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Office of Inspector General

Semiannual Report to Congress, No. 76

October 1, 2017–March 31, 2018

Office of Inspector General
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Inspector General

May 2018

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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 October 1, 2017, through March 31, 2018. The audits, investigations, and related work highlighted in the report are products of our mission to identify and stop fraud, waste, and abuse, and promote accountability, efficiency, and effectiveness through our oversight of the Department's programs and operations.

During this reporting period, we released our recommendations for Congress to consider during its reauthorization of the Higher Education Act of 1965. We based these recommendations on OIG audits, reviews, and investigations related to the Federal student aid programs and program participants, as well as a review of current legislation, proposals, and perspectives offered by members of Congress. During this period, we also issued 16 audits and other reports that contained recommendations to improve Department programs and operations. In addition, we closed 39 investigations involving fraud or corruption, securing more than \$18.5 million in restitution, settlements, fines, recoveries, forfeitures, and savings. As a result of this work, criminal actions were taken against a number of people, including current and former school officials and service providers who cheated students and taxpayers. The following are some examples of our audit and other reports and investigations over the last 6 months.

- Our audit of the Department's communication related to the costs of Federal student loan programs' income-driven repayment and loan forgiveness programs found that the Department should have enhanced its communication to make it more informative and easier to understand. Due to the weaknesses we identified, decision makers and the public may not be aware of the risk that, for future loan cohorts, the Federal government and taxpayers may lend more money overall than is repaid from borrowers.
- Our review of Federal Student Aid's (FSA) policies and procedures related to its borrower defense loan discharge process identified weaknesses in its procedures. These weaknesses could harm borrowers by negatively affecting their credit reports and increasing the amounts they owed. We also found that FSA did not have an adequate information system to manage borrower defense claim data.
- Our fiscal year (FY) 2017 Federal Information Security Modernization Act review concluded that the Department's and FSA's overall information security programs were generally not effective as defined by the reporting metrics. Although they both made some progress in strengthening their information security in recent years, weaknesses remained, leaving their systems vulnerable to security threats.
- In FY 2017, although the Department and FSA received unmodified financial statement audit opinions, the auditors identified two significant deficiencies in internal control over financial reporting. First, the Department and FSA did not have a comprehensive framework for risk management or fully developed internal controls for its modeling of student loan portfolio costs, which can increase the potential for improper reporting and program decisions. Second, the Department and FSA had persistent information technology deficiencies in controls over information security, which increase the risk of unauthorized access to the Department's systems.
- Our audit found that the California Department of Education's (California) system of internal control did not provide reasonable assurance that reported high school graduation rates were accurate and complete, and it did not calculate its Adjusted Cohort Graduation Rate in accordance with Federal requirements. As a result, both California and the Department are at risk of using inaccurate and incomplete data when describing and reporting on California's progress toward raising graduation rates, and their data may be unreliable as an academic indicator to measure student achievement and school performance.
- Our audit to assess the adequacy of the Institute of Education Sciences' (IES) State Longitudinal

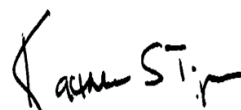
Data Systems (SLDS) grant requirements and monitoring of States grantees found that the grant requirements were adequate to ensure the protection of personally identifiable information housed in State SLDS systems; however, IES had inadequate controls for monitoring its grantees' adherence to State system security requirements. As a result, SLDS grantees may be unable to prevent or detect unauthorized access and disclosure of personally identifiable information in their SLDSs.

- Our investigations led to criminal actions against a number of K–12 school officials, including the former business manager of Missouri's Grandview R-2 School District, who was sentenced to prison for stealing \$1.6 million; the former superintendent of Oklahoma's Grant-Goodland Public Schools whom a jury found guilty of conspiracy to embezzle about \$1.2 million from the school district; and the founder of Southwest Learning Centers in New Mexico, who pled guilty to running a 15-year scheme aimed at stealing millions from the schools.
- Our investigations into student aid fraud rings resulted in criminal actions taken against participants in rings that targeted more than \$12 million in Federal funds. This includes guilty pleas by a mother-daughter team who drove around their Mississippi neighborhood recruiting people to participate in their fraud ring that targeted more than \$2.5 million in Federal student aid.
- A private investigator who fraudulently used then-presidential candidate Donald Trump's personally identifiable information, including his Social Security number, in an attempt to illegally obtain his Federal tax information from the Internal Revenue Service, pled guilty to false representation. The man unlawfully used the Internal Revenue Service Data Retrieval Tool available on the Free Application for Federal Student Aid website in an unsuccessful attempt to obtain the President's tax information.

In this report, you will find more information on these efforts, as well as summaries of other audits issued and investigative actions taken over the last 6 months. You will note that the presentation of our work differs from previous Semiannual Reports to Congress. Earlier this year, we issued our Strategic

Plan for FY 2018–2022—a five-year roadmap for how we intend to meet our goals and achieve our mission in providing effective and objective oversight of the Department's program and operations. This Semiannual Report aligns with our Strategic Plan as we present the results of our work by programs and operational areas: (1) Federal student aid and higher education programs; (2) elementary, secondary, and adult education programs; (3) Departmental management and internal operations; and (4) other OIG efforts. We believe that this format provides a better opportunity for the OIG to highlight how we are meeting the goals outlined in our Strategic Plan by the work we are doing in program and operational areas. It will also allow our customers and stakeholders the ability to more readily identify OIG work related to their specific areas of interest.

In closing, 2018 marks the 40th anniversary of the Inspector General Act of 1978—the statute that empowers the Inspectors General to curb waste, fraud, and abuse and promote economy and efficiency in government operations. It also marks the 10th anniversary of the Council of the Inspectors General on Integrity and Efficiency—the independent entity established by Congress to address integrity, economy, and effectiveness issues that transcend individual government agencies. The Inspector General community will be commemorating these milestones throughout the year, highlighting our commitment to better government and to helping the public better understand our role and mission. That mission is accountability—accountability to help ensure that the Department is meeting expectations and conditions that Congress requires for Federal programs and recipients of Federal funds and that the Department is safeguarding the billions of taxpayer dollars that fund these programs. It is an important mission and one that I am honored to have had the opportunity to be a part of for almost three decades. I look forward to continuing in this effort and to working with the Department, members of Congress, and my colleagues in the inspector general community to provide our nation's taxpayers with assurance that the Federal government is using their hard-earned money effectively and efficiently.



Kathleen S. Tighe
Inspector General



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Federal Student Aid Programs and Operations



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

Audits and Reviews

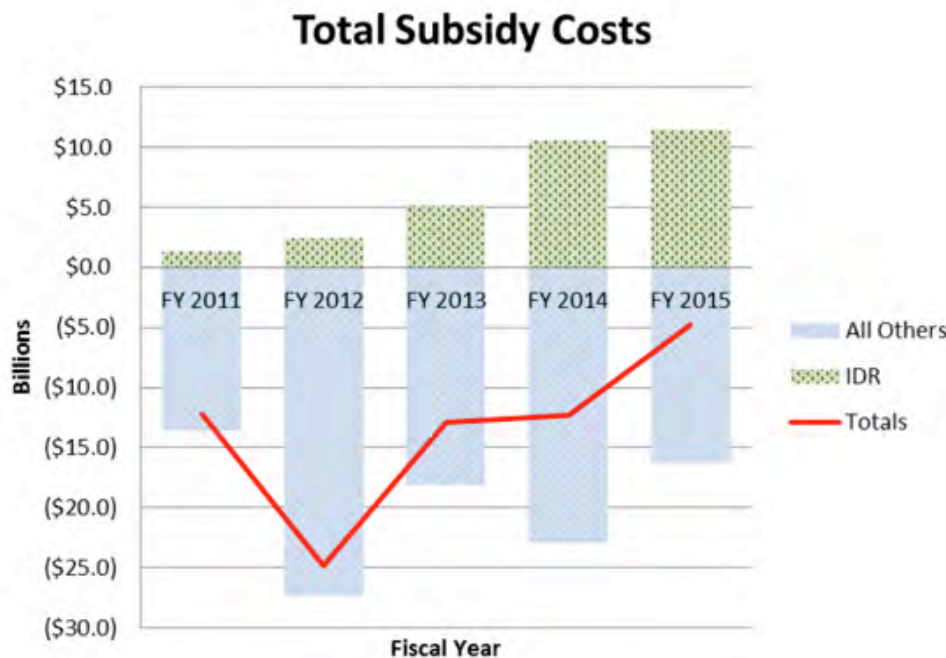
The Department disburses about \$122.5 billion in Federal student aid annually and manages an outstanding loan portfolio of \$1.3 trillion. This makes the Department one of the largest financial institutions in the country. As such, effective oversight and monitoring of its programs, operations, and program participants are critical. Within the Department, the Office of Postsecondary Education and Federal Student Aid's (FSA) are responsible for administering and overseeing the student aid programs. The Office of Postsecondary Education develops Federal postsecondary education policies, oversees the accrediting agency recognition process, and provides guidance to schools. FSA disburses student aid, authorizes schools to participate in the student aid programs, works with other participants to deliver services that help students and families finance education beyond high school, and enforces compliance with FSA program requirements. During this reporting period, OIG work identified actions that FSA should take to better protect the interests of students. Summaries of these reports follow.

The Department's Communication Regarding the Costs of Income-Driven Repayment Plans and Loan Forgiveness Programs

We conducted an audit to determine whether the Department's communication related to the costs of Federal student loan programs' income-driven repayment plans and loan forgiveness programs was informative to decision makers and the public. Our review covered cost information for the income-driven repayment plans, including Pay as You Earn and Revised Pay as You Earn, and the Public Service Loan Forgiveness and Teacher Loan Forgiveness programs that the Department communicated in budget and financial documents from February 2015 through November 2016. Based on our review and assessment of these publications, we determined that the Department should have enhanced its communication regarding cost information related to the Federal student loan programs' income-driven repayment plans and loan forgiveness programs to make it more informative and easier to understand. Specifically, the Department could have provided more detailed information on specific income-driven repayment plans, such as Pay as You Earn and Revised Pay as You Earn, and its loan forgiveness programs to fully inform

decision makers and the public (including advocacy groups) about current and future program management and financial implications of these plans and programs. Decision makers and others may not be aware of the growth in the participation in these income-driven repayment plans and loan forgiveness programs and the resulting additional costs. They also may not be aware of the risk that, for future loan cohorts, the Federal government and taxpayers may lend more money overall than is repaid from borrowers.

As stated in our report, borrowers have been signing up for income-driven repayment plans at a substantial rate. We calculated that the portion of total Direct Loan volume being repaid through income-driven repayment plans has increased 625 percent from the fiscal year (FY) 2011 loan cohort (\$7.1 billion) to the FY 2015 loan cohort (\$51.5 billion). For income-driven repayment plans, the Federal government is expected to lend more money than borrowers repay. From the FY 2011 through FY 2015 loan cohorts, the total positive subsidy cost (net cash outflow) for student loans being repaid through income-driven repayment plans has increased 748 percent (from \$1.4 billion to \$11.5 billion). On other types of repayment plans, borrowers are expected to repay more money than the Federal government lends. From the FY 2012 to FY 2015 loan cohorts, the data show the total costs for all loans (income-driven repayment and all other repayment plans) approaching an overall positive subsidy cost, as shown in the following figure.



Further increases in borrowers using income-driven repayment plans could result in the Federal government and taxpayers lending more money overall than is being repaid by borrowers in future cohorts. The financial documents that we reviewed did not provide any information on the rate at which borrowers elect to repay loans through an income-driven repayment plan, the corresponding increased costs resulting from more borrowers selecting income-driven repayment plans, or the trend toward a positive subsidy cost for future loan cohorts.

To address the issues identified, we recommended that the Department enhance its communication regarding cost information related to the Federal student loan program's income-driven repayment plans and loan forgiveness programs to make it more informative to decision makers and the public by (1) publishing additional information regarding historical costs and future estimated costs, as well as describing the assumptions, methodology, and limitations underlying the calculation of estimated costs, (2) ensuring that the information can easily be understood by a nontechnical audience, and (3) providing a balanced analytical assessment of the costs, benefits, and long-term implications of the income-driven repayment plans and loan forgiveness programs. We also recommended that the Department establish a formal process to obtain feedback from external users on the usefulness of its communication. The Department did not explicitly state whether it agreed with our finding and recommendations. [Income-Driven Repayment Plans Audit](#)

Review of FSA's Borrower Defense to Repayment Loan Discharge Process

Our review determined that FSA needed to improve its policies and procedures over the Federal student loan borrower defense loan discharge process and that it had an inadequate information system to manage borrower defense claim data.

- First, although we found that FSA established policies and procedures related to the intake and discharge of borrower defense claims in 2015 and refined the claims intake policies and procedures throughout our review period, and also established policies and procedures related to the review of borrower defense claims in 2016 and introduced new policies and procedures throughout our review period, we identified weaknesses in four specific areas that could harm borrowers. Specifically, we found weaknesses with the following FSA procedures: (1) consistently documenting the review and approval of the legal memoranda related to borrower defense claims, (2) reviewing borrower defense claims, (3) processing claims approved for loan discharge and flagged for denial, and (4) establishing timeframes for the claims intake, claims review, loan discharge, and claims denial processes. These weaknesses could harm borrowers by negatively affecting their credit reports and increasing the amounts owed by borrowers.
- Second, since FSA had not received borrower defense claims in significant numbers before 2015, FSA did not have an established information system to manage a large volume of claims. The information system that FSA has developed to date is not adequate to manage the claims it has received since 2015. FSA could not readily retrieve borrower defense claim outcomes from its current information system because data were not readily available for use without a labor-intensive, manual data retrieval process. Further, FSA had no controls to prevent or detect problems with the integrity of the data contained in the more than a thousand spreadsheets FSA relied on to track the status of borrower defense claims. Because FSA did not have ready access to current and complete information on borrower defense claims, FSA cannot ensure that the borrower defense process meets its objectives, management may be unable to respond to risks that may arise, and management may be unable to make well-informed business decisions.

Based on our findings, we made 10 recommendations focused on improving FSA's policies and procedures over the Federal student loan borrower defense loan discharge process and implementing an effective information system for the process. FSA stated that it did not believe that its policies and procedures resulted in harm to borrowers, but generally agreed with our recommendations. [Borrower Defense Review](#)

Department Actions Related to Certain Provisions of the Gainful Employment and Borrower Defense Regulations

In October, the OIG responded to a request from Senator Patty Murray (D-WA) asking that the OIG review the Department's actions related to certain provisions of the gainful employment and borrower defense regulations. Specifically, she requested the OIG's views on the regulations and how the Department's proposed changes to those regulations could affect the integrity and efficiency of the student financial aid programs. In our response, we highlighted the OIG's history and work in these areas, actions the Department had taken, and, based on our body of work, our concerns with the Department's recent actions. We noted that we had disagreed with the Department's two decisions on the regulations in 2017. First, on gainful employment, we did not agree with the Department's decision to delay a provision requiring schools to provide consumer protection disclosures directly to students before they enroll and Federal student aid funds are committed or disbursed. Because schools are still required to prepare and post the disclosures on their websites and are engaged with students during the enrollment process, we saw minimal burden to schools to ensure that students actually receive disclosures before financially committing to a school. Second, on borrower defense, we did not agree with the Department's delay of financial responsibility provisions that provided tools to improve the Department's oversight options for schools at risk of closure. The response also highlighted the OIG's ongoing and planned work involving the Federal student aid programs. [OIG Response](#)

OIG Recommendations for Reauthorization of the Higher Education Act

During this reporting period, the OIG submitted to Congress its recommendations for Congress to consider during its reauthorization of the Higher Education Act of 1965, as amended (HEA). The recommendations presented were based on OIG audits, reviews, and investigations related to the Federal student aid programs and program participants, as well as a review of current legislation, proposals, and perspectives offered by members of Congress. The OIG recommendations covered topics of school accountability, definition of a credit hour, cost of attendance, multiple disbursements, refunds and return of Title IV of the HEA, financial responsibility, information security, debt relief companies, accrediting agencies, the Direct Loan program, and FSA as a performance-based organization. As stated in the recommendations, the HEA, higher education regulations, and Departmental operations must promote innovation, access, outcomes, and affordability. The key is to achieve these goals while maintaining enforceable accountability provisions designed to protect America's taxpayers and students. [OIG HEA Recommendations](#)

Investigations

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

Investigations of Schools and School Officials

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

Former Caldwell University Associate Dean, Owner of ED4Mil, and a Subcontractor Pled Guilty for Roles in \$24 Million GI Bill Fraud Scam (New Jersey)

The former associate dean of the Office of External Partnerships for Caldwell University, the owner of ED4Mil, and an ED4Mil subcontractor employee each pled guilty to their role in a fraud scheme that defrauded veterans and scammed more than \$24 million in tuition benefits under the Post 9/11 GI Bill. The former associate dean helped the ED4Mil owner get approval from Caldwell University to develop and administer a series of noncredit online courses for veterans in Caldwell University's name. The courses, however, were not approved by the U.S. Department of Veterans Affairs, nor were they developed, taught, or administered by Caldwell University faculty. Instead, they were developed, taught, and administered by an unapproved subcontractor and online correspondence school that ED4Mil hired. Even though the university contributed no content or value to the courses, it charged the Post 9/11 GI Bill between 10 and 30 times the price that the online correspondence school charged. Thousands of veterans enrolled in the online courses believing they were taking courses from Caldwell University. In his guilty plea, the ED4Mil owner agreed to a 5-year prison term and to forfeit more than \$702,000 in cash proceeds, artwork, and stock. [Press Release](#)

Six Former Center for Employment Training Employees Indicted in a Multimillion Dollar Fraud Scheme (Illinois)

Six former employees of the Center for Employment Training in Chicago were indicted for conspiring to steal millions of dollars from the Federal student aid programs. From 2005 to 2013, the six employees allegedly applied for and obtained Federal student aid for students who were ineligible to receive the funds because they had not graduated from high school or earned a high school diploma equivalent. They allegedly created and submitted to the Department fake Free Applications for Federal Student Aid (FAFSA) and other phony information making it appear as though the students were eligible. As a result of their alleged criminal efforts, the school received millions in Federal student aid to which it was not entitled. [Press Release](#)

Former Baruch College Official Pled Guilty to Theft (New York)

A former Baruch College athletics official, who also served as basketball coach during his tenure at the school, pled guilty to stealing more than \$700,000 intended for the school's athletic facilities. The former official rented the school's gym to outside parties, ostensibly on behalf of Baruch College. In instructions to the renting parties, however, the former official directed that payments be made directly to him or to entities that he controlled, unbeknownst to the renters or the school. The former official used the bulk of the funds on personal expenses, such as renovations on his home. [Press Release](#)

Former Financial Aid Director at Columbia University's Teachers College and Four Students Arrested for Fraud (New York)

The former Director of Financial Aid at Columbia University's Teachers College and four students were charged for their roles in a bribery and kickback scam that targeted more than \$1.4 million in stipends, scholarships, and student loans. From 2008 through 2017, the former director allegedly approved excessive "cost of attendance" figures



for the students that did not comport with their actual needs or costs of living, which increased the amount of financial aid the students were eligible to receive. She also allegedly approved stipends for the students, creating fraudulent request forms for financial awards, which gave the appearance that professors or other school administrators

had requested the stipends for the students. When the students received the money, they allegedly kicked back hundreds of thousands of dollars to the former director. [Press Release](#)

Former Pontifical Catholic University Director Sentenced to Prison for Theft (Puerto Rico)

The former purchasing director at Pontifical Catholic University in Puerto Rico was sentenced to prison for theft from a federally funded institution. The former director used the school's credit card for unauthorized personal expenses, including household utility bills, school tuition, and vacations to destinations including Disney World, New York, France, and Canada. To conceal her crime, the former director altered and created fictitious credit card statements where she hid her personal charges by increasing the amounts of other legitimate charges to the card, or by deleting the charges altogether before submitting the statements to the school's finance department for payment. In addition, because the credit card's limit was originally \$80,000, the former director forged her supervisor's signature on letters to the credit card company requesting limit increases. This enabled her to charge more than \$655,400 to the school's card. The former director was sentenced to

serve 1 year in prison and 3 years of supervised release and was ordered to pay more than \$155,400 in restitution.

Former Owner of Alden's School of Cosmetology Sentenced for Theft and Fraud (Louisiana)

The former owner and chief executive officer of Alden's School of Cosmetology and Alden's School of Barbering was sentenced to prison for theft, fraud, and money laundering. The former chief executive officer misrepresented that certain students attending the schools were enrolled in programs eligible for Federal student aid when in fact they were not, certified hours that students never completed, and transferred criminally derived property between numerous bank accounts. As a result of these criminal actions, the former chief executive officer and the schools received more than \$100,000 in Federal student aid. The former school owner was sentenced to serve 30 months in prison and 2 years of supervised release and was ordered to pay more than \$276,000 in restitution and fines. [Press Release](#)

Owner of Regina's College of Beauty Pled Guilty to Conspiracy Charges (North Carolina)

In our last Semiannual Report, we shared that the vice president of the now-defunct Regina's College of Beauty—a for-profit cosmetology school that operated campuses in North Carolina and Georgia—pled guilty to conspiracy and student financial aid fraud charges. During this reporting period, the owner of the school pled guilty for her role in the scheme. The owner and the vice president failed to remit to students or to the Department students' credit balance overages totaling more than \$89,000—money that they used for their personal benefit.

Former Owner of Tramy Beauty School Sentenced for Fraud (California)

The former owner of Tramy Beauty School, who had been charged with 43 counts of fraud and theft, was sentenced to 3 years in prison and was ordered to pay more than \$425,000 in restitution. One of the multiple fraud schemes she orchestrated involved Federal student aid: the former owner enrolled multiple individuals in classes at the school without their knowledge and then fraudulently collected Pell Grant money disbursed in the victims' names. In the restitution order, the former school owner was required to pay the Department more than \$37,500.

City University of New York Medgar Evers Lecturer Indicted on Charges of Fraud and Corruption (New York)

A full-time, tenured lecturer at the City University of New York Medgar Evers College was indicted on charges of fraud, corruption, and obstruction related to his allegedly selling sham certificates of completion of health care courses to students that the students then used to obtain employment in the health care field, including at New York City hospitals. From 2013 through 2017, the lecturer allegedly provided students with the sham certificates in exchange for fees up to \$1,000, money he kept for himself.

Operator of Mobile Native Hawaiian Health, Inc., Indicted on Fraud Charges (Hawaii)

The operator of Mobile Native Hawaiian Health, Inc., a nonprofit company that provided direct healthcare services to underserved areas of Hawaii, was indicted on

55 counts of fraud for running multiple scams, including a scam involving Federal student aid. In this scam, the operator allegedly told people that her company was a nonprofit focused on education to help students and then used the names and personal information of multiple students to fraudulently apply for admissions to and receive Federal student aid from various schools. The operator allegedly posed as the students to communicate with the schools in order to transfer the students' financial aid to bank accounts she controlled. She then used the money for personal expenses, including construction of her home, personal bills, and retail purchases.

Investigations of Fraud Rings

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

Leader of \$2.5 Million Fraud Ring and Her Mother Pled Guilty (Mississippi)

A fraud ringleader and her mother pled guilty to their roles in a fraud ring that sought to obtain more than \$2.5 million in Federal student aid. The two women drove around the city of Greenwood, Mississippi, recruiting people to participate in the scam. They obtained the personally identifiable information of the recruits and then used that information to apply for admissions to and receive Federal student aid from online college programs, knowing that none of them planned to attend classes. The student aid refund balances were sent to addresses controlled by the ringleader and her mother. The two then gave a portion of the refund balance to the recruits for the use of their identities.

Leaders Pled Guilty for Roles in Fraud Ring that Tried to Obtain about \$5.2 Million (Arizona)

Leaders of a fraud ring that tried to obtain about \$5.2 million in Federal student aid pled guilty for their roles in the scam. The ring used the personally identifiable information of at least 483 people that they used to apply for admissions to and receive Federal student aid from one or more schools in the Maricopa Community College District. The ringleaders prepared and submitted fraudulent application forms, used an unsecured Wi-Fi router to assist with the process, and impersonated applicants when delivering documentation in support of the scheme. Of the \$5.2 million in Federal student aid that the ring targeted, they were able to obtain more than \$1.6 million.

Leaders of Fraud Ring that Targeted \$1.8 Million Pled Guilty (Ohio)

Three women were indicted, two of whom pled guilty to orchestrating a fraud ring based in Ohio that targeted more than \$1.8 million in Federal student aid. The women used the identities of hundreds of people, including prison inmates and other stolen identities that they used to apply for admissions to and receive Federal student aid from several community colleges, including schools in the Maricopa Community College District in Arizona. They completed the coursework to make it appear that the inmates and others were regular students and had the student aid awards directed to bank accounts they controlled. [Press Release](#)

Actions Taken Against Members of a Fraud Ring that Targeted More Than \$1.3 Million (Colorado)

In previous Semiannual Reports to Congress, we highlighted our investigation involving a Colorado-based fraud ring that sought to obtain more than \$1.3 million in Federal student aid. During this reporting period, two members of the ring were sentenced for their roles in the scheme, while a third was found guilty by a jury. From 2010 through 2012, the ring used the stolen identities of prison inmates to apply for admission to and receive Federal student aid from various community colleges in Colorado and Arizona. To obtain the data, ring members visited State Department of Corrections websites in Arizona, Colorado, Florida, Illinois, and Ohio where they retrieved the names, dates of birth, and release dates of State inmates. With this information, one of the ring members obtained the Social Security number of inmates through her employment at a bank. The ring then used this information to file fraudulent FAFSAs with the schools, seeking to obtain more than \$1.3 million in aid. The two ring members were sentenced to prison for 24 and 57 months, respectively, followed by 3 years of supervised release. They were also each ordered to pay more than \$562,400 in restitution. [Press Release](#)

Actions Taken Against Members of Criminal Enterprise Composed Mostly of Former Prison Inmates (Colorado)

In our last Semiannual Report to Congress, we highlighted our investigations of 9 people, most of whom were connected through their various periods of incarceration and some of their family members, who were indicted on charges that included racketeering, conspiracy, and student aid fraud. During this reporting period, 3 of the 9 members were sentenced for their roles in the fraud. The ring used the personally identifiable information of people to apply for and receive more than \$488,500 in student aid, most of which they stole from unwitting victims, including from the business clients of one of the participant's on-site cleaning company, and stolen wallets. Another participant used her position and access at the Department of Motor Vehicles to supply additional information needed to complete fraudulent admissions and student aid applications, and another member used her position in a bank to assist the ring. The former Department of Motor Vehicles employee pled guilty and was sentenced to serve 60 days in jail and 10 years of probation with restitution to be ordered at a later date. The former bank employee pled guilty and was sentenced to 60 days in jail and 5 years of probation and was ordered to pay about \$50,000 in restitution. Another ring member was sentenced to 3 years of probation and was ordered to pay more than \$5,700 in restitution.

Family Members Among Those Sentenced for Roles in \$358,700 Fraud Rings (Texas)

In our last Semiannual Report to Congress, we highlighted our investigation of family members and others involved in fraud rings that sought to fraudulently obtain more than \$358,000 in Federal student aid. During this reporting period, the mother and her daughter were sentenced to prison and her son was found guilty by a jury for their roles in the fraud rings. With the use of their personally identifiable information and that obtained from other individuals, members of the rings fraudulently applied for admissions to and received Federal student aid from LeTourneau University and Kilgore College knowing that none of the participants planned to attend classes. The mother was sentenced to serve 15 months in prison

and 3 years of supervised release and was ordered to pay more than \$212,700 in restitution and her daughter was sentenced to serve 8 months in prison and 3 years of supervised release and was ordered to pay more than \$107,300 in restitution. Two additional participants were sentenced to 4–5 years of probation and were ordered to pay between \$10,600 and \$12,400 in restitution. [Press Release](#)

Three Members of \$280,000 Fraud Ring Sentenced (Illinois)

Three members of a fraud ring were sentenced for their roles in a scam that targeted more than \$280,000 in Federal student aid. The ring used the identities of prison inmates to apply for admissions to and receive Federal student aid from the College of DuPage, knowing that none of the inmates would be attending any classes. One of the ring members was sentenced to serve 9 years in prison and 1 year of supervised release and was ordered to pay \$4,500 in restitution. His two co-conspirators were sentenced to probation and each ordered to pay \$4,500 in restitution.

Leader of \$117,000 Fraud Ring Sentenced (Virginia)

A man who led a fraud ring that targeted Federal student aid schools that included the University of Phoenix and American Public University was sentenced to serve 61 months in prison and was ordered to pay more than \$117,000 in restitution for fraud. From 2009 through 2016, the man obtained the personally identifiable information of 70 people—some of whom knowingly provided their information while others were the victims of identity theft—which he used to enroll them in online courses at the schools solely for the purpose of obtaining Federal student aid. As a result of his efforts, the ring fraudulently obtained about \$117,000 in student aid. [Press Release](#)

Investigations of Other Student Aid Fraud Cases

The following are summaries of the results of additional OIG investigations into abuse or misuse of Federal student aid.

Former State Department Employee Sentenced for Theft (Virginia)

A former employee in the U.S. Department of State's bureau of Diplomatic Security was sentenced for defrauding the Federal government of about \$200,000 in funds paid under the Federal Employees' Compensation Act, workers' compensation for Federal employees. While receiving workers' compensation, the former employee made false statements on various government forms about his income, omitting that he was the president and majority owner of a company that received more than \$2 million in government contracts and salary. In his guilty plea agreement, the former Federal employee agreed to pay \$3,650 to the U.S. Department of Education because he made false statements about his income that allowed him to receive Federal Pell Grants that he was not entitled to receive. The former employee was sentenced to serve 12 months of home confinement followed by 12 months of probation and was ordered to pay more than \$202,000 in restitution.

Former Tulane University Student Sentenced in \$185,000 Fraud Scam (Louisiana)

A former Tulane University student was sentenced to prison for aggravated identity theft and theft of government funds. The former student used the identities of 30 people—some of whom knowingly provided their information while others

were the victims of identity theft—to fraudulently apply for admissions to and receive more than \$185,000 in Federal student aid from the school. The man paid some people \$100 for use of their information in the scam. The man was sentenced to serve 44 months in prison followed by 2 years of supervised release and was ordered to pay more than \$185,00 in restitution. [Press Release](#)

Woman Indicted in \$152,900 Fraud (Virginia)

A woman was indicted in Virginia on charges of tax evasion and fraud, including an effort to defraud the Department. The woman submitted a personal check on a closed bank account to the Department's Direct Loan Servicing Center totaling more than \$152,900 in an attempt to pay off her student debt.

Grand Rapids Man Pled Guilty for \$150,000 Fraud Scam (Michigan)

A man pled guilty to fraudulently obtaining more than \$150,000 in Federal student aid. The man obtained the identities of others and posed as those people to apply for admission to and receive Federal student aid from various online programs at local community colleges, including Grand Rapids Community College and Kalamazoo Valley Community College. He also used the phony identifications to file bogus tax returns. [Press Release](#)

Former Cornell University Student Pled Guilty to \$130,000 Fraud (New York)

A former Cornell University student pled guilty to fraudulently obtaining more than \$130,000 in Federal student aid. From 2008 through 2014, the woman forged various documents, including academic transcripts and letters of recommendation to attend various universities, including fraudulent admissions and student aid application forms that she submitted to Cornell. As a result of the phony forms, the woman received more than \$130,000 in student aid to attend the school, as well as tens of thousands of dollars in grant assistance. [Press Release](#)

Former Department of the Interior Employee Convicted on Charges of Fraud and Identity Theft (Kentucky)

A former Department of the Interior employee was convicted by a jury on charges of fraud and identity theft. The former employee submitted about 40 false loan applications to 10 lending institutions in the names of her children, her sister, and her niece to obtain student loans without their knowledge or consent. She forged signatures on applications forms and falsified pay stubs to show false amounts of income. As a result of her fraudulent efforts, the former employee received more than \$101,000 in student aid.

Five Charged in Phony Debt Elimination Scheme (New Jersey)

Five people were charged with using phony money orders, cashier checks, and other fabricated documents that they used to fraudulently discharge hundreds of thousands of dollars in financial obligations, including student loans. The participants allegedly submitted to various financial institutions phony money orders and cashier checks, sometimes in amounts larger than the debt owed so they could eliminate the debt and obtain extra money that they used for their personal benefit. One of the participants sought to fraudulently discharge more than \$52,000 in student loans, so she sent phony money orders and cashier checks totaling more than \$67,000 to the Department. The Department rejected the payment. [Press Release](#)

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.
- **Federal Bureau of Investigation Cyber Crime Investigations Task Force.** The OIG is a formal member of this task force of Federal, State, and local law enforcement agencies conducting cybercrime investigations nationwide, with agents physically located in Washington, DC, and Boston, MA. OIG agents are currently assisting with investigations in Alabama, Connecticut, Florida, Georgia, Louisiana, and Texas associated with this task force.

Reviews of Legislation, Regulations, Directives, and Memoranda

- **S.1771, Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2018.** The OIG provided technical information regarding Sec. 313 of the legislation specifically related to the 18-month timeframe.
- **H.R.4508, the PROSPER Act.** The OIG provided technical information regarding specific provisions of the legislation, including Title I, Title II, and Title IV.
- **Borrower Defense Regulations.** Drawing on the results of our audit “FSA’s Processes for Identifying At-Risk Title IV Schools and Mitigating Potential Harm to Students and Taxpayers” ([ED-OIG/A0900001](#)), the OIG provided comments on the Department’s development of a notice of proposed rulemaking.
- **Data exchange with Internal Review Service.** The OIG provided technical comments on a proposal to amend the Internal Revenue Code to improve and simplify FAFSA processing.



The background of the slide is a blurred photograph of a classroom. In the foreground, a yellow pencil holder with several pencils is visible. Behind it, two students are looking down, possibly at a book or paper. The background is filled with bookshelves containing many books. A dark teal banner is overlaid across the middle of the image, containing the text.

Elementary, Secondary, and Adult Education Programs and Operations

The Department administers more than 100 programs that involve 55 States and territorial educational agencies, nearly 18,200 public school districts, 132,000 schools, and numerous other grantees and subgrantees. Effective oversight of and accountability in how these entities spend the Department funding they receive is vital. Through our audit work, we identify problems and propose solutions to help ensure that the Department's programs and operations 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 to protect public education funds for eligible students by identifying those who abuse or misuse Department funds and helping hold them accountable for their unlawful actions.

Audits

In the area of elementary, secondary, and adult education programs and operations, the OIG issued five audit reports, each summarized below. The first audit examined the New York State Education Department and selected local educational agencies' compliance with the Every Student Succeeds Act (ESSA) amendments to the McKinney-Vento Homeless Assistance Act which authorizes the Education for Homeless Children and Youth Program. Under this program, the Department provides grants to States to ensure that homeless children and youths have equal access to the same free, appropriate public education available to other children. In 2015, the ESSA included new requirements for State and local educational agencies to review and undertake steps to revise laws, regulations, practices, or policies that may act as barriers to the identification, enrollment, attendance, or success in school of homeless children and youths. The second audit examined the Puerto Rico Department of Education's use and awarding of Adult Education program funds and the reliability of program performance data. Authorized under the Adult Education and Family Literacy Act, the Department awards grants to States to fund local adult education and literacy services, including workplace literacy services, family literacy services, English literacy programs, and English language/civics education programs. This audit sought to determine whether Puerto Rico ensured that Adult Education funds were used and awarded in accordance with applicable laws and regulations, and whether Puerto Rico submitted accurate, complete, and reliable performance data to the Department, as required. The three additional audits were conducted as a part of three audit series. Those series and audits are as follows.

- **Calculating and Reporting Graduation Rates.** Calculating and reporting graduation rates is a requirement of the Every Student Succeeds Act, and is considered an academic indicator to measure student achievement and school performance. This audit series seeks to determine whether State educational agencies (SEAs) have implemented a system of internal controls over calculating and reporting graduation rates sufficient to provide reasonable assurance that reported graduation rates were accurate and complete. During this reporting period, we completed our second audit in this series examining internal controls at the California Department

of Education. We shared the findings of our previous audit involving the Alabama Department of Education in our last Semiannual Report to Congress.

- **Followup on Previous Title I Audits.** In this audit series, we look to determine whether previously audited entities completed corrective actions to remediate prior audit findings, and if not, why and whether risks still exist because they did not so do. During this reporting period, we completed our audit of Michigan’s Detroit Public Schools Community District, the third audit in this series. We shared the findings of our two previous audits (Harvey Public School District 152 in Illinois and Wyandanch Union Free School District in New York) in our last Semiannual Report to Congress.
- **Protection of Personally Identifiable Information in Statewide Longitudinal Data Systems.** In this series of audits, we assessed the adequacy of the Institute of Education Sciences’ (IES) Statewide Longitudinal Data System (SLDS) grant requirements and monitoring of States to ensure internal controls are in place to prevent, detect, and report unauthorized access and disclosure of personally identifiable information in SLDSs, and determined whether selected States have internal controls in place to prevent, detect, report, and respond to unauthorized access and disclosure of personally identifiable information in their SLDSs. During this reporting period, we completed the fourth audit in this series that examined IES’s oversight over SLDS grantees’ systems of internal controls. The previous audits in this series (Indiana, Oregon, and Virginia) were highlighted in previous Semiannual Reports to Congress.

Summaries of work completed during this reporting period involving K–12 and adult education programs follow.

New York State’s and Selected Districts’ Implementation of Selected Every Student Succeeds Act Requirements under the McKinney-Vento Homeless Assistance Act

Our audit determined that both the New York State Education Department (New York) and the local educational agencies (LEAs) reviewed (New York City Department of Education, Uniondale Union Free School District, and Lackawanna City School District) could improve their internal controls to help ensure homeless student data are accurate and complete, that LEAs are complying with ESSA requirements, and that they are reporting all unaccompanied youths.

First, although New York generally provided effective oversight of the LEAs and coordinated with other entities to implement selected ESSA requirements related to identifying and educating homeless children and youths, we found that it had not yet completed updating its policies and procedures, did not require LEAs to submit final documentation in response to monitoring findings, and was not ensuring that LEAs were reporting all unaccompanied youths. As such, we determined that New York needed to improve its oversight of LEA data reporting, documenting its policies and procedures, following up to ensure that findings from monitoring reviews are appropriately resolved, and providing technical assistance related to the reporting of homeless student data for unaccompanied youths. Second, although the three

LEAs reviewed generally implemented selected ESSA requirements related to coordinating services and identifying, educating, and reporting on homeless children and youth, they did not ensure that their policies were in line with current practices. Specifically, we found that New York City's and Lackawanna's homeless education policies were outdated and had not been revised to include the ESSA requirements, and Uniondale had not documented its data entry policies and procedures and the roles and responsibilities of officials responsible for informing parents or guardians of homeless students of the educational and related opportunities they are entitled to under the McKinney-Vento Act. The LEAs should update and document their policies and procedures to strengthen their internal controls to help ensure that they are complying with the ESSA requirements and reporting reliable homeless student data.

We made a number of recommendations to address the weaknesses identified, including that New York include a review of LEA supporting documentation for the homeless student data it reported in all of its monitoring reviews and include a review of the LEAs' processes for verifying the accuracy of the data. We also recommended that New York City and Lackawanna review and revise their education of homeless students policies so they comply with the ESSA and State requirements and that Uniondale document its policies and procedures for entering homeless student data in its student database system. New York agreed with our findings and recommendations. [New York Audit](#)

Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds

We found that the Puerto Rico Department of Education (Puerto Rico) can improve its oversight of the Adult Education program to ensure that it (1) submits complete, supported, and accurate performance data to the Department, (2) uses funds in compliance with applicable laws and regulations, and (3) obtains and reviews single audit reports of subgrantees. Specifically, we found that for the time period reviewed, we found the following.

- Puerto Rico did not always submit complete, supported, and accurate program performance data to the Department; used incomplete data to prepare and submit to the Department its program performance report; and did not maintain adequate support for non-Federal matching contributions. As a result, the Department does not have reasonable assurance that all the performance data Puerto Rico submitted to the Department were reliable for decision making and the Department's ability to effectively monitor Puerto Rico's performance is limited.
- Puerto Rico did not provide sufficient documentation to demonstrate compliance with the approval process for 8 (27 percent) of 29 personal services contracts we judgmentally selected for review with related payments totaling \$75,767; did not provide semiannual certifications for employees who worked full time on the Adult Education program; and did not provide sufficient documentation to support nonpayroll payments of \$21,714. Without sufficient supporting documentation, Puerto Rico cannot

provide assurance that it used all Adult Education program funds in accordance with applicable laws and regulations.

- Puerto Rico did not always obtain and review Office of Management and Budget Circular A-133 single audit reports for at least 6 of 12 Adult Education program subgrantees that required a single audit. A review of the subgrantees' single audit reports is key to assisting Puerto Rico in assessing the risk related to subgrantees' use of Adult Education program funds.

We made 9 recommendations to address the weaknesses identified, including that Puerto Rico (1) establish monitoring procedures to provide assurance that all the required performance data that are collected and reported are effectively assessed for completeness and accuracy and that supporting documentation is maintained for the reported data; (2) return monies spent without required approval or inadequately documented; and (3) revise existing monitoring checklists to include steps to determine whether Adult Education program subgrantees exceeded the threshold for obtaining an Office of Management and Budget Circular A-133 single audit, and obtain and review the required single audit reports for all subgrantees exceeding the threshold. Puerto Rico did not agree with our findings or recommendations. [Puerto Rico Audit](#)

Calculating and Reporting Graduation Rates in California

For the time period reviewed, we found that the California Department of Education's (California) system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete. Specifically, our audit determined that California did not oversee or monitor local entities' internal controls over the reliability of Adjusted Cohort Graduation Rate (ACGR) data. This weakness occurred because California did not develop and implement a process to ensure accuracy and completeness of ACGR data or to monitor the local entities' internal controls related to ACGR. As a result, both California and the Department are at risk of using inaccurate and incomplete data when describing and reporting on California's progress towards raising graduation rates, and California's graduation rate accountability as an academic indicator to measure student achievement and school performance. We also determined that California did not calculate its ACGR in accordance with Federal requirements. Specifically, California removed students from the cohort who transferred to programs that did not lead to a regular high school diploma and included students as graduates who did not earn a regular high school diploma. We concluded that correcting for these errors would have decreased California's school year 2013–14 ACGR by about 2 percentage points.

Based on our findings, we made a number of recommendations, including that California (1) ensure that local entities have internal controls regarding the accuracy and completeness of ACGR data and verify that they are following its guidance on data certification, (2) revise its procedures for calculating the ACGR so the calculation is consistent with Federal requirements, and (3) review prior year cohorts that were inaccurately reported to the Department and correct the ACGR for those years or note that the ACGR was not accurate. Although California disagreed with parts of our findings and some of our recommendations, it

provided information regarding its plans to address many of the concerns raised in the report. [California Audit](#)

Followup on Previous Title I Audit—Detroit Public Schools Community District

In 2008, we issued an audit that found that Detroit Public Schools had significant weaknesses in its internal controls over accounting for and using Title I funds. The school district used almost \$54 million in Title I funds for (1) contract costs that were unallowable or inadequately documented; (2) personnel costs that were unallowable; (3) personnel costs that were not supported by adequate and timely time and effort certifications, personnel activity reports, or employee insurance cost data; and (4) nonpersonnel costs that were unallowable or inadequately documented. We determined that the school district's noncompliance occurred because it did not have adequate policies and procedures to review Title I contracts, invoices, employee insurance benefit costs, and adjust journal entries to ensure they were adequately documented, reasonable, and allowable. Additionally, the Michigan Department of Education (Michigan) did not provide adequate oversight of Federal grant funds distributed to the school district. Based on our findings, we made 21 recommendations, including that the school district either provide support for or return to the Department about \$54 million. In 2013, the Department issued a determination letter stating that the school district had taken steps to address the audit findings and recommendations. Specifically, the school district had (1) created a procurement checklist of the steps to be completed in the procurement process and documentation that must be maintained when creating a contract or purchase order, (2) revised its time and effort policies and procedures to ensure that time and effort certifications and personnel activity reports are retained, and (3) provided employees training on allowable uses of funds. During this reporting period, we concluded our review of actions taken in response to our 2008 audit findings and recommendations and concluded the Detroit Public Schools Community District, the successor to the former Detroit Public Schools district, had not taken actions sufficient to provide reasonable assurance that previously reported audit findings would not reoccur.

Specifically, we found that Detroit Public Schools had made progress towards implementing policies and procedures that were redesigned to provide reasonable assurance that previously reported audit findings would not reoccur. The redesigned personnel policies described the time and effort reporting and approving processes, included examples of the documents that employees must complete to receive compensation, and included instructions for completing required documents. The redesigned nonpersonnel policies also described steps that employees must complete when creating a purchase order or entering into a contract and the documentation (such as an approved requisition and proof that the vendor has not been suspended or debarred) required to demonstrate that the procedures were followed. Although these redesigned policies and procedures were logical, understandable, and, if followed, should have been sufficient to minimize the risk of previously reported audit findings reoccurring, Detroit Public Schools Community District had not effectively implemented all of them, including procedures for approving and documenting personnel, employee travel, and consultant services costs. As a result, Detroit Public Schools Community District increased the risk that (1) employees could receive pay

for which they were not entitled, (2) it would charge the Title I program for travel costs that were not needed for the performance of the Title I program, and (3) it would pay consultants for hours that they did not actually work.

We made 10 recommendations to address the issues identified, including that Detroit Public Schools Community District strengthen its policies, procedures, and processes for approving and documenting personnel costs, approving for payment and documenting the costs incurred for employee travel, and approving for payment and documenting the costs incurred for services provided by consultants. We also recommended that Michigan ensure that Detroit Public Schools Community District effectively implements the strengthened policies, procedures, and processes. Michigan agreed with our findings and recommendations and explained how it and Detroit Public Schools Community District planned to implement our recommendations.

Detroit Audit

Protection of Personally Identifiable Information in State Longitudinal Data Systems—Institute of Education Sciences

The Department's Institute of Education Sciences (IES) provides grants to SEAs to develop SLDSs that collect and maintain detailed, high-quality, student- and staff-level data that are linked across entities and provide a complete academic and performance history for each student. The grants also provide money for making these data accessible through report and analysis tools. Due to the sheer volume of personally identifiable information included in these systems, it is critical that SEAs have established and implemented internal controls to protect these vital data. Our previous audits in this series focused on SEAs (Indiana, Oregon, and Virginia) and identified internal control weaknesses at each SEA that increased the risk that these grantees would be unable to prevent or detect unauthorized access and disclosure of personally identifiable information in their SLDSs.

In this audit, we sought to assess the adequacy of the IES SLDS grant requirements and monitoring of States to ensure internal controls are in place to prevent, detect, and report unauthorized access and disclosure of personally identifiable information in SLDSs.

We found that IES's grant requirements were adequate to ensure the protection of personally identifiable information. Specifically, both the IES SLDS grant requests for applications and the approved grant applications stated that the grantees would meet applicable Federal and State laws or regulations concerning the confidentiality of individual records. Applicants were also required to demonstrate that they met or would meet technical requirements concerning data quality, with the grant requests for applications stating that a successful data system must ensure the integrity, security, and quality of data. We found that the SEAs audited addressed these requirements in the approved grant applications by identifying and noting



that they would comply with specific State requirements pertaining to data and system security. However, we found that IES had inadequate controls for monitoring its grantees' adherence to State system security requirements. Specifically, IES did not ensure that the grantees audited met the minimum State system security requirements of their respective States as required by the SLDS grant assurances that they provided as a condition of receiving grant funds.

Since IES did not do so while the SLDS grants were active, and at the time of our audits did not yet have assurances that the States had taken steps to protect the confidentiality of individual student records, the grantees' SLDSs may still be vulnerable to a breach.

Until IES incorporates monitoring procedures to oversee compliance with State system security requirements, it will not be fully aware of whether grantees' SLDSs meet State standards. As such, personally identifiable information in these SLDSs may be at an increased risk to unauthorized access and disclosure.

To address our finding, we recommended that IES modify the SLDS program monitoring policies and procedures to include a review of SLDS grantees' compliance with State laws and regulations regarding system security and the protection of personally identifiable information, emphasize the importance of data security with SLDS grantees, and modify the SLDS program risk assessment and the risk-based monitoring process to include consideration of system security compliance issues. IES generally concurred with our finding and provided a corrective action plan in response to our recommendations. [IES SLDS Audit](#)

Investigations

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

Investigations of School Officials and Contractors

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

Former Puerto Rico Department of Sports and Recreation Official Pled Guilty for Role in \$9.8 Million Kickback, Fraud, and Money Laundering Scheme (Puerto Rico)

In our last Semiannual Report, we highlighted the indictment of the former secretary of the Puerto Rico Department of Sports and Recreation, his assistant, and five others for their alleged roles in a kickback, fraud, and money laundering conspiracy involving more than \$9.8 million in fraudulently awarded contracts. During this reporting period, the former special assistant to the secretary pled guilty to his role in the scheme. The former secretary allegedly used his position to enter into contracts with three Puerto Rico Department of Education and Puerto Rico Public Housing Department vendors in exchange for kickbacks. The former secretary

allegedly awarded federally funded contracts without a competitive bidding evaluation process and awarded contracts for services at inflated prices. Federal funds fraudulently obtained through this scheme were allegedly used to operate and promote boxing events, television shows, travel, political campaigns, and business ventures. According to the indictment, the former secretary also allegedly entered into a lease agreement with one of his co-conspirators for a facility at an inflated price and used the overpayments for kickbacks.

Former Grandview R-2 School District Official Sentenced for Stealing \$1.6 Million (Missouri)

The former business manager for the Grandview R-2 School District was sentenced for embezzling about \$1.6 million from the district. For 20 years, due to her position with the school, she had access to the school's accounts, from which she made unauthorized payments to herself. She then falsified the school district's records to conceal her crimes. In some cases, she concealed the embezzlement by inflating the reported wages of other school district employees, causing those coworkers to pay more than \$13,300 in income taxes that they did not owe. The former official was sentenced to serve 63 months in prison and was ordered to pay more than \$1.8 million in restitution. [Press Release](#)

Jury Finds Former Grant-Goodland Public School Superintendent Guilty of Stealing about \$1.2 Million (Oklahoma)

A Federal jury found the former superintendent of the Grant-Goodland Public School system to be guilty of conspiracy to embezzle about \$1.2 million from the school district. From 2010 through 2016, the former superintendent, with assistance from a school employee, created phony invoices, purchase orders, and payment requests in the names of legitimate school district vendors, prepared and presented checks to the school board for payment of those purchases and services that were never provided, converted the checks to himself, and pocketed the money.

Former Grand Prairie Independent School District Official Sentenced for Theft Involving More Than \$600,000 (Texas)

The former chief financial officer of the Grand Prairie Independent School District was sentenced to prison for stealing more than \$600,000 from the school district. From 2014 through 2015, the former chief financial officer used her position to embezzle the money. She ordered the money withdrawn from district bank accounts and had it delivered by armored truck to the district's offices. She told finance department employees that the money was for special cash awards for teachers for school supplements and for settlements in lawsuits, none of which was true. The former official was sentenced to serve 37 months in prison and 2 years of supervised release and was ordered to pay more than \$633,300 in restitution.

Former Garland Independent School District Director Sentenced on Conspiracy Charges (Texas)

The former executive director of human resources for the Garland Independent School District was sentenced on charges of conspiracy to commit false statements in connection with immigration documents. From 2007 through 2013, the former director conspired with outside recruiters to recruit and hire foreign teachers whom the school district did not necessarily need in exchange for kickbacks. He falsely

certified that all U.S. workers who applied for certain school district positions were rejected for lawful job-related reasons in order to hire the foreign teachers. The former official was sentenced to serve 24 months of in prison and was ordered to pay more than \$317,400 in restitution. [Press Release](#)

Investigations of Charter Schools and Charter School Officials

The following are summaries of OIG criminal investigations involving charter schools and charter school officials.

Founder of Southwest Learning Centers Charter Schools Pled Guilty to 15-Year Fraud Scheme (New Mexico)

The founder of Southwest Learning Centers, a group of public charter schools he established in Albuquerque, pled guilty to running a 15-year scheme aimed at defrauding millions of dollars from the schools. Starting in 2000, the founder devised a series of schemes to defraud the schools for his personal benefit, including purchasing buildings under the name of one company and charging the schools exorbitant rates for rental space, making more than \$700,000 in profits, and charging students for online courses, diverting more than \$1 million of those payments to bank accounts he controlled, instead of the schools. He also created and submitted fraudulent proposals and invoices from a bogus business he created for services never produced or provided, and used most of the money for his personal benefit, including \$199,000 to pay down a personal line of credit, \$50,000 to his personal bank account, \$12,000 for personal items, and \$4,000 at a casino in Las Vegas. [Press Release](#)

Founder of Now-Defunct Latin Academy Charter School Sentenced for Embezzling More Than \$800,000 (Georgia)

The founder of the Latin Academy Charter School, Latin Grammar School, and Latin Preparatory Schools pled guilty and was sentenced for stealing more than \$810,000 from the schools—the largest theft in the history of Georgia charter schools. He wired money from the schools' bank accounts into his personal bank account and used the money at adult entertainment establishments; he also made cash withdrawals and spent thousands of dollars at car dealerships and on travel. The founder was sentenced to service 10 years in prison, to be followed by 10 years of probation, and was ordered to pay about \$810,000 in restitution. He was also ordered never to hold a position of trust or in a fiduciary capacity, work with children, consult with schools, or work for a nonprofit entity.

Family Foundations Academy Charter School Co-Director Sentenced (Delaware)

In our last Semiannual Report to Congress, we reported that the founder of the Family Foundations Academy charter school was sentenced for abusing the school's credit cards. During this reporting period, the school's former co-director was sentenced for embezzling more than \$161,000 from the school. The former official was sentenced to serve 18 months in prison followed by 3 years of probation and was ordered to pay more than \$162,000 in restitution.

Former Principal of Academy of Dover Charter School Pled Guilty to Theft (Delaware)

The former principal of the Academy of Dover charter school pled guilty to embezzling more than \$145,400 from the school and the State. The former principal charged personal expenses to four unauthorized credit cards he opened in the name of the school. He also abused the State of Delaware's voucher program and its procurement card system by requesting reimbursement for school expenses never procured. Instead, he used the money for personal expenses such as electronics, gardening and camping equipment, automobile costs, a dog house, personal travel, and home improvement items. [Press Release](#)

Investigations of Supplemental Educational Services Providers

The following are summaries of OIG criminal investigations involving the fraud, theft, and other misuse of Supplemental Educational Services funds—monies that should have gone toward tutoring and other academic enrichment activities for disadvantaged students to help improve achievement in reading, language arts, and math.

Owners of Brilliance Academy Sentenced to Prison, Ordered to Pay More than \$11.3 Million for Orchestrating Massive Fraud Scam (Illinois)

In recent Semiannual Reports to Congress, we described our investigation into Brilliance Academy and its wholly owned subsidiary Babbage Net School, tutoring companies that received Supplemental Educational Services funds. The father and son owners of the companies orchestrated an \$11 million fraud scheme that bilked more than 100 school districts around the country. They misrepresented the services that the companies provided, gave substandard educational materials to students, falsely inflated invoices for tutoring services, and distributed false student programs and improvement reports to the schools that paid the companies. In addition, the two paid bribes to school officials and others in exchange for their participation in the scam. During this reporting period, the father and son owners were each sentenced to serve about 6 years in prison followed by 3 years of supervised release and were ordered to pay more than \$11.3 million in restitution. [Press Release](#)

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Federal and State Law Enforcement-Related Groups

- **Association of Government Accountants Partnership for Management and Accountability.** The 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.
- **Intergovernmental Audit Forums.** OIG staff chair and serve on 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.

Review of Legislation, Regulations, Directives, and Memoranda

- **H.R.4887 Grant Reporting Efficiency and Agreements Transparency (GREAT) Act of 2018.** The OIG recommended a revision to section 6402(c)(4) to include assuring the accuracy and completeness of submitted data.





Department Management and Operations

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

Audits and Reviews

OIG work completed over the last 6 months in this area includes statutory audits involving the Department's information technology security and financial management, compliance-focused reviews of risks associated with the Department's use of government purchase cards, and its compliance with requirements of the Digital Accountability and Transparency Act. Summaries of this work follows.

Information Technology Security

The E-Government Act of 2002 recognized the importance of information security to the economic and national security interests of the United States. Title III of the E-Government Act, the Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014 (FISMA), requires each Federal agency to develop, document, and implement an agency-wide program to provide security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source. It also requires inspectors general to perform independent evaluations of the effectiveness of their agency's information security programs.

Our FISMA review incorporated the FY 2017 Inspector General FISMA Reporting Metrics, prepared by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), the Office of Management and Budget, and the U.S. Department of Homeland Security, in consultation with the Federal Chief Information Officer Council. The metrics were grouped into seven "metric domains" and organized around the five Cybersecurity Framework Security Functions outlined in the National Institute of Standards and Technology's Framework for Improving Critical Infrastructure Cybersecurity. The five security functions and their associated FY 2017 FISMA Metric Domains were Identify (Risk Management), Protect (Configuration Management, Identity and Access Management, and Security and Privacy Training), Detect (Information Security Continuous Monitoring), Respond (Incident Response), and Recovery (Contingency Planning). Using this framework, the inspectors general assessed the effectiveness of each security function using maturity level scoring. The scoring distribution is based on five maturity levels: (1) Ad-hoc, (2) Defined, (3) Consistently Implemented, (4) Managed and Measurable, and (5) Optimized.

Level 1, Ad-hoc, is the lowest maturity level and Level 5, Optimized, is the highest maturity level. For a security function to be considered effective, agencies' security programs must score at or above Level 4, Managed and Measurable.

FY 2017 FISMA Review

As guided by the maturity model used in the FY 2017 Inspector General FISMA Metrics, we found that although the Department and FSA made progress in strengthening their information security programs, weaknesses in the Department's and FSA's information systems still exist, leaving those systems vulnerable to security threats. Specifically, our review concluded that the Department's and FSA's overall information security programs were not effective in all five security functions—Identify, Protect, Detect, Respond, and Recover. We also identified findings in all seven metric domains: (1) Risk Management, (2) Configuration Management, (3) Identity and Access Management, (4) Security Training, (5) Information Security Continuous Monitoring, (6) Incident Response, and (7) Contingency Planning. At the metric domains level, we determined that the Department's and FSA's programs were consistent with maturity level 2 of Defined for Configuration Management, Identity and Access Management, Security Training, Information Security Continuous Monitoring, Incident Response, and Contingency Planning. We determined the programs were consistent with the maturity level 3 of Consistently Implemented for Risk Management. The FY 2017 maturity model was more comprehensive and attributes were assessed differently than the previous years' maturity model indicator scoring. As a result, certain Department functions were assessed at a lower level. Despite the lower overall scoring due to changes in the maturity model, we found several areas where the Department and FSA made improvements in developing and strengthening their security programs since FY 2016. This included improvements in risk management, configuration management, information security continuous monitoring, and incident response programs.

To address the issues identified, we made 37 recommendations, 4 of which were repeat recommendations, all aimed at assisting the Department and FSA with increasing the effectiveness of their information security programs so that they fully comply with all applicable requirements of FISMA, the Office of Management and Budget, the Department of Homeland Security, and the National Institute of Standards and Technology. During our FY 2016 FISMA audit, we made 15 recommendations to the Department and FSA to address the 11 findings that we identified. As of October 2017, the Department and FSA reported that they have completed corrective actions for 10 of the 15 recommendations. However, despite their reporting completed corrective actions, we continue to identify repeat findings and recommendations in both the Information Security Continuous Monitoring and Incident Response metric domains. Although the Department and FSA may have taken action on specific findings, systemic issues persist in these metric domains on an enterprise level. The Department and FSA anticipate completing corrective action for all FY 2016 recommendations this fiscal year, with many scheduled for completion by the end of 2017. For FY 2017, the Department concurred with 31 of our recommendations, partially concurred with 5 others, and did not concur with one. [FISMA Report](#)

Financial Management

One of the purposes of the Chief Financial Officers Act of 1990 is to improve agency systems of accounting, financial management, and internal controls to ensure the reporting of reliable financial information and to deter fraud, waste, and abuse of government resources. This law requires an annual audit of agency financial statements, which is intended to help improve an agency's financial management and controls over financial reporting. A summary of our FY 2017 financial statements audits follows.

FY 2017 Financial Statements Audits

The OIG's contracted auditors found that the FY 2017 financial statements for the Department and FSA were presented fairly in all material respects, in accordance with generally accepted accounting principles. However, the auditors identified two significant deficiencies in internal control over financial reporting. First, the auditors found significant deficiencies in controls over modeling activities of student loan portfolio costs, as neither the Department nor FSA had a fully developed framework for model risk management and governance, or fully developed internal controls over its critical modeling activities, including model development, risk assessment, operation, and validation. Without a fully effective risk management and control structure over its modeling activities, estimation errors or modeling risks may go undetected, increasing the potential for improper reporting and program decisions. Second, the auditors found persistent information technology control deficiencies that need to be mitigated. Although the Department and FSA have made gradual progress to address these issues in recent years, the FY 2017 financial statements audit continued to identify information technology control deficiencies, including compliance monitoring; personnel management; and management of various application-level security, configuration management, and access controls. These deficiencies can increase the risk of unauthorized access to the Department's systems used to capture, process, and report financial transactions and balances, affecting the reliability and security of the data and information.

The auditors also found an instance of noncompliance involving a provision of the Debt Collection Improvement Act of 1996, as amended by the Digital Accountability and Transparency Act of 2014, which requires Federal agencies to notify the Secretary of the Treasury of debts that are more than 120 days delinquent. The auditors found that neither the Department nor FSA complied with the 120-day notification requirement. The reports included a number of recommendations to address the findings. The Department and FSA agreed with the auditors' reports. [Department Audit Report](#), [FSA Audit Report](#)

FY 2017 Closing Package Financial Statements

The contracted auditors found that the Department's FY 2017 Closing Package Financial Statements were presented in accordance with generally accepted accounting principles. The auditors identified no material weakness in internal control over financial reporting and no instances of reportable noncompliance with Federal law. The Department concurred with the auditors' report. [Closing Package Financial Statements](#)

Compliance Reviews

During this reporting period, we issued reports on two statutory compliance-focused reviews. The first is our required review involving risks associated with the Department's use of government purchase cards, and the second involves the Department's implementation of the Digital Accountability and Transparency Act. A summary of these reviews follows.

Purchase Card Risk Assessment

The objective of this statutory review was to determine whether the Department made purchase card transactions that were potentially illegal, improper, or erroneous. We performed this review in conjunction with a government-wide project initiated by the CIGIE Information Technology Committee, to determine risks associated with government purchase card transactions. We found no instances of purchase card transactions that appeared to be illegal, improper, or erroneous for the transactions included in our review. However, we did identify areas where the Department could improve its internal controls over purchase card use. Specifically, we found instances where purchase cardholders did not always follow Department policy, to include obtaining or maintaining adequate documentation to support purchases. As a result, there is greater likelihood that cardholders may make inappropriate purchases, potentially resulting in an increased risk of fraud and misuse of funds. We made several recommendations aimed at strengthening controls over purchase card use, to include ensuring that the Department's web-based training program includes an emphasis on documentation requirements and that the exam given as part of the training also emphasizes these requirements. The Department concurred with our finding and our recommendations. [Purchase Card Report](#)

Digital Accountability and Transparency Act of 2014

The Digital Accountability and Transparency Act of 2014 (DATA Act) requires Federal agencies to report financial and payment data to the USASpending.gov website. It also requires the OIG of each agency to report to Congress on the completeness, timeliness, quality, and accuracy of the agency's spending data. For the time period of our review, we found that the Department generally met the DATA Act reporting requirements. It had adequate controls over its DATA Act source systems and submission processes; its summary and award-level data submitted was timely, and generally accurate, of quality, and complete; and it reported its data in accordance with established government-wide financial data standards. However, we did identify two areas needing improvement. First, the Department's validation and reconciliation processes did not initially ensure that award-level transactions that should not be included in the submitted and certified data were appropriately excluded. Second, we found that linkages between award-level data in the Department's systems and the data extracted from external award systems by the U.S. Department of the Treasury DATA Act Broker were not always complete and that selected reported data elements were not always consistent with the data contained in the authoritative source system. Incomplete linkages and data inconsistencies may increase the possibility of reporting errors and reduce the transparency and reporting capabilities of financial and award data, including nonfinancial award attributes, contrary to what is required by the DATA Act. Based on our finding, we made two recommendations.. Specifically, the Department should update its procedures to ensure it has a process that will identify transactions that

do not need to be included in DATA Act submissions. Second, the Department should continue to coordinate with the U.S. Department of the Treasury to ensure that all linkages are complete and data inconsistencies are appropriately addressed. The Department concurred with our recommendations and provided responsible corrective actions. [DATA Act Report](#)

Management Information Report

During this reporting period, we issued a management information report on the subject of unauthorized release of nonpublic information. The report provided the Department with actions it could take to improve its ability to protect against the unauthorized release of nonpublic information, and to take appropriate administrative actions when an unauthorized release occurs. A summary of the report follows.

“The Department had little policy or guidance regarding the unauthorized disclosure of nonpublic Department documents to external sources.

Unauthorized Release of Nonpublic Information

At the request of the Department, the OIG evaluated three incidents in which there appeared to be unauthorized releases of nonpublic information. This included a May 2017 Washington Post article that included information from the President's FY 2018 Budget Request for the Department that appeared to be issued before the information was officially publicly released; a June 2017 article in Politico that indicated the Department's intention to delay the effective date of the borrower defense regulations; and an October 2017 notification

from the Department regarding the unauthorized release of the draft notice of a proposed rulemaking document, “Assistance to States for the Education of Children with Disabilities: Preschool Grants for Children.” Our limited review found that the Department had little policy or guidance regarding the unauthorized disclosure of nonpublic Department documents to external sources, with the exception of the disclosure of personally identifiable information, proprietary information from companies, and security information. The disclosure of the budget request information could have fallen under Department policy regarding “sensitive but unclassified” information, resulting in disciplinary action up to removal from employment; however, any disciplinary action would be mitigated by the lack of proper markings and the lack of Department policy putting staff on notice concerning the protection of the information.

The OIG made 6 suggestions to assist the Department in protecting against the unauthorized release of nonpublic information and with taking appropriate administrative action when allegations are substantiated. This included a suggestion that the Department develop interim policy requiring Department employees to clearly mark nonpublic documents with markings that indicate the information is not for public release, and that it create a directive to address prohibitions on the unauthorized release of sensitive or nonpublic information, define controlled unclassified information, and the need to properly mark documents. [Management Information Report](#)

Investigations

The following is a summary of OIG investigations related to abuse of a Departmental data system.

Private Investigator Who Attempted to Illegally Obtain the President's Federal Tax Information Pled Guilty (Louisiana)

A private investigator who fraudulently used then-presidential candidate Donald Trump's personal identifying information, including his Social Security number, in an attempt to illegally obtain his Federal tax information from the Internal Revenue Service, pled guilty to false representation. The man admitted that he used the President's information to begin an online FAFSA. After beginning the FAFSA, he obtained a Federal Student Identification number that allows students and parents to identify themselves electronically to access their FAFSA. Once he obtained the identification number, he unlawfully used the Internal Revenue Service Data Retrieval Tool available on the FAFSA website in an unsuccessful attempt to obtain the President's tax information from Internal Revenue Service servicers. [Press Release](#)

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Department

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

Review of Legislation, Regulations, Directives, and Memoranda

- **H.R.1224, the National Institute of Standards and Technology Cybersecurity Framework, Assessment, and Auditing Act of 2017.** The OIG made several recommendations aimed at eliminating duplication with existing laws and ensuring the independence of the evaluation of information security by an inspector general or independent external auditor.
- **S.2413, bill to provide for the appropriate use of bridge contracts in Federal procurement.** The OIG noted the bill's potential conflict with OIG independence, with respect to contracts the OIG enters into to fulfill the OIG's mission according to the Inspector General Act.
- **Draft Bill, Stopping Improper Payments to Deceased People Act.** The OIG provided technical comments, including sharing the data with OIGs and exempting the data from the Computer Matching Act.
- **Draft Bill, Payment Integrity Information Act of 2018.** The OIG commented on a draft bill, the Payment Integrity Information Act, which consolidates several existing improper payments laws into one statute. The OIG noted significant concerns with the bill greatly expanding the scope and complexity of OIGs' annual compliance reviews and restricting OIGs' ability to plan our work in the areas identified by OIGs as significant management challenges and areas of higher risk. We also provided technical comments.
- **Draft CIGIE Guidelines, Guidelines to Address Government Accountability Office Recommendation on Annual OIG Improper Payments Elimination and Recovery Act (IPERA) Reports.** The OIG made several recommendations aimed at promoting consistency among OIGs in their annual compliance reviews and to clarify that an agency that fails to comply with any one or more of the IPERA compliance requirements is not compliant with the statute.



Other OIG Efforts



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

Non-Federal Audit Activities

The Inspector General Act of 1978, as amended, requires that inspectors general take appropriate steps to ensure that any work performed by non-Federal auditors complies with Government Auditing Standards. To fulfill these requirements, we perform a number of activities, including conducting 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

The Office of Management and Budget's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" requires entities such as State and local governments, universities, and nonprofit organizations that spend \$750,000 or more in Federal funds in one year to obtain an audit, referred to as a "single audit." Additionally, for-profit institutions and their servicers that participate in the Federal student aid programs and for-profit lenders and their servicers that participate in specific Federal student aid programs are required to undergo annual audits performed by independent public accountants in accordance with audit guides that the OIG issues. These audits assure the Federal government that recipients of Federal funds comply with laws, regulations, and other requirements that are material to Federal awards. To help assess the quality of the thousands of single audits performed each year, we conduct quality control reviews of a sample of audits. The CIGIE issued the following guidance regarding the classification of quality control review results.

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

the opinions contained in the audit report and require correction for the audit under review.

During this reporting period, we completed 30 quality control reviews of engagements conducted by 22 independent public accountants. We concluded that 5 (17 percent) were Pass, 12 (40 percent) were Pass with Deficiencies, and 13 (43 percent) were Fail.

When a quality control review receives a rating of Fail, the independent public accountant must resolve the deficiencies identified. If the independent public accountant does not adequately resolve the deficiencies, we may find the audit report is not reliable and we will recommend the report be rejected. During this reporting period, we recommended that Federal Student Aid reject the audit reports of four institutions. Federal Student Aid rejected two of those audit reports. Furthermore, we referred five independent public accountants to the American Institute of Certified Public Accountants and to the appropriate State Boards of Accountancy for possible disciplinary action. We made these referrals due to the independent public accountants' unacceptable audit work.

Technical Assistance

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

During this reporting period, the OIG conducted two training sessions focused on the newly issued audit guide, *Guide for Audits of Proprietary Schools and for Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs*. The training was provided to financial aid professionals at the 2017 Federal Student Aid Training Conference and to the auditor community through a web event co-sponsored by the AICPA's Government Audit Quality Center. Other topics covered included the importance of selecting a qualified auditor and common quality control review deficiencies. OIG staff gave a presentation on the audit guide to Federal Student Aid's Compliance Audit and Method of Payment divisions. In addition, the Director of the Non-Federal Audit Team met with the Post Audit Group from the Office of the Chief Financial Officer for a lunch and learn session, discussing audit quality issues and ways to engage the audit community.

The OIG is in the process of developing a reporting system to better track audit deficiencies identified through quality control reviews. This type of tracking will allow us to focus our resources on training and outreach activities to address common audit quality issues. It will also enable the OIG to evaluate whether its technical assistance is effective in reducing the amount of repeat deficiencies.

Other OIG Reports

During this reporting period, the OIG issued three reports specific to the OIG mission and goals, as well as the required Management Challenges report. Summaries of these efforts follow.

OIG Strategic Plan (FY 2018–2022)

During this reporting period, the OIG issued its Five-Year Strategic Plan, a statutorily required report that describes the focus and direction of OIG operations over the next 5 years, establishes our organizational goals, and outlines the strategies we will employ to reach those goals and the measures we will use to evaluate our performance. [Strategic Plan](#)



FY 2018 Management Challenges

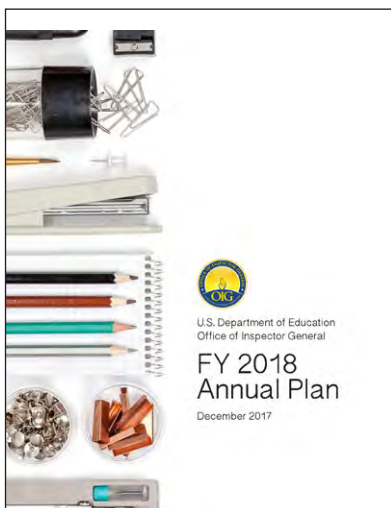
In October, the OIG issued its FY 2018 Management Challenges Report, a statutorily required report that highlights the most serious management challenges the Department faces and actions the Department needs to take to address them. To identify these challenges, the OIG routinely examines past audit, inspection, and investigative work and reports issued by the Government Accountability Office, including reports issued to management where corrective actions have yet to be taken; assesses ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyzes new programs and activities that could post significant challenges because of their breadth and scope. For FY 2018, the OIG identified four management challenges: (1) improper payments; (2) information technology security; (3) oversight and monitoring; and (4) data quality and reporting.

[Management Challenges Report](#)



FY 2018 Annual Plan

In December, the OIG issued its FY 2018 Annual Plan, which presents the major initiatives and priorities that we intend to undertake to assist the Department in fulfilling its responsibilities to America's taxpayers and students. It details the assignment areas and resources the OIG plans to devote to evaluating the efficiency, effectiveness, and integrity of Department programs and operations. It incorporates suggestions from Department leaders, the Office of Management and Budget, and members of Congress. [Annual Plan](#)



FY 2017 Small Business Innovation Research Report

In October, the OIG issued its statutory report on OIG investigations involving the Small Business Innovation Research program. The National Defense Authorization Act for FY 2012 requires the inspector general of a Federal agency that participates in the program to submit an annual report describing its investigations involving those programs. The Department participates in the Small Business Innovation Research program, although it is a relatively small program within the agency. As reported, for FY 2017, zero cases involving the Small Business Innovation Research were referred to the OIG. [SBIR Report](#)

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Federal Government

- **Fraud Reduction and Data Analytics Working Group.** The Fraud Reduction and Data Analytics Act of 2015 required the Office of Management and Budget to establish a work group composed of the Controller of the Office of Management and Budget, the Chief Financial Officer of each agency, and another party selected by the Director of the Office of Management and Budget. Inspector General Tighe serves on this work group which is charged with sharing and developing data analytics techniques, financial and administrative controls, and best practices and techniques for detecting, preventing, and responding to fraud.
- **Government Accountability Office Domestic Working Group.** Inspector General Tighe serves on this working group focused on advancing accountability in Federal, State, and local government.

Inspector General Community

- **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** OIG staff play an active role in CIGIE efforts. Formerly the chair of CIGIE's Information Technology Committee, Inspector General Tighe is now the at-large member of CIGIE's Executive Council. Inspector General Tighe is also a member of CIGIE's Audit Committee, and the Suspension and Debarment Working Group, which is a subcommittee of the Investigations Committee.
- **OIG staff serve on the CIGIE Data Analytics Working Group of the Information Technology Committee, and participate in the CIGIE Council of Counsels to the Inspectors General.** OIG staff are also members of CIGIE's Assistant Inspector General for Investigations Subcommittee, the Cyber Security Working Group, the Grant Reform Working Group, the OIG Human Resources Directors' Roundtable, and the New Media Working Group. OIG staff also participate in the following.

- **Financial Statement Audit Network.** OIG staff have a leading role in this Government-wide 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 Treasury on the annual audit of the Government's financial statements.
- **CIGIE/Government Accountability Office Annual Financial Statement Audit Conference.** OIG staff work on the planning committee for the annual conference that covers current issues related to financial statement audits and standards.
- **Interagency Working Group for Certification and Accreditation.** The OIG participates in this group that 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.** The OIG participates in this group that shares best practices in data mining and evaluates data mining and risk modeling tools and techniques that detect patterns indicating possible fraud and emerging risks.

Reviews of Legislation, Regulations, Directives, and Memorandum

- **S.2178, the Inspector General Recommendation Transparency Act of 2018.** The OIG commented that it generally supported efforts to making the recommendations in its work transparent and available to the public and noted its concern with how several of the bill's provisions would be implemented.
- **H.R.4917, the Inspector General Subpoena Authority Act.** The OIG commented that it supported the bill.





Required Reporting

Required Tables and Appendices

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

Acronyms and Abbreviations Used in the Required Tables

AARTS	Audit Accountability and Resolution Tracking System
FFEL	Family Federal Education Loan
FSA	Federal Student Aid
HEA	Higher Education Act of 1965, as amended
IES	Institute of Education Sciences
IG Act	Inspector General Act of 1978, as amended
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCO	Office of Communications and Outreach
OCTAE	Office of Career, Technical, and Adult Education
ODS	Office of the Deputy Secretary
OESE	Office of Elementary and Secondary Education
OPE	Office of Postsecondary Education
OSDFS	Office of Safe and Drug Free Schools
OSERS	Office of Special Education and Rehabilitative Services
OUS	Office of the Under Secretary
Recs	Recommendations
RMS	Risk Management Service
SAR	Semiannual Report to Congress

Definitions

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

Audit Closure Memoranda/Letters. These are used to notify the audited entity of OIG's decision to terminate the audit without issuing an audit report.

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

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

Special Project Reports. Special projects include OIG work that is not classified as an audit, attestation, inspection, or any other type of alternative product. Depending on the nature and work involved, the special

project may result in a report issued outside the OIG. Information presented in the special project report varies based on the reason for the special project (for example, response to congressional inquiry or other evaluation and analysis). The report may contain suggestions.

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

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

OIG Product Website Availability Policy

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

Required Reporting

The following pages presents summary tables and tables containing statistical and other data as required by the IG Act, the Inspector General Empowerment Act of 2016, and the National Defense Authorization Act for Fiscal Year 2008.

Section	Requirement	Table Number	Page Number
-	Statistical Summary of Audit and Other Report Accomplishments (October 1, 2017, through March 31, 2018)	1	54
-	Statistical Summary of Investigations Accomplishments (October 1, 2017, through March 31, 2018)	2	55
Section 5(a)(1) and 5(a)(2) of the IG Act	Significant Problems, Abuses, and Deficiencies Related to the Administration of Programs and Operations	3	56
Section 5(a)(3) of the IG Act	Significant Recommendations Described in Previous Semiannual Reports to Congress on which Corrective Action Has Not Been Completed (October 1, 2017, through March 31, 2018)	4	57
Section 5(a)(4) of the IG Act	Matters Referred to Prosecutive Authorities (October 1, 2017, through March 31, 2018)	2	55
5(a)(5) and 6(c)(2) of the IG Act	Summary of Instances in Which Information or Assistance Was Refused or Not Provided	11	70
Section 5(a)(6) of the IG Act	Listing of Reports Audit and Other Reports on Department Programs and Activities (October 1, 2017, through March 31, 2018)	5	58
Section 5(a)(8) of the IG Act	Questioned Costs Audit and Other Reports with Questioned or Unsupported Costs	6	60
Section 5(a)(9) of the IG Act	Better Use of Funds Audit and Other Reports with Recommendations for Better Use of Funds	7	61
Section 5(a)(10) of the IG Act	Unresolved Reports Unresolved Audit and Other Reports Issued Before March 31, 2018	8	62
Section 5(a)(10)(B) of the IG Act	Summary of Audit Reports for Which No Agency Comment Was Returned to the OIG Within 60 days of Issuance	11	70
Section 5(a)(10)(C) of the IG Act	Outstanding Unimplemented Recommendations Before Reporting Period, with Aggregate Potential Cost Savings	8	62
Section 5(a)(11) of the IG Act	Significant Revised Management Decisions	11	70
Section 5(a)(12) of the IG Act	Significant Management Decisions with Which the OIG Disagreed	11	70

Section	Requirement	Table Number	Page Number
Section 5(a)(13) of the IG Act	Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996	11	70
Section 5(a)(14)-(16) of the IG Act	Peer Review Results	10	69
Section 5(a)(17) of the IG Act	Investigative Reports Issued Number of Persons Referred to the U.S. Department of Justice Number of Persons Referred to State and Local Prosecuting Authorities Indictments and Criminal Informations that Resulted from Prior Referrals to Prosecuting Authorities	2 <i>(All four requirements included)</i>	55
Section 5(a)(18) of the IG Act	Description of the Metrics Used for Developing the Investigative Data for the Statistical Tables Under 5(a)(17)	2	55
Section 5(a)(19) of the IG Act	Report on Each Investigation Conducted by the OIG Involving a Senior Government Employee (GS-15 or Above) Where the Allegations of Misconduct Were Substantiated	9	69
Section 5(a)(22) (B) of the IG Act	Description of Investigations Involving Senior Government Employees (GS-15 or Above) that Were Closed but Not Disclosed to the Public	11	70
Section 5(a)(20) of the IG Act	Description of Instances of Whistleblower Retaliation	11	70
Section 5(a)(21) of the IG Act	Description of Attempt by Agency to Interfere with OIG Independence	11	70
Section 5(a)(22)(A) of the IG Act	Description of Audits Closed but Not Disclosed to the Public	11	70
Section 845 of the National Defense Authorization Act for Fiscal Year 2008	Contract-Related Audit Products with Significant Findings	11	70

Table 1. Statistical Summary of Audit and Other Report Accomplishments (October 1, 2017, through March 31, 2018)

Accomplishment	October 1, 2017– March 31, 2018
Audit Reports Issued	11
Inspection Reports Issued	1
Other Products Issued	4
Questioned Costs (Including Unsupported Costs)	\$97,481
Recommendations for Better Use of Funds	\$0
Reports Resolved By Program Managers	8
Questioned Costs (Including Unsupported Costs) Sustained	\$173,164
Unsupported Costs Sustained	\$0
Additional Disallowances Identified by Program Managers	\$825,782
Management Commitment to the Better Use of Funds	\$0

**Table 2. Statistical Summary of Investigative Accomplishments
(October 1, 2017, through March 31, 2018)**

Accomplishment	Description of the Metric	October 1, 2016– March 31, 2017
Investigative Cases Opened	Number of cases that were opened as full investigations or converted from a complaint or preliminary inquiry to a full investigation during the reporting period.	37
Investigative Cases Closed	Number of investigations that were closed during the reporting period.	39
Cases Active at the End of the Reporting Period	Number of investigations not closed before the end of the reporting period.	255
Investigative Reports Issued	Number of Reports of Investigation issued during the reporting period.	60
Number of Persons Referred to State and Local Prosecuting Authorities	Number of individuals and organizations formally referred to State or local prosecuting authorities for prosecutorial decisions during the reporting period.	5
Number of Persons Referred to the U.S. Department of Justice	Number of individuals and organizations formally referred to the U.S. Department of Justice for prosecutorial decisions.	17
Indictments and Criminal Informations that Result from Prior Referrals to Prosecuting Authorities	Number of individuals who were indicted or for whom a criminal information was filed during the reporting period.	30
Convictions/Pleas	Number of criminal convictions, pleas of guilty or nolo contendere, or acceptance of pretrial diversions that occurred during the reporting period.	38
Fines Ordered	Sum of all fines ordered during the reporting period.	\$28,458
Restitution Payments Ordered	Sum of all restitution ordered during the reporting period.	\$16,146,373
Civil Settlements/Judgments (number)	Number of civil settlements completed or judgments ordered during the reporting period.	2
Civil Settlements/Judgments (amount)	Sum of all completed settlements or judgments ordered during the reporting period.	\$600,200
Recoveries	Sum of all administrative recoveries ordered by the Department or voluntary repayments made during the reporting period.	\$1,489,155
Forfeitures/Seizures	Sum of all forfeitures/seizures ordered during the reporting period.	\$262,162
Estimated Savings	Sum of all administrative savings or cost avoidances that result in a savings to, or better use of funds for, a program or victim during the reporting period. These are calculated by using the prior 12 month period of funds obtained or requested and then projecting that amount 12 months forward.	\$0
Suspensions Referred to Department	Number of suspensions referred to the Department during the reporting period.	0
Debarments Referred to Department	Number of debarments referred to the Department during the reporting period.	1

Table 3. Significant Problems, Abuses, or Deficiencies Related to the Administration of Programs and Operations

Issue	Description
<p>Final Independent Auditor's Report Fiscal Year 2017 and 2016 Financial Statement Audits—U.S. Department of Education and Federal Student Aid</p>	<p>The financial statement audits for the Department and FSA identified two significant deficiencies in internal control over financial reporting and one instance of reportable noncompliance. The two significant deficiencies were as follows.</p> <ul style="list-style-type: none"> (1) Controls over the Department's processes for model design and development, risk assessment, model operation and validation, and oversight, as the Department did not have a comprehensive framework for risk management or fully developed internal controls for its modeling activities, which could impact the reliability of its estimates used for financial reporting, budgetary formulation, and management analysis (2) Persistent information technology control deficiencies, including security management, access controls, and configuration management, which can increase the risk of unauthorized access to the Department's systems used to capture, process, and report financial transactions and balances, affecting the reliability and security of the data and information. <p>The instance of noncompliance involved a provision of the Debt Collection Improvement Act of 1996, as amended by the Digital Accountability and Transparency Act of 2014, which requires Federal agencies to notify the Secretary of the Treasury of debts that are more than 120 days delinquent. The auditors found that neither the Department nor FSA complied with the 120-day notification requirement. Click on these links to see the reports, which include a description of recommendations and other details. Department Audit Report, FSA Audit Report</p>
<p>U.S. Department of Education's Federal Information Security Modernization Act (FISMA) Audit for Fiscal Year 2017</p>	<p>The fiscal year 2017 FISMA audit identified a number of significant problems and deficiencies, all of which leave Department and FSA systems vulnerable to security threats and cyber attacks and expose data and user accounts to malicious exploits. Some of the problems and deficiencies identified included: (1) the Department was not using appropriate application connection protocols; (2) the Department was unable to prevent unauthorized devices from connecting to its network; (3) the Department and FSA not adhering to the required Federal background investigations process for granting and monitoring access to its external users; (4) FSA not having an effective process for identifying, managing, or tracking activity of privileged account users accounts; and (5) inconsistent and ineffective implementation of two-factor authentication. Click on this link to see the report, which includes a description of recommendations and other details. FISMA Report</p>

Table 4. Significant Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed (October 1, 2017, through March 31, 2018)

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

Office	Report Type and Number	Report Title (Prior SAR Number and Page)	Date Issued	Date of Management Decision	Number of Significant Recs Open	Number of Significant Recs Completed	Projected Action Date
FSA	Audit A17Q0002 New	<i>Final Independent Auditors' Report Fiscal Years 2016 and 2015 Financial Statements Federal Student Aid (Budget Service also designated as an action official) (SAR 74, page 57)</i>	11/14/16	1/26/17	13	0	4/12/19
OCFO	Audit A17Q0001 New	<i>Final Independent Auditors' Report Fiscal Years 2016 and 2015 Financial Statements U.S. Department of Education (OCIO and Budget Service also designated as action officials) (SAR 74, page 57)</i>	11/14/16	2/14/17	9	4	9/14/18
ODS	Audit A06O0001	<i>Management Certifications of Data Reliability (SAR 72, page 57)</i>	2/11/16	5/9/16	1	4	2/15/19
ODS	Audit A02M0012 New	<i>Nationwide Assessment of Charter and Education Management Organizations (SAR 73, page 52)</i>	9/29/16	1/10/17	1	4	9/30/18

Table 5. Audit and Other Reports on Department Programs and Activities (October 1, 2017, through March 31, 2018)

Office	Report Type and Number	Report Title	Date Issued	Questioned Costs (Includes Unsupported Costs)	Number of Recs
FSA	Audit Closure Letter A04O0015	Closure of OIG's Evaluation of Federal Student Aid's Acquisition Function	1/23/18	-	-
FSA	Audit A17R0002	Final Independent Auditors' Report Fiscal Years 2017 and 2016 Financial Statements Federal Student Aid (Budget Service is also designated as an action official)	11/13/17	-	10
FSA	Management Information I04R0003 ¹	Federal Student Aid's Borrower Defense to Repayment Loan Discharge Process	12/8/17	-	10
IES	Audit A02O0008	Protection of Personally Identifiable Information in Statewide Longitudinal Data Systems	3/15/18	-	3
OCFO	Audit A09Q0003	The Department's Communication Regarding the Costs of Income-Driven Repayment Plans and Loan Forgiveness Programs (The report is addressed to ODS)	1/31/18	-	3
OCFO	Audit A17R0001	Final Independent Auditors' Report Fiscal Years 2017 and 2016 Financial Statements U.S. Department of Education (Budget Service and OCIO are also designated as action officials)	11/13/17	-	9
OCFO	Audit A17R0003	Final Independent Auditors' Report Fiscal Year 2017 Closing Package Financial Statements U.S. Department of Education	11/15/17	-	-
OCFO	Inspection S19R0004 ¹	Review and Analysis of the Department's Purchase Card Transactions	3/2/18	-	4
OCIO	Audit A11R0001	The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report For Fiscal Year 2017 (The report was addressed to ODS and FSA is also designated as an action official)	10/31/17	-	35
OCIO	Audit A19R0005	The Department's Compliance Under the DATA Act	11/7/17	-	2
OCTAE	Audit A04O0004	Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds	2/22/18	\$97,481	9

¹Two reports issued during the SAR 76 reporting period had incorrect control number designations: management information report I04R0003 should have had an "X" instead of an "I" beginning its control number; inspection report S19R0004 should have had an "I" instead of an "S" beginning its control number.

Office	Report Type and Number	Report Title	Date Issued	Questioned Costs (Includes Unsupported Costs)	Number of Recs
ODS	Management Information X42S0001	Unauthorized Release of Non-Public Information	3/29/18	-	6 suggestions
OESE	Audit A02Q0005	Calculating and Reporting Graduation Rates in California	1/11/18	-	6
OESE	Audit A03Q0005	New York State's and Selected Districts' Implementation of Selected Every Student Succeeds Act Requirements under the McKinney-Vento Homeless Assistance Act	3/29/18	-	9
OESE	Audit A05R0001	Detroit Public Schools Community District: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses	3/28/18	-	10
OSERS	Audit Closure Letter A04R0001	Closure of OIG Audit of the Administration of Vocational Rehabilitation Grants in Puerto Rico	11/17/17	-	-
Total	16 reports	-	-	\$97,481	110 (and 6 suggestions)

Table 6. Audit and Other Reports with Questioned or Unsupported Costs

None of the products reported in this table were performed by the Defense Contract Audit Agency. The OIG did not issue any inspection or evaluation reports identifying questioned or unsupported costs during this reporting period.

Requirement	Number	Questioned Costs (Includes Unsupported Costs)	Unsupported Costs
A. For which no management decision has been made before the commencement of the reporting period	2	\$712,854,289	\$0
B. Which were issued during the reporting period	1	\$97,481	\$0
Subtotals (A + B)	3	\$712,951,770	\$0
C. For which a management decision was made during the reporting period	1	\$173,164	\$0
(i) Dollar value of disallowed costs		\$173,164	
(ii) Dollar value of costs not disallowed		\$0	
D. For which no management decision was made by the end of the reporting period	2	\$712,778,606	\$0

Table 7. Audit and Other Reports with Recommendations for Better Use of Funds

None of the products reported in this table were performed by the Defense Contract Audit Agency. The OIG did not issue any inspection or evaluation reports identifying better use of funds during this reporting period.

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

Table 8. Unresolved Reports and Unimplemented Recommendations Before March 31, 2018

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

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

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

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
FSA	Technical Career Institute's Administration of the Federal Pell Grant and Federal Family Education Loan Program A02H0007	The audit found that although the school met requirements for institutional, program, and student eligibility and for award calculations, it improperly paid FFEL lenders to pay off its students' loans and prevent default, and it had internal control deficiencies in its administration of the Title IV programs. Current Status: FSA informed us that the audit is resolved, but they are currently working to complete the audit.	5/19/08	Yes	13	\$6,458
FSA	Special Allowance Payments to Sallie Mae's Subsidiary, Nellie Mae, for Loans Funded by Tax-Exempt Obligations A03I0006	The audit found that although its billings for the special allowance payments under the 9.5 percent floor complied with laws, Sallie Mae's billing for Nellie Mae did not comply with other requirements for the 9.5 percent floor calculation. Current Status: FSA informed us that the audit is currently under the appeal process.	8/3/09	Yes	3	\$22,378,905
FSA	Saint Mary-of-the-Woods College's Administration of the Title IV Programs A05K0012	The audit found that the school had been ineligible to participate in Federal student aid programs since 2005 because at least half of its students were enrolled in ineligible correspondence courses. Current Status: FSA informed us that the audit is currently under the appeal process.	3/29/12	Yes	19	\$42,362,291

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
FSA	Metropolitan Community College's Administration of Title IV Programs A07K0003	The audit found that the school did not establish that students had high school diplomas or their equivalent or passed an approved Ability-to-Benefit test that was properly administered, resulting in improper disbursements; did not ensure that students whose records we reviewed were meeting the satisfactory academic progress requirement; disbursed funds to ineligible students; did not properly administer its Federal Work Study program; and did not properly calculate return of Title IV funds. Current Status: FSA informed us that the audit is resolved, but all corrective actions have not been completed.	5/15/12	Yes	22	\$232,918
FSA	Colorado Technical University's Administration of Title IV Programs A09K0008	The audit found that the school did not comply with Federal requirements regarding student eligibility for Title IV funds, the identification of withdrawn students, and authorizations to retain credit balances. Current Status: FSA informed us the audit is resolved, but is within the entity's 45-day appeal period.	9/21/12	Yes	8	\$173,164
FSA	SOLEX College's Administration of Selected Aspects of the Title IV Programs A05O0007	The audit found that the school improperly disbursed Federal student aid to students who were enrolled in programs that were not qualified to participate in Federal student aid programs under the HEA. Current Status: FSA informed us that the audit is resolved, but they are currently working to complete the audit.	9/30/15	Yes	6	\$1,795,500
FSA	Western Governors University Was Not Eligible to Participate in the Title IV Programs A05M0009 New	The audit found that more than 50 percent of the school's regular students were enrolled in at least one correspondence course during award year 2013-2014; therefore, the school became ineligible to participate in the Title IV program as of June 30, 2014. Current Status: FSA informed us that it is working to resolve this audit.	9/20/17	No Proposed resolution date: Anticipate resolution within the next 60 days	9	\$712,681,125

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
IES	The Institute of Education Sciences' Contractor Personnel Security Clearance Process A19R0002	The audit found that IES did not effectively implement Department requirements for the contractor personnel security screening process. Current Status: IES informed us that the audit is currently in the Department's audit closure process.	3/18/17	Yes	11	\$0
OCFO	Audit of the University of Illinois at Chicago's Gaining Early Awareness and Readiness for Undergraduate Programs Project (OPE also designated as action official) A05D0017	The audit found that it did not serve the number of participants it was funded to serve and that its partnership did not provide the required matching funds. Current Status: OCFO informed us that the audit is resolved, but all corrective actions have not been completed.	1/14/04	Yes	4	\$1,018,212
OCFO	The North Carolina Department of Public Instruction's Administration of its Race to the Top Grant (OESE also designated as an action official) A05O0005	The audit found that the North Carolina Department of Public Instruction could improve its administration of its Race to the Top grant by strengthening its system of internal control over contracting and by more closely monitoring the financial activity of participating local educational agencies and charter schools to ensure that they complied with all applicable Federal requirements. Current Status: OCFO informed us that the audit is currently in the Department's audit closure process.	7/13/15	Yes	6	\$47,508

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
OCFO	Massachusetts Department of Elementary and Secondary Education's Oversight of Local Educational Agency Single Audit Resolution A09P0001	The audit found that the Massachusetts Department of Elementary and Secondary Education's oversight of local education agency single audit resolution was not sufficient, as it did not always work collaboratively or communicate effectively with local educational agencies that had audit findings to ensure that they took timely and appropriate corrective action; did not have internal controls that were sufficient to ensure that it provided adequate oversight of the local educational agency audit resolution process; and did not appear to make local educational agency audit resolution a high priority. Current Status: OCFO informed us that the audit is resolved, but all corrective actions have not been completed.	1/25/16	Yes	5	\$0
OCFO	The Tennessee Department of Education's Administration of a Race to the Top Grant A05O0004	The audit found that, for the specific areas reviewed, the Tennessee Department of Education generally administered its Race to the Top grant in accordance with program requirements and its approved grant application. However, it did not ensure that one of the two local educational agencies included in our review developed and implemented fiscal control and fund accounting procedures that provided reasonable assurance that the local educational agency accounted for and spent Race to the Top funds in accordance with Federal requirements and the approved grant application. Current Status: OCFO informed us that the audit is resolved, but all corrective actions have not been completed.	3/30/16	Yes	11	\$242,816
OCFO	Protection of Personally Identifiable Information in the Commonwealth of Virginia's Longitudinal Data System (Note: Audit was transferred from IES to OCFO.) A02P0006	The audit found internal control weaknesses in the State's system that contains students' personally identifiable information that increases the risk that the State will be unable to prevent or detect unauthorized access and disclosure of personally identifiable information. Current Status: OCFO informed us that it is working to resolve this audit.	7/12/16	No Proposed resolution date unknown	3	\$0

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
OCFO	Protection of Personally Identifiable Information in Oregon's Statewide Longitudinal Data System (Note: Audit was transferred from IES to OCFO.) A02P0007	The audit found that the Oregon's statewide longitudinal data system had a lack of documented internal controls in the system that increases the risk that the State will be unable to prevent or detect unauthorized access and disclosure of personally identifiable information. Current Status: OCFO informed us that it is working to resolve this audit.	9/27/16	No Proposed resolution date unknown	3	\$0
OCFO	Illinois State Board of Education's Oversight of Local Educational Agency Single Audit Resolution A02P0008	The audit found that the Illinois State Board of Education did not provide effective oversight to ensure that local educational agencies took timely and appropriate action to correct single audit findings. Current Status: OCFO informed us that the audit is resolved, but all corrective actions have not been completed.	11/7/16	Yes	7	\$0
OCFO	U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2016 (FSA is also designated as an action official) A04Q0011 New	The audit found that the Department did not comply with IPERA. The Department did not comply with IPERA for FY 2016 because it did not meet two of IPERA's six compliance requirements. Current Status: OCFO informed us that the audit is resolved, but all corrective actions have not been completed.	5/12/17	Yes	10	\$0
OCFO	Protection of Personally Identifiable Information in Indiana's Statewide Longitudinal Data System (IES is also designated as an action official) A06Q0001 New	The audit found that Indiana did not provide adequate oversight of the Management and Performance Hub during the development of the Indiana Network and Knowledge system to ensure that the system meet the minimum security requirements found in the Indiana Code and the Indiana Office of Technology Information Security Framework. Current Status: OCFO informed us that it is working to resolve this audit.	7/10/17	No Proposed resolution date unknown	4	\$0

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
OCIO	The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report For Fiscal Year 2016 (Report addressed to ODS and OUS) A11Q0001	The audit found that although the Department and FSA made some progress in strengthening their information security since FY 2015, weaknesses remained, leaving their systems vulnerable to security threats. Current Status: OCIO informed us that the audit is currently in the Department's audit closure process.	11/10/16	Yes	15	\$0
OESE	Puerto Rico Department of Education's Award and Administration of Personal Services Contracts (OCTAE (formerly OVAE), OSDFS, and RMS also designated as action officials) A04J0005	The audit found that Puerto Rico lacked sufficient controls to ensure compliance with State and Federal laws in awarding personal service contracts and in ensuring that those services were allowable and adequately supported. Current Status: OESE informed us that the audit is resolved, but all corrective actions have not been completed.	1/24/11	Yes	11	\$15,169,109
OESE	Audit of the Department's Oversight of the Rural Education Achievement Program (OCO also designated as an action official) A19P0006	The audit found that improvements were needed within the Department's Office of School Support and Rural Programs' monitoring of Rural Education Achievement Program grantees' performance and use of funds. Despite the need for improvements in monitoring, we concluded that the Department's rural education coordination efforts appear to be effective. Current Status: OESE informed us that the audit is currently in the Department's audit closure process.	9/12/16	Yes	10	\$0
OESE	Harvey Public School District 152: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses A05Q0003 New	The audit found that the Harvey Public School District 152 did not always follow the policies that it designed to remediate previously reported findings of inadequate inventory management and did not design procedures to provide reasonable assurance that it submitted accurate periodic expenditure reports to the State. Current Status: OESE informed us that it is working to resolve this audit.	5/18/17	No Proposed resolution date: November 2018	5	\$0

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
OESE	Calculating and Reporting Graduation Rates in Alabama A02P0010 New	The audit found that the Alabama State Department of Education's system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete for the time period covered by our audit. Current Status: OESE informed us that it is working to resolve this audit.	6/14/17	No Proposed resolution date: November 2018	6	\$0
OESE	Idaho State Department of Education's Oversight of Online Charter Schools (OSERS is also designated as an action official) A04N0010 New	The audit found that the Idaho Department of Education needs to ensure full and prompt implementation of corrective actions identified in audits and improve its Federal program oversight. Current Status: OESE and OSERS informed us that the audit is currently in the Department's audit closure process.	9/28/17	Yes	2	\$0

Table 9. Report on Each Investigation Conducted by the OIG Involving a Senior Government Employee (GS-15 or Above) Where the Allegations of Misconduct Were Substantiated

Description
An OIG investigation found that the former executive director of the White House Initiative on American Indian and Alaskan Native Education engaged in criminal conduct while on Government work time and/or while using Government transit benefits. The official appeared to engage in voyeuristic acts by recording video or taking photographs up unknowing women's skirts. The official resigned before the OIG investigation was complete. He subsequently pled guilty to attempted voyeurism in Superior Court of the District of Columbia and was sentenced to 90 days incarceration (suspended) and 1 year of supervised release. Investigation Report

Table 10. Peer Review Results

Description
No peer review reports were issued during this reporting period. As reported in SAR 72, the last peer review of OIG Audit Services was completed in 2015. We received a rating of pass with no outstanding recommendations. As reported in SAR 71, the last peer review of the OIG Investigation Services was completed in 2015. We received a rating of pass with no outstanding recommendations. In 2016 and reported in SAR 72, our peer review of the U.S. Department of Labor OIG resulted in a rating of pass.
There were no outstanding recommendations.

Table 11. Other Reporting Requirements

Requirement	Results
Summary of Instances where Information was Refused or Not Provided	Nothing to Report
Summary of Audit Reports for Which No Agency Comment Was Returned to the OIG within 60 Day of Issuance	Nothing to Report
Significant Revised Management Decisions	Nothing to Report
Significant Management Decisions with which the OIG Disagreed	Nothing to Report
Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996	Nothing to Report
Description of Investigations Involving Senior Government Employees (GS-15 or Above) that Were Closed But Not Disclosed to the Public	Nothing to Report
Description of Instances of Whistleblower Retaliation	Nothing to Report
Description of Attempt by the Agency to Interfere with OIG Independence	Nothing to Report
Audits Closed But Not Disclosed to the Public	Nothing to Report
Contract-Related Audit Products With Significant Findings	Nothing to Report

Acronyms and Abbreviations

ACGR	Adjusted Cohort Graduation Rate
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DATA Act	Digital Accountability and Transparency Act of 2014
Department	U.S. Department of Education
ESSA	Every Student Succeeds Act
FAFSA	Free Application for Federal Student Aid
FISMA	Federal Information Security Modernization Act of 2014
FSA	Federal Student Aid
FY	fiscal year
HEA	Higher Education Act of 1965, as amended
IES	Institute of Education Sciences
IPERA	Improper Payments Elimination and Recovery Act
LEA	local educational agency
OIG	Office of Inspector General
SEA	State educational agency
SLDS	State Longitudinal Data Systems
Treasury	U.S. Department of the Treasury

FY 2018 Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to identify and summarize the most significant management challenges facing the Department each year. Below are the management challenges that the OIG identified for FY 2018.

1. Improper Payments, meeting 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 and grantees.
4. Data Quality and Reporting, specifically program data reporting requirements to ensure that accurate, reliable, and complete data are reported.

For a copy of our FY 2018 Management Challenges report, visit our website at <http://www2.ed.gov/about/offices/list/oig/managementchallenges.html>.



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