them To Read, Inc., a company that provided reading services for at-risk youth, to award $1.4 million in district contracts in exchange for various kickbacks. He also allowed the company to overcharge for services and products in return for improvements to his home, payments on his personal credit card bills, and a car loan.

Former Superintendent of Illinois School District 147 and a School Board Secretary Indicted (Illinois)

The former superintendent and the former school board secretary were indicted on charges of theft and official misconduct. With assistance from the board secretary, the former superintendent allegedly engaged in a variety of schemes to misappropriate hundreds of thousands of dollars from the school district. This included allegedly using school credit cards to make more than $57,000 in unauthorized purchases, converting his district-provided term life insurance policy into a whole life insurance policy to capitalize on more than $50,000 in early withdrawals, and paying himself about $350,000 for more than 560 sick and vacation days that he did not accrue.

Former Superintendent of El Centro Elementary School District, University of San Diego Associate Dean, and Professor Sentenced (California)

The former superintendent of the El Centro Elementary School District, a former associate dean of San Diego State University-Imperial Valley Campus, and a former professor at the university were sentenced for their roles in a fraud scheme involving math and science program grant funds. The former superintendent fraudulently arranged to hire an entity controlled by the former associate dean and professor to evaluate a federally funded math and science program for nearly $400,000. In return, he received $90,000 disguised as research assistant payments. The former superintendent was not, however, a research assistant on the grant and thus was not entitled to those funds. The former superintendent was sentenced to serve 5 months in prison, 5 months in a residential reentry center, and 3 years of supervised release. He was also ordered to pay about $169,000 in restitution. The associate dean and the professor were each sentenced to serve 5 years of probation and were ordered to pay a $100 special assessment.

Former Assistant Superintendent of Polk County School Board Sentenced (Florida)

The former assistant superintendent for facilities and operations for the Polk County School Board was sentenced to serve 2 years in prison for bribery. The former official played a key role in awarding school construction contracts and misused his position to influence the process. From 2004 through 2008, he received nearly $50,000 in bribes from a vendor in exchange for his support on contract awards.

Actions Taken Against 13 Puerto Rico Department of Education Employees and Vendors (Puerto Rico)

Criminal actions were taken against the Puerto Rico Department of Education's (PRDE) chief procurement officer, five other PRDE employees, and officials from three vendors for their roles in a fraud scheme involving more than $7 million in PRDE contract awards. From 2008 through 2010, the vendors conspired to reward the PRDE chief procurement officer and the other PRDE employees in exchange for their support on lucrative procurement contracts. The chief procurement

officer was sentenced to serve more than a year in prison and 3 years of supervised release, one of the PRDE employees involved was sentenced to 3 years of probation, and another PRDE procurement office employee pled guilty.

Former Superintendent of Ira Independent School District Sentenced (Texas)

The former superintendent of the Ira Independent School District was sentenced to serve 14 months in prison and 3 years of probation, and he was ordered to pay more than $25,100 for fraud. From July 2006 through July 2007, the former superintendent embezzled more than $13,400 and misused district credit cards to purchase property and other items for his personal benefit. During this time, the former official represented that he was using the credit cards for work-related expenses such as supplies, travel, staff development, and training.

Two American Samoa Department of Education Leaders Sentenced (American Samoa)

The former chief financial officer and the former director of the School Bus Division of the American Samoa Department of Education were sentenced to prison for their roles in a bribery and kickback scheme. Conspiring with the owner of a company that sold school bus parts, the officials arranged to order "phantom" bus parts on behalf of the Department of Education that were never received and purchased parts at inflated prices in exchange for kickbacks from the company. The former chief financial officer also met with the vendor and told him to destroy evidence of their business transactions and to lie to law enforcement officials conducting the investigation into the scheme. From January 2003 through October 2006, the two received envelopes of cash totaling about $300,000. The former chief financial officer was sentenced to serve 35 months in prison; the former director was sentenced to serve 25 months in prison and was ordered to pay $100,000 in restitution.

Former River Rouge School District Official Indicted (Michigan)

The former director of State and Federal programs for the River Rouge School District was indicted on bribery charges. The director allegedly received money and other items of value from a vendor in exchange for her support in awarding a contract to the company for mandatory programs offered through the Federal Supplemental Education Services program. The programs, however, were neither authorized nor mandatory.

Fairfax County Public School District Agrees to $1 Million Settlement (Virginia)

The Fairfax County School Board agreed to pay $1 million to settle allegations that it provided false and misleading information on its grant application in 2000 for Gaining Early Awareness and Readiness for Undergraduate Programs.

Former Rancho Santiago Canyon Community College Director Indicted (California)

The former director of special programs at Rancho Santiago Canyon Community College was indicted on charges related to fraud involving the College Assistance Migrant Program. From 2008 through 2011, the director allegedly awarded program funds to unwitting students who no longer participated in the program and to people who were neither enrolled nor participated in the program in order to keep more than $90,000 that was intended to cover their living expenses. She also allegedly told students who were legitimately participating in the program that there was no money for their living expenses.

Charter School Founder and Administrators Charged (Pennsylvania)

A Federal grand jury indicted the former chief executive officer and founder of four charter schools in the Philadelphia area for allegedly defrauding some of those schools of more than $6.5 million. Four other charter school executives were also indicted and charged with conspiracy. The former chief executive officer allegedly used two management companies she controlled to defraud the Agora Cyber Charter School and the Planet Abacus Charter School by falsifying a contract that resulted in $5.6 million in fraudulent payments from Agora and $700,000 in fraudulent payments from Planet Abacus. The former chief executive officer and her co-conspirators falsified board meeting minutes, board resolutions, financial records, and other documents in an attempt to conceal their actions.

Former Charter School Officials Sentenced (Pennsylvania)

The founder/board chairman and the former chief executive officer of the New Media Technology Charter School were sentenced after pleading guilty to charges that they diverted more than $522,000 of New Media funds to other projects in order to enrich themselves and to advance their personal business interests, including a nonprofit private school they controlled and operated and other personal business ventures. The founder was sentenced to serve 24 months in prison and 5 years of probation; the former chief executive officer was sentenced to serve 6 months in prison and 5 years of probation. They also were jointly ordered to pay $861,000 in restitution.

Former Charter Schools Employee Sentenced (Arizona)

A former information technology official at Life School College Preparatory, Inc., also known as the Franklin Arts Academies, was sentenced to serve 3 years of probation and was ordered to pay nearly $2 million in restitution for fraud. The former official entered fictitious and former student names into the Arizona Department of Education's school attendance system for the schools to receive Federal and State dollars to which they were not entitled.

Milwaukee Choice School President Indicted (Wisconsin)

The president and chief administrator of the Excel Academy, a private choice school operating multiple campuses in Milwaukee, was indicted on charges involving embezzlement and money laundering. From 2004 through 2010, the school leader allegedly used school funds for noneducational purposes, including

more than $564,000 for alleged loan repayments made to the church where he was pastor when there was no documentation for many of the alleged loans; money to help purchase two apartment buildings; and leases on cars for himself, his wife, and his mother.

Contractors

In addition to the fraud scheme involving Puerto Rico Department of Education officials and vendors discussed above, below are summaries of some of our other significant investigations involving State and local school contractors.

Civil Fraud Complaint Filed Against Princeton Review (New York)

As a result of our investigative work, DOJ intervened in and filed a civil fraud complaint against the Princeton Review and one of its employees alleging that Princeton Review billed and obtained Federal funds from the New York City Department of Education for thousands of hours of services it never provided. From 2006 through 2010, Princeton Review received more than $38 million in Federal funds pursuant to Title I of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001, for purportedly providing tutoring services to underprivileged students. However, during that time period, Princeton Review employees who were responsible for the daily operations allegedly routinely falsified entries on student attendance forms to make it appear that more students had attended tutoring sessions than had actually attended. These employees allegedly were pressured to do so by their supervisors in order to maintain daily student attendance. Princeton Review then allegedly submitted false certifications to the New York City Department of Education, stating that these invoices were "true and accurate," thus misleading the New York City Department of Education into paying Princeton Review tens of millions of dollars in Federal funds for tutoring services that had not been provided. Similar to the complaint DOJ filed against ATI discussed earlier in this Report, this case also began as a lawsuit filed by a former employee of the Princeton Review under provisions of the False Claims Act.

Former Met School Employee Pled Guilty (Rhode Island)

A former administrative assistant for the 21st Community Learning Center program at the Met School in Providence pled guilty to embezzling more than $27,000 in Federal funds. Between 2007 and 2009, the staffer created fictitious invoices from vendors, forged signatures on payment checks, and deposited the money into her bank account. She also used the school's travel card for personal expenses, including travel to Puerto Rico with her boyfriend.

Supplemental Education Services Provider Charged With Forgery (Arkansas)

The owner of The Quote, a company trying to become a Supplemental Education Services provider in Arkansas, was arrested and charged with forgery. He allegedly submitted fraudulent documents, including a forged letter of credit from a deceased bank employee, to the Arkansas Department of Education in order to be considered a financially responsible entity and therefore be eligible to participate in the Supplemental Education Services program and obtain Federal funds.

Construction Company Owner Pled Guilty (New York)

The owner and operator of Luvin Construction and FML Contracting, Inc., pled guilty to defrauding federally funded construction projects, including projects at the Patchogue-Medford and the Harborfields Central School Districts. The vendor submitted false certifications that the prevailing wage had been paid and failed to collect and truthfully account for and pay Federal Insurance Contributions Act taxes.

Other Grantees and Individuals

Our investigations into suspected fraudulent activity by Federal education grantees and other individuals have led to the arrest and conviction of a number of people for theft or misuse of Federal funds. Below you will find summaries of these actions that were taken over the last 6 months.

City Manager Pled Guilty to Fraud (Pennsylvania)

The city manager of Clairton pled guilty to program fraud for fraudulently steering federally funded contracts for the West Mifflin Area School District to his son's painting business.

Four Spirit Lake Tribe Members Sentenced in Vocational Rehabilitation Program Scam (North Dakota)

In our last Semiannual Report, we reported that six people pled guilty to participating in an $80,000 embezzlement scheme involving family members, employees, and volunteers of the Spirit Lake Vocational Rehabilitation Program. During this reporting period, five of them were sentenced, including the project director, her husband, and three co-conspirators. The project director was sentenced to serve 3 months in a halfway house and 7 months of home confinement; her husband was sentenced to 4 years of probation and was ordered to pay more than $22,000 in restitution. The three co-conspirators were each sentenced to serve 2 years of probation and were ordered to pay between $2,000 and more than $35,400 in restitution.

Former Executive Director of New Orleans Talent Search Program Pled Guilty (Louisiana)

The former executive director of the New Orleans Talent Search Program pled guilty to embezzling about $400,000 from the nonprofit organization. From 2001 through 2004, the former executive director wrote checks to himself, made ATM cash withdrawals, and obtained numerous cash advances on the program's credit card accounts.

Former English Skills Learning Center Employee Pled Guilty (Utah)

A former administrative assistant at the English Skills Learning Center pled guilty to stealing about $100,000 from the Center. From 2004 through November 2009, the woman used the Center's credit cards for personal expenses, including her son's wedding. To conceal her crime, she also falsified documents to make it appear that a Utah accounting firm had conducted an audit of the center's finances.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Federal and State Law Enforcement-Related Groups

- *U.S. Department of Justice's Financial Fraud Enforcement Task Force—Consumer Protection Working Group*. OIG participates in this working group composed of Federal law enforcement and regulatory agencies that works to strengthen efforts to address consumer-related fraud.

- *Northern Virginia Cyber Crime Working Group*. OIG participates in a workgroup of various Federal, State, and local law enforcement agencies conducting cyber crime investigations in northern Virginia. The purpose is to share intelligence and collaborate on matters that may affect multiple agencies.

Federal and State Audit-Related Groups

- *Association of Government Accountants Intergovernmental Partnerships for Management and Accountability*. OIG participates in this partnership that works to open lines of communication among Federal, State, and local governmental organizations with the goal of improving performance and accountability.

Review of Legislation, Regulations, Directives, and Memoranda

- *Department Letter to Chief State School Officers Regarding Time and Effort Reporting*. OIG provided technical suggestions relating to system guidelines.

- *Department Report on Federal Teacher Quality Programs*. OIG provided technical suggestions relating to referenced evaluations.

- *Draft Regulations on IDEA Part B Maintenance of Effort for LEAs*. OIG provided comments regarding a possible new compliance standard for LEAs and also noted that OIG audits found indications that State data included in the draft regulations contained inaccuracies.

- *Guidance on Elementary and Secondary Education Act Flexibility*. OIG suggested language requiring SEAs to have adequate controls in place to prevent and detect cheating and data fraud and to ensure that data are accurate, reliable, and complete. OIG also suggested requiring an evaluation of how SEAs proposed addressing requirements to reduce duplication and unnecessary burden.

Goal 4: Contribute to improvements in Department business operations.

Effective and efficient business operations are critical to ensure that the Department successfully manages its programs and protects its assets. Our fourth strategic goal speaks to that effort. OIG work in this area seeks to help the Department accomplish its objectives by ensuring the reliability, integrity, and security of Department data; the Department's compliance with applicable policies and regulations; and the Department's effective use of taxpayer dollars.

Audits and Reviews

In our FY 2012 Annual Plan, we presented the work we intended to conduct to help ensure that the Department has the tools and resources to manage its programs and protect its assets. This included reviews of the Department's efforts to address improper payments, its information technology security and suspension and debarment functions, the external audit resolution process, and whether the Department appropriately handled sensitive information during the higher education negotiated rulemaking process involving the gainful employment regulation. Summaries of our work are below.

Oversight and Compliance

OIG work completed over the last 6 months determined that improvements were needed in the Department's oversight of the operations reviewed to better ensure that it is operating effectively and fully complying with all applicable statutes, regulations, and guidance.

Department's Handling of Sensitive Information Related to the Gainful Employment Regulation

Gainful employment is a requirement that applies to programs offered by for-profit schools and certain postsecondary career and technical schools that participate in the Federal student aid programs. Before the issuance of the 2010 regulation, gainful employment had never been defined. As a result of the regulation, schools must now show that the programs they are offering lead to gainful employment in recognized occupations. According to the Department, the regulation seeks to protect taxpayers against wasteful spending on educational programs of little or no value that could leave students with high student loan debt and no real way to pay it back.

The regulation received significant attention from the media and members of Congress after allegations surfaced that Department staff may have inappropriately leaked sensitive information before issuing the regulation, with a possible impact on the stock market. In response to these concerns, we reviewed more than 357,000 emails from Department email accounts and many other documents, including reports on the for-profit education sector, perspectives on gainful employment, and speeches given by Department officials and outside parties at conferences. We sorted and analyzed the emails and the other documents to determine the types of entities that communicated with Department employees, who initiated the communications, and the purpose of the communications. We did the same with the calendars maintained by

Department officials because Department officials met with many entities, including colleges, student groups, financial analysts, members of Congress, and other Federal agencies, while preparing its draft regulation. We also interviewed Department officials to discuss the handling of sensitive information and to ask for any additional information, as needed, about the emails and meetings that we had reviewed. Based on the work we conducted, our audit found no improper disclosure of sensitive information by Department officials. We did note instances where outside parties informed the Department that they had received nonpublic information from people outside of the Department who had knowledge of the proposed regulations. In all instances, the source of the nonpublic information was identified as entities outside of the Department. We also found areas where the Department could improve its handling of sensitive information and made recommendations for it to do so, including that it establish written protocols for communicating with outside parties during each phase of the rulemaking process and that it consider publicly disclosing all relevant meetings with outside parties to increase transparency in the rulemaking process. The Department stated that it would take action to address our recommendations.

Department's Nonprocurement Suspension and Debarment Process

Our inspection found that the Department's nonprocurement suspension and debarment process was inefficient and lacked characteristics the Government Accountability Office identified as common in effective suspension and debarment programs. Unlike the policies of the 31 Federal agencies we reviewed, the Department's policy requires both a notice official and a deciding official in the suspension and debarment process. We found that this two-tiered process required more human capital resources than necessary. Each tier reviews the same information but, in order to provide more due process, does not communicate with one another at any point in the process. This duplication occurred even in matters that were not contested by the outside entity or individual, which was the case more than 90 percent of the time for FY 2010–2011. We also found that the Department lacked detailed policies and procedures that provided guidance on referrals, which the Government Accountability Office has identified as common in effective suspension and debarment programs. We found the Department's guidance to be outdated and in need of revision and that the Department took nearly 7 years to conform to OMB and Budget regulatory requirements for suspension and debarment. In addition, we found that the Department's nonprocurement suspension and debarment program does not receive referrals from program offices but relies solely on OIG referrals, which are based on indictments and convictions. This limits the Department's ability to fully use suspension and debarment as a means to protect the Federal interest. Further, we identified delays in referrals from OIG that affected the Department's ability to take timely suspension and debarment actions. Our recommendations included that the Department eliminate the two-tiered process, update its outdated policies and procedures, ensure that its program offices are aware of suspension and debarment as a resource, and develop a system for processing referrals from program offices. The Department did not concur or nonconcur with any of our findings or recommendations. In addition, OIG agreed to take steps to improve the timeliness of its referrals.

The Department's External Audit Resolution Process

Our audit found that the Department's resolution system for external OIG audits was not effective and audits were not resolved in a timely manner, which has affected the potential recovery of funds and has likely created delays in the development and implementation of corrective action by auditees (including SEAs, LEAs, and other grantees) that are intended to correct weaknesses in program management. A longstanding OMB directive requires Federal agencies to resolve external audits within a maximum of 6 months after issuance of the final report. Resolution is defined as the point at which OIG and Department officials agree on action to be taken on OIG findings and recommendations. We reviewed 93 external audits that were issued from 2007 through 2010 and determined that 84 (90 percent) had not been resolved within 6 months, and 35 of those 84 audits (42 percent) were still unresolved as of January 2012. We also noted that the percentage of audits not resolved within 6 months increased during each calendar year, rising from 82 percent for those audits issued in 2007 to 100 percent for those issued in 2010. Additionally, we identified 53 audits that were overdue for resolution as of June 2010, regardless of report issuance date. These audits were overdue by an average of 1,078 days and included questioned costs totaling $568 million. As of December 31, 2011, the Department had lost the opportunity to recover $415 million of these costs due to the expiration of the statute of limitations. We also found that the Department did not ensure that the resolution process for external OIG audits operated effectively. The Department's Post Audit Group did not ensure the Department's compliance with OMB requirements or its own internal policies, thereby weakening the effectiveness of the resolution process for external OIG audits. Ineffective internal controls over audit resolution may have a negative effect on the achievement of the Department's mission and the anticipated results of individual programs.

We made a number of recommendations to help the Department improve its process, including that it strengthen Departmentwide accountability for timely audit resolution. In response to our report, the Department proposed a series of actions to be implemented to address many of our specific recommendations.

Improper Payments

In an effort to help Federal agencies reduce improper payments, various pieces of legislation and related measures were enacted and implementing guidance has been issued over the last several years. One such measure is Executive Order 13520, which requires the head of each agency to submit to the Inspector General and the Council of the Inspectors General on Integrity and Efficiency a report on its high-dollar improper payments. During this reporting period, we completed a review of the Department's process for identifying and reporting those high-dollar overpayments. Below is a summary of our findings.

Process for Identifying and Reporting High-Dollar Overpayments

We determined that the Department could strengthen its process for identifying and reporting high-dollar overpayments, and during the course of our inspection, it began taking steps to do so. The OMB implementing guidance for Executive Order 13520 defined a high-dollar improper payment to be any overpayment that is in excess of 50 percent of the correct amount of the intended payment with the following conditions: (1) the total payment to an individual exceeds $5,000 or

(2) payment to an entity exceeds $25,000. In preparing and submitting the reports, the Department's Office of the Chief Financial Officer identified potential overpayments by reviewing data provided by specific Department units, including FSA, and reviewed overpayments identified in prior audit reports and program reviews. However, Department staff informed us that FSA had not determined whether overpayments should be analyzed at the individual level or the entity level. Until it does so, the Department cannot determine whether Federal student aid overpayments meet the high dollar threshold. We recommended that Office of the Chief Financial Officer work with FSA to determine whether Federal student aid overpayments should be analyzed at the institution level or at the student level. The Department concurred with our finding and stated that it would work with FSA to determine the most appropriate and cost-effective ways to identify, analyze, and report high-dollar overpayments.

Information Technology Security Management

Information technology permeates all aspects of programs and services coordinated through the Department. Safeguarding information and systems is therefore essential to the ability of the Department to perform its mission and meet its responsibilities. For the last several years, OIG's information technology security audits have identified management, operational, and technical controls that needed improvement to adequately protect the confidentiality and integrity of the Department's systems and data. Our work involving information technology security management over the last 6 months continued to identify areas needing improvement.

EDCAPS Information Security Audit

An audit performed by our contractor found that the Department's Education Central Automated Processing System (EDCAPS) information security needs improvement to address operational, managerial, and security control weaknesses. EDCAPS is the Department's system for managing grant and contract awards, making payments, and accounting for goods and services provided or received. Security controls and effective management are necessary to protect sensitive and financial information contained in EDCAPS, including personally identifiable information. The audit identified weaknesses in risk management, patch management, configuration management, incident reporting, security configuration management, database tracking, security configuration baseline, and separation of duties. These weaknesses occurred because the Department's monitoring and oversight controls did not ensure contractor compliance with Federal requirements and the Department's internal control procedures did not ensure that system owners and other responsible parties timely performed their duties. Many of the weaknesses identified in this report were similar in nature to weaknesses that were identified in previous reports, including the 2011 audit of the Education Department Utility for Communications, Applications, and Technology Environment, or EDUCATE, security audit. Additionally, two of the weaknesses highlighted in this report—patch management and security configuration management—had been identified as needing improvement every year since 2008. The report contained recommendations that the Department strengthen existing controls and develop new monitoring capabilities designed to ensure the Department's and contractor's compliance with Federal information system security laws, regulations, and standards. The recommendations, if implemented, would help safeguard EDCAPS data from unauthorized access, misuse, and fraud. The Department agreed with most of our recommendations.

Investigations

Strong standards of accountability apply to Federal employees and contractors entrusted with stewardship of taxpayer dollars and administering Federal education programs and services. This includes employees or contractors who abuse their access to the National Student Loan Data System, which is the Department's central database for Federal student aid.

Contractor

Below is a summary of one case we completed during this reporting period involving an employee of a Department contractor.

Former Nelnet Employee Sentenced (Nebraska)

A former Nelnet employee was sentenced to serve 1 year and 1 day in prison and 3 years of supervised release for exceeding her access to the National Student Loan Data System for personal financial gain. The former employee stole the social security number of a Federal student aid borrower in the National Student Loan Data System and used that information to obtain $600 from a payday loan company.

Non-Federal Audit Activities

The Inspector General Act of 1978, as amended (IG Act) 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 quality control reviews of non-Federal audits, providing technical assistance, and issuing audit guides to help independent public accountants performing audits of participants in the Department's programs.

Quality Control Reviews

OMB Circular A-133 requires entities such as State and local governments, universities, and nonprofit organizations that spend $500,000 or more in Federal funds in 1 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 in accordance with audit guides issued by the OIG. 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 single audits performed each year, we conduct quality control reviews of a sample of audits. During this reporting period, we completed 22 quality control reviews of audits conducted by 21 different independent public accountant, or offices of firms with multiple offices. We concluded that 14 (64 percent) were acceptable or acceptable with minor issues and 8 (36 percent) were technically deficient.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Department

- *Department of Education Senior Assessment Team*. OIG participates in an advisory capacity on this team. The team provides oversight of the Department's assessment and reports on internal controls and provides input to the 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 OMB Circular A-123, "Management's Responsibility for Internal Control."

- *Department of Education Investment Review Board and Planning and Investment Review Working Group*. OIG participates in an advisory capacity in these groups that review information technology investments and the strategic direction of the information technology portfolio.

- *Department Human Capital Policy Working Group*. OIG participates in this work group, which meets monthly to discuss issues, proposals, and plans related to human capital management.

Inspector General Community

- *Council of the Inspectors General on Integrity and Efficiency (CIGIE)*. OIG staff play an active role in CIGIE efforts. Inspector General Tighe is the Vice Chair of the Information Technology Committee and a member of CIGIE's Audit Committee, Investigations Committee, the Interagency Coordination Group for Guam Realignment, and the Suspension and Debarment Working Group, which is a subcommittee of the Investigations Committee. OIG staff are members of CIGIE's Assistant Inspector General for Investigations Subcommittee, the Information Technology Subcommittee for Investigations, the Cyber Security Working Group, the Inspections and Evaluations Working Group, the Council of Counsels to the Inspectors General, the New Media Working Group, and the Federal Audit Executive Council's Professional Development Committee, and co-chair the Federal Audit Executive Council's Financial Statement Committee. OIG staff also participated in the following CIGIE-related activities.

    - *OIG Human Resources Roundtable*. This roundtable meets to collaboratively address shared IG community human capital hiring, onboarding, and staff retention challenges.

    - *New Auditor Training*. During this reporting period, the OIG led coordination of a session of CIGIE-sponsored Introductory Auditor Training, which provided entry-level auditors from the IG community with Federal audit skills and standards.

    - *Financial Statement Audit Network*. OIG staff chair this Governmentwide working group that identifies and resolves key issues concerning audits of agency financial statements and provides a forum for coordination with the Government Accountability Office and the U.S. Department of the Treasury on the annual audit of the Government's financial statements.

- *CIGIE/Government Accountability Office Annual Financial Statement Audit Conference*. OIG staff chair the Planning Committee for the annual conference that covers current issues related to financial statement audits and standards.

- *Cloud Computing Working Group*. OIG participated in this IG community group that developed cloud computing contract clauses to ensure that OIGs have adequate data access for the purposes of audits and criminal investigations.

Federal and State Audit-Related Groups and Entities

- *Comptroller General's Advisory Council on Government Auditing Standards*. OIG staff serve on this council, which provides advice and guidance to the Comptroller General on government auditing standards.

- *Intergovernmental Audit Forums*. OIG staff chair and serve as officers of a number of 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. OIG staff chair both the Midwestern and the Southeastern Forums, and they serve as officers on the Southwestern Forum and the New Jersey-New York Forum.

- *Interagency Working Group for Certification and Accreditation*. OIG participates in this working group, which exchanges information relating to Federal forensic science programs that share intergovernmental responsibilities to support the mission of the National Science and Technology Council's Subcommittee on Forensic Science.

- *Interagency Fraud and Risk Data Mining Group*. OIG participates in this group that shares best practices in data mining and evaluates data mining and risk modeling tools and techniques to detect patterns indicating possible fraud and emerging risks.

- *AICPA Government Audit Quality Center's Single Audit Roundtable*. OIG staff responsible for single audit policy and quality participate in this discussion group, which meets semiannually and consists of Federal, State, and local government auditors and accountants who perform single audits. The participants discuss recent or anticipated changes in single audit policy, such as the Compliance Supplement to OMB Circular A-133, new auditing standards, and issues of audit quality found in recent quality control reviews.

Review of Legislation, Regulations, Directives, and Memoranda

- *OMB Grant Reform Guidance*. OIG staff provided significant input to OMB's Advance Notice of Proposed Guidance and a draft Notice of Proposed Guidance on grant reform. We worked with a group of six other OIGs led by the National Science Foundation OIG to provide feedback on proposed technical improvements to earlier versions of the draft notice. We were the lead IG in providing significant comments to OMB on proposals to raise the threshold of the A-133 Single Audits.

- I*mproper Payments Elimination and Recovery Improvement Act of 2012*. OIG offered technical suggestions related to improving the determination of improper payments by Federal agencies and the "Do Not Pay" initiative.

- *DATA Act*. OIG suggested that the Act define a conference to require attendance of at least 51 attendees, reflecting the DATA Act sponsor's recent request for agencies to report overnight conferences attended by more than 50 employees.

- *Senior Executive Service Reform Act of 2012*. OIG suggested that language be inserted at the end of section 304(e)(1)(C), with regard to Senior Executive Rotation Programs noting that if the senior executive is in a job series that has particular benefits and authorities, such as law enforcement or firefighter job series, any rotation must be to a job series that has the same benefits and authorities and causes no impact on the executive's retirement eligibility.

- *Conflict of Interest Policy for Peer Reviewers in Discretionary Grant Programs*. OIG suggested that the peer reviewer questionnaire address nonfinancial conflicts of interest in addition to financial conflicts of interest.

- *Memorandum to Discretionary Grantees Regarding the Use of Grant Funds for Conferences and Meetings*. OIG suggested language to encourage grantees to have no more conference attendees than absolutely necessary to accomplish the grant's goals and objectives.

- *Draft Regulations on Discretionary Grant Process*. OIG suggested that a proposed exception for certain grant applicants from full competitive contracting requirements require a certification that contracts be free of all conflicts of interest and that external evaluators of grant applications certify that their evaluation is fair and objective.

Annexes

Annex A. Contract-Related Audit Products With Significant Findings

The following is provided in accordance with Section 845 of the National Defense Authorization Act for Fiscal Year 2008, which requires each Inspector General to include information in its Semiannual Reports to Congress on final contract-related audit reports that contain significant findings.

Report Number: ED-OIG/A11M0002	**Date Issued:** September 7, 2012

Subject: Education Central Automated Processing System (EDCAPS) Information Security Audit

Finding: Improvements were needed to address operational, managerial, and security control weaknesses in EDCAPS, including in risk management, patch management, security configuration management, incident reporting, configuration management database tracking, security configuration baseline, and separation of duties. These weaknesses resulted from the Department's insufficient design and implementation of monitoring and oversight controls not ensuring contractor compliance with Federal requirements, and the Department's insufficient internal control procedures not ensuring that system owners and other responsible parties timely performed their duties. Many of the weaknesses identified in this report were similar in nature to weaknesses identified in previous reports, including the 2011 audit of the Education Department Utility for Communications, Applications, and Technology Environment, or EDUCATE, security audit. Additionally, two of the weaknesses highlighted in this report had been identified as needing improvement every year since 2008.

Annex B. Peer Review Results

Title IX, Subtitle I, Sec. 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203) requires the Inspectors General to disclose the results of their peer reviews in their Semiannual Reports to Congress.

During this reporting period, we concluded peer reviews involving the Special Inspector General for the Troubled Asset Relief Program's (SIGTARP) investigative process and the Department of Housing and Urban Development (HUD) OIG's audit process.

- Our peer review determined that SIGTARP's investigative process was in compliance with the Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority and the CIGIE Quality Standards for Investigations. We did not make any recommendations.
- We conducted a peer review of the HUD OIG's system of quality control involving its audit process. We found that HUD-OIG's system met applicable professional standards in all material respects. There were no outstanding recommendations and HUD OIG received a peer review rating of pass.

Required Tables

Reporting Requirements of the Inspector General Act, as Amended

Section	*Requirement* (Table Title)	Table Number
5(a)(1) and 5(a)(2)	*Significant Problems, Abuses, and Deficiencies*	N/A
5(a)(3)	*Uncompleted Corrective Actions* Significant Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed	1
5(a)(4)	*Matters Referred to Prosecutive Authorities* Statistical Profile: Fiscal Year 2012 (October 1, 2011, through September 30, 2012)	6
5(a)(5) and 6(b)(2)	*Summary of Instances Where Information was Refused or Not Provided*	N/A
5(a)(6)	*Listing of Reports* Audit, Inspection, Evaluation, and Other Reports and Products on Department Programs and Activities (April 1, 2012, through September 30, 2012)	2
5(a)(7)	*Summary of Significant Audits*	N/A
5(a)(8)	*Questioned Costs* Audit, Inspection, and Evaluation Reports With Questioned or Unsupported Costs	3
5(a)(9)	*Better Use of Funds* Audit, Inspection, and Evaluation Reports With Recommendations for Better Use of Funds	4
5(a)(10)	*Unresolved Reports* Unresolved Audit, Inspection, and Evaluation Reports Issued Prior to April 1, 2012 Summaries of Audit, Inspection, and Evaluation Reports Issued During the Previous Reporting Period Where Management Decision Has Not Yet Been Made	5-A 5-B
5(a)(11)	*Significant Revised Management Decisions*	N/A
5(a)(12)	*Significant Management Decisions With Which OIG Disagreed*	N/A
5(a)(13)	*Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996*	N/A

Table 1: Significant[1] Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed

Section 5(a)(3) of the IG Act, as amended, requires identification of significant recommendations described in previous Semiannual Reports on which management has not completed corrective action.

Report Number	Report Title *(Prior Semiannual Report (SAR) Number and Page)*	Date Issued	Date of Management Decision	Number of Significant Recommendations		Projected Action Date
				Open	Completed	
AUDIT REPORTS						
Federal Student Aid (FSA)						
A11J0006	Security Controls for Data Protection Controls Over FSA's Virtual Data Center *(SAR 61, page 33)*	9/29/2010	12/13/2010	1	23	10/30/2012
A17K0002	Financial Statement Audits FY 2010 and FY 2009-FSA *(SAR 62, page 24)*	11/15/2010	1/7/2011	2	5	1/18/2013
Office of Elementary and Secondary Education (OESE)						
A19I0002	Office of Indian Education's Management of the Professional Development Grant Program *(SAR 60, page 40)*	2/2/2010	8/17/2011	1	13	12/30/2011

[1] 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.

OIG Product Web Site Availability Policy. OIG final issued products are generally considered to be public documents accessible on OIG's Web site 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, OIG redacts exempt information from the product so that nonexempt information contained in the product may be made available on the OIG Web site.

Table 2: Audit, Inspection, Evaluation, and Other Reports and Products on Department Programs and Activities (April 1, 2012, through September 30, 2012)

Section 5(a)(6) of the IG Act, as amended, requires a listing of each report completed by OIG during the reporting period.

Report Number	Report Title	Date Issued	Questioned Costs[1] (Includes Unsupported Costs)	Unsupported Costs[2]	Number of Recommendations
AUDIT REPORTS					
FSA					
A07K0003	Metropolitan Community College's Administration of Title IV Programs	5/15/12	$232,918		22
A09K0008	Colorado Technical University's Administration of Title IV Programs	9/21/12	$173,164		8
Office of the Chief Financial Officer (OCFO)					
A19K0009	The Department's External Audit Resolution Process *(The Deputy Secretary is also designated as an action official)*	7/3/12			12
Office of the Chief Information Officer (OCIO)					
A11M0002	Education Central Automated Processing System (EDCAPS) Information Security Audit	9/7/12			15
Office of the Deputy Secretary (ODS)					
A09L0006	School Districts' Use of Recovery Act and Education Jobs Funds	9/28/12			None
Office of Innovation and Improvement (OII)					
A02L0002	The Office of Innovation and Improvement's Oversight and Monitoring of the Charter Schools Program's Planning and Implementation Grants	9/25/12			7
Office of the Secretary (OS)					
A19L0002	Department's Negotiated Rulemaking Process for Gainful Employment	6/21/12			3
Office of Special Education and Rehabilitative Services (OSERS)					
A06K0011	Centers for Independent Living Compliance, Performance, Recovery Act Reporting, and Monitoring *(Rehabilitation Services Administration is also designated as an action official)*	9/12/12	$39,123[3]	$39,123	11

Report Number	Report Title	Date Issued	Questioned Costs[1] (Includes Unsupported Costs)	Unsupported Costs[2]	Number of Recommendations
INSPECTION REPORTS					
OCFO					
I13L0003	Review of the Department's Process for Identifying and Reporting High-Dollar Overpayments Required Under Executive Order 13520	4/23/12			1
ODS					
I13L0001	Department's Nonprocurement Suspension and Debarment Process	6/22/12			5
Total			**$445,205[4]**	**$39,123**	**84**

[1] As defined by the 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. During this reporting period, no OIG report was issued identifying a better use of funds.

[2] 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.

[3] Figure consists of only $39,123 of unsupported costs as no costs were questioned in the report (A06K0011).

[4] Figure includes $406,082 of questioned costs and $39,123 of unsupported costs.

Description of Non-Audit Report Products

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.

Table 3: Audit, Inspection, and Evaluation Reports With Questioned or Unsupported Costs[1]

Section 5(a)(8) of the IG Act, as amended, requires for each reporting period a statistical table showing the total number of audit and inspection reports, the total dollar value of questioned and unsupported costs, and responding management decision.

Requirement	Number	Questioned Costs[2] (Includes Unsupported Costs)	Unsupported[3] Costs
A. For which no management decision has been made before the commencement of the reporting period	40	$371,414,023	$241,173,676
B. Which were issued during the reporting period	3	$445,205	$39,123
Subtotals (A + B)	43	$371,859,228	$241,212,799
C. For which a management decision was made during the reporting period	11	$28,100,465	$21,616,876
(i) Dollar value of disallowed costs		$20,443,001	$16,825,436
(ii) Dollar value of costs not disallowed		$7,657,464	$4,791,440
D. For which no management decision was made by the end of the reporting period	32	$343,758,763	$219,595,923

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

[2] "Questioned costs" is defined in Table 2.

[3] "Unsupported costs" is defined in Table 1. These amounts are also included in questioned costs.

Table 4: Audit, Inspection, and Evaluation Reports With Recommendations for Better Use of Funds[1]

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

Requirement	Number	Dollar Value
A. For which no management decision has been made before the commencement of the reporting period	2	$18,200,000
B. Which were issued during the reporting period	0	$0
Subtotals (A + B)	2	$18,200,000
C. For which a management decision was made during the reporting period		
(i) Dollar value of recommendations that were agreed to by management	0	$0
(ii) Dollar value of recommendations that were not agreed to by management	0	$0
D. For which no management decision was made by the end of the reporting period	2	$18,200,000

[1] None of the products reported in this table were performed by the Defense Contract Audit Agency, and no inspection or evaluation reports identifying better use of funds were issued during this reporting period.

Table 5-A: Unresolved Audit, Inspection, and Evaluation Reports Issued Prior to April 1, 2012

Section 5(a)(10) of the IG Act, as amended, requires a listing of each report issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period. Summaries of the audit and inspection reports issued during the previous SAR period follow in Table 5-B.

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommendations
NEW SINCE LAST REPORTING PERIOD				
AUDIT REPORTS				
FSA				
A05K0012	Saint Mary-of-the-Woods College's Administration of the Title IV Programs *(SAR 64, page 36)* **Current Status:** *FSA informed us that it is currently working to resolve this audit.*	3/29/12	$42,362,291	19
OESE				
A02K0014	Camden City Public School District's Administration of Non-Salary Federal Education Funds *(SAR 64, page 37)* **Current Status:** *OESE informed us that it is developing a Program Determination Letter (PDL).*	3/6/12	$2,854,225[1]	18
A04K0007	Alabama: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs *(OCFO, OSERS, and the Implementation and Support Unit (ISU) are also designated as action officials) (SAR 64, page 37)* **Current Status:** *OESE and ODS/ISU joint PDL was issued on 4/26/2012. OSERS/Office of Special Education Program (OSEP) informed us that it is developing a PDL.*	2/15/12		7
REPORTED IN PREVIOUS SARs				
AUDIT REPORTS				
FSA				
A03I0006	Special Allowance Payments to Sallie Mae's Subsidiary, Nellie Mae, for Loans Funded by Tax-Exempt Obligations *(SAR 59, page 41)* **Current Status:** *ODS informed us that the audit is on Administrative Stay pending determination on appeal hearing delegation.*	8/3/09	$22,378,905	3
A04B0019	Advanced Career Training Institute's Administration of the Title IV HEA Programs *(SAR 47, page 13)* **Current Status:** *FSA informed us that it is currently working to revolve this audit in Audit Accountability and Resolution Tracking System.*	9/25/03	$7,472,583	14

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommendations
A04E0001	Review of Student Enrollment and Professional Judgment Actions at Tennessee Technology Center at Morristown *(SAR 49, page 14)* **Current Status:** *FSA informed us that the draft audit determination/PDL is currently under review.*	9/23/04	$2,458,347	7
A05G0017	Capella University's Compliance with Selected Provisions of the HEA and Corresponding Regulations *(SAR 56, page 25)* **Current Status:** *FSA informed us that the draft audit determination/PDL is currently under review.*	3/7/08	$589,892	9
A05I0011	Special Allowance Payments to the Kentucky Higher Education Student Loan Corporation for Loans Made or Acquired with the Proceeds of Tax-Exempt Obligations *(SAR 59, page 41)* **Current Status:** *ODS informed us that the audit is on Administrative Stay due to ongoing litigation related to tax-exempt special allowance.*	05/28/09	$9,018,400	4
A05I0014	Ashford University's Administration of the Title IV HEA Programs *(SAR 62, page 24)* **Current Status:** *FSA informed us that it is currently working to resolve this audit.*	1/21/11	$29,036	13
A0670005	Professional Judgment at Yale University *(SAR 36, page 18)* **Current Status:** *FSA informed us that it is waiting on the outcome of the Secretary's decision on Saint Louis University's appeal of its Professional Judgment finding before it can resolve this audit.*	3/13/98	$5,469	3
A0670009	Professional Judgment at University of Colorado *(SAR 37, page 17)* **Current Status:** *FSA informed us that it is waiting on the outcome of the Secretary's decision on Saint Louis University's appeal of its Professional Judgment finding before it can resolve this audit.*	7/17/98	$15,082	4
A06D0018	Audit of Saint Louis University's Use of Professional Judgment from July 2000 through June 2002 *(SAR 50, page 21)* **Current Status:** *FSA informed us that it is waiting on Secretary's decision on the school's appeal of this audit, which pertains to a Professional Judgment finding.*	2/10/05	$1,458,584	6
OCFO				
A09H0020	California Department of Education Advances of Federal Funding to LEAs *(SAR 58, page 31)* **Current Status:** *OCFO informed us that it is currently working to resolve this audit.*	3/9/09	$728,651[2]	10

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommendations
ODS				
A02K0005	Use of Recovery Act Funds and Reporting in Wisconsin *(OSERS also designated as an action official) (SAR 61, page 33)* **Current Status:** *ODS/ISU and OESE joint PDL was issued on 5/10/2012. OSERS/OSEP informed us that it is developing a PDL.*	9/29/10		7
A02K0009	Milwaukee Public Schools: Use of Funds and Data Quality for Selected Recovery Act Programs *(OESE and OSERS are also designated as action officials) (SAR 63, page 36)* **Current Status:** *ODS/ISU and OESE joint PDL was issued on 5/10/2012. OSERS/OSEP informed us that it is developing a PDL.*	4/21/11		4
A05J0012	Systems of Internal Control Over Selected Recovery Act Funds in the State of Illinois *(OSERS also designated as an action official) (SAR 60, page 40)* **Current Status:** *OCFO/Post Audit Group (PAG) PDL was issued on 4/26/2011. ODS/ISU and OESE joint PDL was issued on 3/30/2012. OSERS/OSEP informed us that it is developing a PDL.*	2/23/10		4
A06K0001	Systems of Internal Control Over Selected Recovery Act Funds in Louisiana *(OSERS also designated as an action official) (SAR 61, page 34)* **Current Status:** *ODS/ISU and OESE joint PDL was issued on 8/17/2012. OSERS/RSA PDL was issued on 4/19/2011. OSERS/OSEP informed us that it is developing a PDL.*	9/29/10		8
A06K0002	Oklahoma: Use of Funds and Data Quality for Selected Recovery Act Programs *(OESE and OSERS are also designated as action officials) (SAR 62, page 25)* **Current Status:** *OCFO/PAG PDL was issued on 9/21/2012. OESE PDL was issued on 9/25/2012. ODS/ISU informed us that a draft PDL is currently under review. OSERS/OSEP informed us that it is developing a PDL.*	2/18/11	$16,150,803	10
A07K0002	Missouri: Use of and Reporting on Selected Recovery Act Program Funds *(OCFO and OESE are also designated as action officials) (SAR 63, page 36)* **Current Status:** *ODS/ISU and OESE joint PDL was issued on 4/30/2012. OCFO informed us that it is currently working to resolve this audit.*	6/7/11		4

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommendations
A09J0006	State and Local Controls over Recovery Act Funds in California *(OCFO and OSERS also designated as action officials) (SAR 60, page 40)* **Current Status:** *OCFO/PAG PDL was issued on 7/16/2010. ODS/ISU and OESE joint PDL was issued on 9/20/2012. OSERS/OSEP informed us that it is developing a PDL.*	1/15/10		7
A09K0001	Utah: Use of Funds and Data Quality for Selected Recovery Act Programs *(OESE and OSERS are also designated as action officials) (SAR 63, page 37)* **Current Status:** *OCFO/PAG PDL was issued on 1/4/2012. ODS/ISU informed us that a draft PDL is currently under review. OSERS/OSEP informed us that it is developing a PDL.*	5/13/11	$62,111	16
A09K0002	California: Use of Funds and Data Quality for Selected Recovery Act Programs *(OESE and OSERS are also designated as action officials) (SAR 63, page 37)* **Current Status:** *OESE and ODS/ISU joint PDL was issued on 4/20/2012. OSERS/OSEP informed us that it is developing a PDL.*	4/28/11	$23,407	9
A19J0001	Department's Implementation of the State Fiscal Stabilization Fund Program *(SAR 61, page 34)* **Current Status:** *ODS/ISU informed us that it is currently working to resolve this audit.*	9/24/10		4
OESE				
A02J0002	Camden City Public School District's Administration of Federal Education Funds *(OSERS is also designated as an action official) (SAR 63, page 37)* **Current Status:** *OESE informed us that a draft PDL is currently under review. OSERS/OSEP informed us that it is developing a PDL.*	6/6/11	$15,057,565	15
A02J0009	New York State LEAs Systems of Internal Control Over Recovery Act Funds *(SAR 60, page 39)* **Current Status:** *OESE informed us that a PDL was issued on 5/14/12. OSERS/OSEP informed us that it is developing a PDL.*	2/17/10		16
A02K0003	Kiryas Joel Union Free School District Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended (ESEA), and IDEA Part B Expenditures *(SAR 62, page 25)* **Current Status:** *OESE informed us that a draft PDL is currently under review.*	2/2/11	$467,567[3]	5

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommendations
A03G0006	The Department's Administration of Selected Aspects of the Reading First Program *(OCFO also designated as an action official) (SAR 54, page 31)* **Current Status:** *OESE informed us that it is currently working to resolve this audit.*	2/22/07		3
A03H0010	Philadelphia School District's Controls Over Federal Expenditures *(OSERS, Office of Safe and Drug Free Schools (OSDFS), and Office of Postsecondary Education (OPE) also designated as action officials) (SAR 60, page 39)* **Current Status:** *OESE informed us that a PDL was issued on 9/29/11. OSERS/OSEP informed us that a PDL was issued on 9/29/2011. However, the documents required for resolution of this audit are needed in Audit Accountability and Resolution Tracking System.*	1/15/10	$138,769,898	27
A04H0011	Puerto Rico Department of Education's Administration of Contracts Awarded to Excellence in Education, Inc. and the University of Puerto Rico's Cayey Campus *(SAR 57, page 26)* **Current Status:** *OESE informed us that a draft PDL is currently under review.*	5/20/08	$189,011	10
A04H0017	Puerto Rico Department of Education's Administration of Title I Services Provided to Private School Students *(SAR 58, page 31)* **Current Status:** *OESE informed us that a draft PDL is currently under review.*	10/9/08	$821,714	15
A04I0042	Virgin Islands Department of Education's Administration of Property Purchased with Federal Funds *(SAR 59, page 42)* **Current Status:** *OESE informed us that a draft PDL is currently under review. OSERS/OSEP informed us that it is developing a joint PDL with OESE .*	8/17/09	$4,304	10
A04J0005	Puerto Rico Department of Education's Award and Administration of Personal Services Contracts *(Office of Vocational and Adult Education (OVAE), OSDFS, and Risk Management Services (RMS) are also designated as action officials) (SAR 62, page 25)* **Current Status:** *OESE informed us that a draft PDL is currently under review. OVAE informed us that it is currently working to resolve this audit.*	1/24/11	$15,194,468	10
A04K0005	South Carolina: Use of Funds and Data Quality for Selected Recovery Act Programs *(OSERS is also designated as an action official) (SAR 63, page 37)* **Current Status:** *OESE informed us that a PDL was issued on 7/30/12. OSERS/OSEP informed us that it is developing a PDL.*	4/20/11		9

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommendations
A05H0010	The School District of the City of Detroit's Use of Title I, Part A Funds Under the ESEA *(SAR 57, page 26)* **Current Status:** *OESE informed us that a draft PDL is currently under review.*	7/18/08	$53,618,859	21
A05K0005	Illinois: Use of Funds and Data Quality for Selected Recovery Act Programs *(ODS/ISU, OESE, and OSERS are also designated as action officials) (SAR 63, page 36)* **Current Status:** *OESE and ODS/ISU joint PDL was issued on 8/21/2012. OCFO/PAG PDL was issued on 12/5/2011. OSERS/OSEP informed us that it is developing a PDL.*	6/9/11	$22,498[4]	8
A06G0009	Audit of the Temporary Emergency Impact Aid for Displaced Students Requirements at the Texas Education Agency and Applicable LEAs *(SAR 55, page 29)* **Current Status:** *OESE informed us that a draft PDL is currently under review.*	9/18/07	$10,270,000	4
A06G0010	Louisiana Department of Education's Compliance with Temporary Emergency Impact Aid for Displaced Students Requirements *(SAR 55, page 29)* **Current Status:** *OESE informed us that draft PDL is currently under review .*	9/21/07	$6,303,000	4
A06H0011	Adequacy of Fiscal Controls Over the Use of Title I, Part A Funds at Dallas Independent School District *(SAR 59, page 42)* **Current Status:** *OESE informed us that a draft PDL is currently under review. OSERS/OSEP informed us that it is developing a PDL.*	4/14/09	$3,524,636	6
Office of Planning, Evaluation & Policy Development (OPEPD)				
A04J0003	Georgia Department of Education's Controls Over Performance Data Entered in EDFacts *(OSDFS, OESE, and OSERS also designated as action officials) (SAR 61, page 34)* **Current Status:** *OPEPD informed us that a PDL was issued on 2/13/11. OSERS/OSEP informed us that it is currently working to resolve this audit.*	4/7/10		9
OSERS				
A04K0001	Systems of Internal Controls over Selected Recovery Act Funds in Puerto Rico *(OCFO, OESE and OSERS are also designated as action officials) (SAR 62, page 25)* **Current Status:** *OESE and ODS/ISU joint PDL was issued on 7/26/2012. OSERS/OSEP informed us that it is developing a PDL.*	12/16/10	$2,051,000	16

Report Number	Report Title *(Prior SAR Number and Page)*	Date Issued	Total Monetary Findings	Number of Recommendations
A06K0003	Louisiana: Use of Funds and Data Quality for Selected Recovery Act Programs *(OESE and ODS are also designated as action officials) (SAR 63, page 37)* **Current Status:** *OESE and ODS/ISU joint PDL was issued on 9/28/2012. OSERS/OSEP informed us that it is developing a PDL.*	4/11/11	$388,815	5
REPORTED IN PREVIOUS SARs				
INSPECTION REPORTS				
Office of the General Counsel (OGC)				
I13I0004	Inspection to Evaluate the Adequacy of the Department's Procedures in Response to Section 306 of the FY 2008 Appropriations Act—Maintenance of Integrity and Ethical Values Within the Department *(OGC was designated as the action official by OS) (SAR 57, page 27)* **Current Status:** *OGC informed us that it is currently working to resolve this audit.*	4/21/08		2
Total			**$352,291,121**	**385**

[1] Audit Report A02K0014 figure includes $316,183 of questioned costs and $1,269,021 of unsupported costs.

[2] Audit Report A09H0020 identified $728,651 in other recommended recoveries, $13,000,000 in annual better use of funds, and no questioned costs.

[3] Audit report A02K0003 identified an annual better use of funds in the amount of $5.2 million.

[4] Audit report A05K0005 figure includes $10,000 of "monetary recoveries" made during the audit and $5,728 of unsupported costs.

Table 5-B: Summaries of Audit, Inspection, and Evaluation Reports Issued During the Previous Reporting Period Where Management Decision Has Not Yet Been Made

Section 5(a)(10) of the IG Act, as amended, requires a summary of each audit, inspection, or evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period. These are the narratives for new entries. Details on previously issued reports can be found in Table 5-A of this Semiannual Report.

Report Title, Number, and Date Issued	Summary
Elementary, Secondary, and Special Education Program-Related	
Camden City Public School District's Administration of Non-Salary Federal Education Funds ED/OIG: A02K0014 Issued: 3/6/2012	We found that the Camden City Public School District (Camden) did not always comply with applicable laws and regulations for the expenditures we reviewed. Specifically, Camden's accounting system did not accurately reflect its ESEA expenditures for FYs 2007 and 2008; it improperly charged about $373,000 in ESEA expenditures; it lacked supporting documentation for nearly $1.4 million in expenditures; it did not have an adequate inventory system to ensure that it properly managed equipment it purchased with ESEA funds; and it did not properly procure goods and services for purchases that exceeded the statutory bid threshold as required by State law. **Current Status:** *OESE informed us that it is in the process of developing a PDL.*
Alabama: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs ED/OIG: A04K0007 Issued: 2/15/2012	We identified internal control weaknesses related to the Alabama State Department of Education's (ALSDE) award of Recovery Act funds to LEAs, cash management, and reporting requirements. ALSDE did not have sufficient controls in place to ensure that its School Improvement Grant (SIG) award selection process was fair and equitable, as we identified an apparent conflict of interest. Specifically, we found that the participation of ALSDE's Federal Programs Director in the award process resulted in an apparent conflict of interest because her husband's company was listed in three LEA applications as a provider of SIG services. All three of the LEAs were awarded SIG funds, totaling some $10 million for services provided by her husband's company. We also found scoring discrepancies in the documentation supporting the SIG selection process and noted that some scoring information was missing. As a result, ALSDE may have awarded SIG funds to LEAs that would not have been otherwise selected to receive the funds. ALSDE also erroneously made a duplicate transfer of Recovery Act IDEA funds to the Mobile Public School District, resulting in an improper payment of $1.4 million. In addition, we found that ALSDE did not report accurate expenditure, vendor payment, and job data in accordance with Recovery Act reporting requirements. **Current Status:** *OESE and ODS/ISU joint PDL was issued on 4/26/2012. OSERS/OSEP informed us that it is developing a PDL. .*
Saint Mary-of-the-Woods College's Administration of the Title IV Programs ED/OIG: A05K0012 Issued: 3/29/2012	We found that the school was not eligible to participate in those programs and had not been eligible since at least July 2005 because 50 percent or more of its students were enrolled in correspondence courses. Therefore, the college received more than $42 million that it was not eligible to receive. According to Section 102(a)(3)(B) of the HEA, an institution is not eligible to participate in the Title IV programs if 50 percent or more of its students were enrolled in correspondence courses during its latest complete award year. The college considered its programs to be offered in either on-campus or telecommunications (distance education) formats and did not consider any of its programs to be offered through correspondence. We also identified instances of noncompliance with HEA requirements governing award calculations, student eligibility, disbursements, and return of Title IV aid. Specifically, the college incorrectly calculated Title IV awards for students enrolled in correspondence courses; could not provide documentation supporting its cost of attendance budgets; improperly disbursed Title IV funds to students who should not have received the funds; did not return all Title IV funds for students who never began attendance; did not return the proper amounts of Title IV funds for students who unofficially withdrew; and did not provide required notifications for disbursements of Title IV funds or provide timely Federal Family Education Loan Program exit counseling. **Current Status:** *FSA informed us that it is currently working to resolve this audit.*

Table 6: Statistical Profile: Fiscal Year 2012 (October 1, 2011, through September 30, 2012)

Audits, Inspections, Other Products	October 1, 2011–March 31, 2012	April 1, 2012–September 30, 2012	Fiscal Year 2012
Audit Reports Issued	13	8	21
Inspection Reports Issued	2	2	4
Recommendations for Better Use of Funds	$0	$0	$0
Other Products Issued	4	0	4
Reports Resolved By Program Managers	20	22	42
Questioned Costs (Including Unsupported Costs) Sustained	$256,097,686	$20,443,001	$276,540,687
Unsupported Costs Sustained	$124,413,844	$16,825,436	$141,239,280
Additional Disallowances Identified by Program Managers	$97,429	$2,469,045	$2,566,474
Management Commitment to the Better Use of Funds	$0	$0	$0
Investigative Cases Opened	68	37	105
Investigative Cases Closed	75	63	138
Cases Active at the End of the Reporting Period	432	402	402
Prosecutorial Decisions			
Accepted	52	59	111
Declined	34	22	56
Indictments/Informations	64	69	133
Convictions/Pleas	52	81	133
Fines Ordered	$320,078	$300	$322,629[1]
Restitution Payments Ordered	$7,559,928	$7,349,472	$14,960,858[2]
Civil Settlements/Judgments (number)	2	4	6
Civil Settlements/Judgments (amount)	$1,475,000	$9,008,300	$10,483,300
Recoveries	$4,556,524	$5,683,667	$11,366,786[3]
Forfeitures/Seizures	$1,044,233	$406,707	$2,337,807[4]
Estimated Savings	$1,010,636	$21,988,219	$29,026,856[5]
Suspensions Referred to Department	6	27	33
Debarments Referred to Department	22	16	38

[1] Includes $2,251 not included in SAR 64.

[2] Includes $51,458 not included in SAR 64.

[3] Includes $1,126,595 not included in SAR 64.

[4] Includes $886,867 not included in SAR 64.

[5] Includes $6,028,001 not included in SAR 64.

Abbreviations and Acronyms Used in This Report

ALSDE	Alabama State Department of Education
CIGIE	Council of Inspectors General on Integrity and Efficiency
CIL	Centers for Independent Living
CTU	Colorado Technical University
Department	U.S. Department of Education
DOJ	U.S. Department of Justice
EDCAPS	Department of Education Central Automated Processing System
Ed Jobs	Education Jobs Fund
EDUCATE	Education Department Utility for Communications, Applications, and Technology Environment
ESEA	Elementary and Secondary Education Act of 1965, as Amended
ESF	State Fiscal Stabilization Fund, Education Stabilization Fund
FSA	Federal Student Aid
FY	Fiscal Year
HEA	Higher Education Act of 1965, as Amended
HUD	Department of Housing and Urban Development
IDEA	Individuals With Disabilities Education Act
IG Act	Inspector General Act of 1978, as Amended
ISU	Implementation and Support Unit
LEA	Local Educational Agency
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
ODS	Office of the Deputy Secretary
OESE	Office of Elementary and Secondary Education
OGC	Office of the General Counsel
OIG	Office of Inspector General
OII	Office of Innovation and Improvement
OMB	Office of Management and Budget
OPEPD	Office of Planning, Evaluation and Policy Development
OPE	Office of Postsecondary Education
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
OVAE	Office of Vocational and Adult Education
PAG	Post Audit Group
PDL	Program Determination Letter
PRDE	Puerto Rico Department of Education
Recovery Act	American Recovery and Reinvestment Act of 2009
Recovery Board	Recovery Accountability and Transparency Board
RMS	Risk Management Services
RSA	Rehabilitation Services Administration
SAR	Semiannual Report
SEA	State Educational Agency
SIG	School Improvement Grant
SIGTARP	Special Inspector General for the Troubled Asset Relief Program

FY 2012 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 OIG identified for FY 2012.

1. Improper Payments, meeting all new requirements and intensifying efforts to prevent, identify, and recapture improper payments.

2. Information Technology Security, including management, operational, and technical security controls to adequately protect the confidentiality, integrity, and availability of its systems and data.

3. Oversight and Monitoring, including Federal student aid program participants, distance education, Recovery Act, grantees, and contractors.

4. Data Quality and Reporting, including program data and Recovery Act reporting requirements.

For a copy of our FY 2012 Management Challenges report, visit our Web site at www.ed.gov/oig.

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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