



Semiannual Report to Congress, No. 77

April 1, 2018–
September 30, 2018



U.S. Department of Education
Office of Inspector General

Office of Inspector General
Kathleen S. Tighe
Inspector General

November 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 April 1, 2018, through September 30, 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.

As you may know, this is my last OIG Semiannual Report to Congress as I will be retiring from Government service effective November 30, 2018. It has been a great honor to serve as the Inspector General of this Department, working on behalf of students, teachers, and taxpayers. I am very proud of the work of the OIG over the last 8 years and to have served as the leader of the fine men and women of this organization. The work that the OIG accomplished over the last 6 months is an excellent example of our ongoing dedication and commitment to our mission and goals. Specifically, we issued 8 audits and other reports that contained recommendations to improve Department programs and operations. In addition, we closed 48 investigations involving fraud or corruption, securing more than \$44.5 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 highlights from our audit work and investigations over the last 6 months.

- Our audits found that the Department's Office of Management and the Federal Student Aid office (FSA) did not effectively implement security screening requirements for thousands of contractor personnel. As a result, the Department lacks assurance that contractor personnel are suitable for the level of access they were granted to Department-controlled facilities and systems, unclassified sensitive information, and locations where school children are present. Further, the Department's information and systems might be vulnerable to unauthorized access, inappropriate disclosure, and abuse by contractor

employees who do not meet security standards, including those in positions with the potential for moderate to serious impact on the efficiency of the Department.

- Our audit determined that significant improvements are needed in the Department's Office of Indian Education's oversight and monitoring of grantee performance and use of funds for the nearly \$100 million in Indian Education Formula Grant program grants awarded annually. Without adequate oversight and monitoring of grantee progress and use of funds, the Office of Indian Education has little assurance as to whether Indian Education Formula Grant program grantees are making progress toward program goals and objectives and spending funds appropriately. In addition to these significant findings, we reported that the Department screened, altered, or withheld information we requested, which led to a scope limitation on our audit.
- We disagreed with the Department's proposed elimination of the gainful employment regulations without an adequate replacement to ensure accountability. My predecessors and I have testified before Congress on issues involving proprietary schools over the years, and the sector continues to be a high-risk area for the Department. OIG resources devoted to post-secondary school investigations continue to be disproportionately devoted to fraud and abuse in the proprietary sector. The sector also represents a disproportionate share of student loan defaults. In addition, findings of misrepresentation of job placement rates and guaranteed employment by Corinthian Colleges and other schools provide a clear demonstration of the need for particular accountability.
- Our investigations led to criminal actions against a number of K-12 officials and vendors, including the president and other employees of Creative Educational and Psychological Services, a tutoring services company in Puerto Rico, who were indicted in a \$24 million fraud scam; the former chief executive officer of the Pennsylvania

Cyber Charter School who was sentenced to prison for his role in an \$8 million fraud scheme; and prison sentences for the founder/superintendent of the Varnett Public School, a charter school in Texas, and her husband for bilking the school out of millions of dollars.

- Our audit of the Department's recognition and oversight of accrediting agencies found that the Department did not provide reasonable assurance that it recognized only agencies meeting Federal recognition criteria. We also found that the Department's oversight approach may not identify issues soon enough to mitigate or prevent potential harm to accredited institutions of higher education, students, or taxpayers.
- We found that the Department's oversight and monitoring of the State educational agencies reviewed was not effective to ensure that those States performed the charter school closure process in accordance with Federal laws and regulations. At the State level, we found that although the States generally had procedures and controls to identify the causes for charter school closures and for mitigating the risks of future charter school closures, they did not always meet the Federal and their specific State requirements when (1) performing close out procedures for Federal funds a charter school received, (2) disposing of assets a charter school acquired with Federal funds, and (3) protecting and maintaining student information and records from closed charter schools.
- Our audit of FSA's enterprise risk management framework found that FSA did not implement all elements of its framework or implement all elements characteristic of effective enterprise risk management. As a result, FSA management did not have reasonable assurance that its efforts helped it achieve its enterprise risk management objectives and reduce enterprise-level risks to be within the level management was willing to accept.
- As a result of our investigative work, criminal actions were taken against high-ranking college and university officials for fraud. This included a former associate dean at Caldwell University in New Jersey who was ordered to pay more than \$24 million in restitution. She participated in a

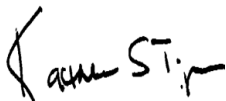
scheme that targeted veterans and scammed millions of dollars in tuition benefits under the Post 9/11 GI bill. As a result of other investigations, the former director of the HDS Trucking Institute in Arizona pled guilty to defrauding the school out of more than \$900,000, and a former athletics official at Baruch College in New York was sentenced to prison for stealing more than \$747,000 from the school.

- Our investigations into student aid fraud rings resulted in criminal actions taken against participants in rings that targeted nearly \$14 million in Federal funds. This includes prison sentences for 3 members of a fraud ring in Arizona that used the identities of nearly 500 people to fraudulently apply for more than \$5.2 million in student aid.
- A private investigator in Louisiana was sentenced to prison for fraudulently using then presidential candidate Donald Trump's personally identifiable information in an attempt to illegally obtain his Federal tax information via the Internal Revenue Service Data Retrieval Tool on the Free Application for Federal Student Aid website.
- Our audit found that the Department did not comply with the Improper Payments Elimination and Recovery Act for FY 2017 as it did not meet its reduction target for the Federal Pell Grant program. The improper payment rate for the Pell Grant program was 8.21 percent, which exceeded the reduction target of 7.85 percent. This was the fourth consecutive year that the Department did not comply with the Improper Payments Elimination and Recovery Act and the second consecutive year that it did not meet its reduction target for the Pell Grant program.
- As a result of the work of our Information Technology Audits and Computer Crime Investigations unit, we were able to identify a cyber-crime scheme targeting Federal student aid disbursements at multiple institutions. The scheme involved attackers stealing student credentials through an elaborate phishing scheme and then changing the student's direct deposit information to steal students' refund balances. We shared this information with FSA, recommending that it take steps to advise institutions of the threat posed by this scheme. FSA

subsequently issued a public advisory regarding the scheme.

In closing, as a 30-year employee of the Federal government, having served in positions at the U.S. Department of Justice, the General Services Administration Office of Inspector General, and the U.S. Department of Agriculture Office of Inspector General, and the Recovery Accountability and Transparency Board, I have seen firsthand the hard work and dedication of Federal employees. I can say unequivocally that they are truly servants of the public and of the American taxpayer.

I will always be grateful for the support that the Congress, the Department, and my colleagues in the Inspector General community have given to me and my office during my tenure. It has truly been an honor to serve as an Inspector General and it has been a pleasure working with all of you on behalf of America's taxpayers and students. I wish you all the best.

A handwritten signature in black ink, appearing to read "Kathleen S. Tighe". The signature is stylized with a large initial "K" and a long horizontal stroke.

Kathleen S. Tighe
Inspector General



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Federal Student Aid Programs and Operations



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

Audits

The Department disburses about \$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 (OPE) and the Federal Student Aid office (FSA) are responsible for administering and overseeing the student aid programs. OPE 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 and OPE should take to address the identified weaknesses in program operations and management. Summaries of these reports follow.

Recognition and Oversight of Accrediting Agencies

Postsecondary schools must be accredited by an accrediting agency recognized by the Secretary of Education to participate in the Federal student aid programs authorized by the Higher Education Act of 1965, as amended. The Higher Education Act also requires the Secretary to establish criteria for recognizing accrediting agencies. Such recognition lasts for no more than 5 years, referred to as the “recognition period.” The Secretary relies on OPE for reviewing accrediting agency petitions for recognition and monitoring accrediting agencies during the recognition period (post-recognition oversight).

We conducted an audit to assess whether OPE’s process for recognizing accrediting agencies ensured that those agencies met Federal recognition criteria and the extent to which OPE monitored those agencies during the recognition period. Our audit covered OPE’s procedures for evaluating an agency’s qualifications at the time an agency petitions for recognition (initial or renewal) and OPE’s post-recognition oversight of agencies. We found that although OPE had a formal process for reviewing agency petitions for recognition and maintained documentation supporting analysts’ conclusions regarding agency compliance with recognition criteria, OPE’s process

did not provide reasonable assurance that the Secretary recognized only agencies meeting Federal recognition criteria. Specifically, we identified several weaknesses related to OPE's agency petition review process.

- OPE did not have adequate controls over the school information that agencies use as evidence to demonstrate that they have appropriate accreditation standards and effective mechanisms for evaluating school compliance with those standards before reaching an accreditation decision.
 - OPE typically allowed petitioning agencies to select the specific schools used as evidence of compliance. This can lead to an agency providing documentation for only the best examples of its school oversight activities, which may not be indicative of the quality of the agency's actions for other schools it accredits.
 - OPE allowed petitioning agencies, regardless of their size, to submit supporting documentation for as few as two schools. Agencies of significantly different sizes could submit supporting documentation for the same number of schools, a number that may not be sufficient to demonstrate that an agency consistently applies and enforces its accreditation standards.
- OPE did not have written policies and procedures to guide analysts through the review of agency recognition petitions. This can and has led to inconsistencies across agency reviews and among OPE analysts regarding the number of schools and amount of documentation that analysts deemed necessary to demonstrate compliance with Federal recognition requirements.

We also found that OPE's post-recognition oversight was not adequate to ensure agencies consistently and effectively carried out their responsibilities. OPE did not have an adequate plan for the post-recognition oversight of agencies and did not regularly review high-risk agencies during the recognition period. OPE takes a reactive approach to post-recognition oversight and performs oversight activities for an agency only if it is alerted that compliance or other issues may exist at that agency. This could result in no oversight for some agencies, including newly recognized or higher risk agencies, for the entire recognition period. In addition, OPE's oversight approach may not identify significant agency issues soon enough to mitigate or prevent potential harm to accredited schools, students, or taxpayers.

To address the weaknesses identified, we recommended that OPE use risk-based procedures and readily available information to identify which and how many schools each petitioning agency must use to demonstrate that it consistently applies and enforces its accreditation standards and otherwise complies with Federal recognition criteria. We also recommended that OPE adopt written policies and procedures for reviewing agency petitions for recognition, and that it adopt a risk-based methodology, using readily available information, to identify high-risk agencies and prioritize its oversight of those agencies during the recognition period. OPE did not explicitly state whether it agreed with our findings but generally agreed with our recommendations. [Accrediting Agency Audit](#)

FSA's Enterprise Risk Management Framework

In 2016, the Office of Management and Budget required Federal agencies to incorporate elements of enterprise risk management (ERM) into their risk management. Agencies must also ensure that Federal managers effectively manage risks that an agency faces in achieving its strategic objectives and risks arising from the agency's activities and operations. FSA management chose to create and implement ERM in 2006 using the Committee of Sponsoring Organization's ERM framework as its guide. At the time of our audit, FSA consisted of 11 offices and 44 business units and oversaw more than \$1 trillion in student loans. Our audit sought to determine the extent to which FSA had implemented its ERM framework. We based our assessment, in part, on whether the implementation covered the eight elements characteristic of effective ERM included in the Committee of Sponsoring Organization's framework—internal environment, information and communication, objective setting, event identification, monitoring, risk assessment, risk response, and control activities. We found that although FSA developed an ERM framework, established a risk management office, and created a risk management committee, it had implemented only 3 of the 8 elements—risk assessment, risk response, and control activities—characteristic of effective ERM management. FSA had not fully implemented 5 of the 8 elements. For the 5 unimplemented elements, we found the following.

- Internal Environment: FSA management did not define and retain records of its risk management philosophy, risk appetite, or risk tolerance.
- Information and Communication: FSA management did not communicate its risk management philosophy, risk appetite, or risk tolerance; FSA's ERM framework; and information about FSA's enterprise-level risks to internal and appropriate external stakeholders.
- Objective Setting: FSA management did not ensure that its strategic objectives and risk responses were aligned with its risk appetite.
- Event Identification: FSA management did not identify and assess risks in a way that ensured that it had a risk profile that considered a complete set of enterprise-level risks.
- Monitoring: FSA management did not annually evaluate ERM efforts to assess whether ERM was achieving management's objectives or reducing risks to be within the level management was willing to accept.

As a result, FSA does not have reasonable assurance that its efforts helped management achieve its ERM objectives and reduced enterprise-level risks to be within the level that management was willing to accept. To help FSA fully implement its ERM, we made six recommendations: (1) define and retain records of management's risk management philosophy, risk appetite, and risk tolerance; (2) retain records fully describing FSA's ERM framework; (3) communicate management's risk management philosophy, risk appetite, and risk tolerance; FSA's ERM framework; and information about FSA's enterprise level risks to internal and appropriate external stakeholders; (4) align strategic objectives and risk responses with the risk appetite that management defines; (5) ensure that the process for developing a risk profile covers all potential enterprise-level risks, including those identified through risk assessments of all business units and high-risk projects; and (6) evaluate, at least annually, whether FSA's

ERM efforts have achieved management's ERM objectives and reduced enterprise-level risks to be within the level management is willing to accept, and identify and implement changes, if any, suggested by the evaluations. FSA disagreed with the finding and all of our recommendations; however, it did not provide any additional documents or records to support its position. [FSA Enterprise Risk Management Audit](#)

Investigations

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

Investigations of Schools and School Officials

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

Former Caldwell University Associate Dean, Owner of ED4Mil, and an ED4Mil Employee Sentenced for Roles in \$24 Million GI Bill Fraud Scam (New Jersey)

The former associate dean of Caldwell University, the owner of ED4Mil, and an ED4Mil employee each were sentenced for their roles in a fraud scheme that defrauded veterans and scammed more than \$24 million in tuition benefits under the Post 9/11 GI Bill. The former associate dean helped the ED4Mil owner get approval from Caldwell University to develop and administer a series of noncredit online courses for veterans in Caldwell University's name. The courses, however, were not approved by the U.S. Department of Veterans Affairs, nor were they developed, taught, or administered by Caldwell University faculty. Instead, they were developed, taught, and administered by an unapproved subcontractor and an online correspondence school that ED4Mil hired. Even though Caldwell University contributed no content or value to the courses, it charged between 10 and 30 times the price that the online correspondence school charged. Thousands of veterans enrolled in the online courses believing they were taking courses from Caldwell University. The owner of ED4Mil was sentenced to serve 5 years in prison and 3 years of supervised release, and the former associate dean and the ED4Mil employee were each sentenced to 3 years of probation. The three were ordered to pay more than \$24 million in restitution. [Press Release](#)

“They were sentenced for their roles in a fraud scheme that defrauded veterans and scammed more than \$24 million in tuition benefits under the Post 9/11 GI Bill.”

Former Director of HDS Trucking Institute Pled Guilty to Fraud (Arizona)

The former director of HDS Trucking Institute pled guilty to fraud charges and agreed to pay more than \$1.2 million in restitution. The former director used his position to implement various schemes to fraudulently obtain more than \$900,000. Among these schemes, the former director deposited HDS students' financial aid refund balances to bank accounts he controlled and caused the school to pay fictitious financial obligations he created and deposited the payments into bank accounts he controlled.

Former Baruch College Official Sentenced for Theft (New York)

A former Baruch College athletics official, who also served as basketball coach during his tenure at the school, was sentenced to prison for 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. The former official was sentenced to serve 20 months in prison and 3 years of supervised release and was ordered to pay more than \$787,000 in restitution. [Press Release](#)

And in a separate but similar fraud scheme, a former facilities rental coordinator at Baruch College was sentenced to 5 years of probation and was ordered to pay more than \$27,900 in restitution.

More Actions Taken in Columbia University's Teachers College Fraud Scheme (New York)

In our last Semiannual Report to Congress, we noted that a former financial aid director 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. During this reporting period, two of the four students pled guilty to their roles in the scam and agreed to forfeit their portion of the proceeds. One student agreed to forfeit more than \$620,000, and the second student agreed to forfeit more than \$166,100.

Former Texas Christian University Upward Bound Program Official Pled Guilty to Theft (Texas)

The former assistant director of Texas Christian University's Upward Bound program pled guilty to stealing money from the program. For 18 years, the former official oversaw the payment of funds to Upward Bound program participants. She would receive \$5,000 each month in cash to operate the program, a portion of which

she deposited into her personal checking account for her own use. In her plea agreement, the former official agreed to pay about \$210,900 in restitution.

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

A former assistant director in the financial aid office of Trident Technical College was indicted for allegedly using her position to override financial aid holds on accounts of students who had failed to meet satisfactory academic progress requirements required for participation in the Federal student aid programs. According to the indictment, the former official recruited people to act as “straw students” for the sole purpose of stealing student aid. After initially attending some classes, the straw students allegedly stopped participating and thus began receiving financial aid warnings as they were not meeting satisfactory academic progress—standards required for continuing to receive Federal student aid. In such cases, a school’s financial aid office places the student’s account on hold as the student may become ineligible to receive further aid. The former official allegedly used her position and access to the school’s financial aid files and removed the holds, resulting in the disbursement of more than \$60,000 in student aid to the straw students. Once the straw students received the aid, they allegedly kicked back a portion to the assistant director.

Former Delgado Community College Financial Aid Official Pled Guilty to Bribery (Louisiana)

A former financial aid official at Delgado Community College pled guilty to solicitation and receipt of bribes. While employed at the school, the former official was responsible for importing and exporting financial aid files as well as the verification of student financial aid applications. In this position, he had access to all financial aid systems and had the ability to manually authorize, award, and disburse aid to students. From 2014 through 2016, the former official solicited money from three Delgado Community College students who were not meeting satisfactory academic progress requirements and sought his assistance in their appeals. The former official used his position to help them obtain student aid and requested money from them in exchange for doing so. As a result of his bribes, the former official obtained about \$6,700 from the students. [Press Release](#)

City University of New York Medgar Evers Lecturer Pled Guilty to Fraud (New York)

A full-time, tenured lecturer at the City University of New York Medgar Evers College pled guilty to fraud. The lecturer sold 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. [Press Release](#)

Investigations of Fraud Rings

Below are summaries and relevant press releases 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. These

cases are just a sample of the large number of actions taken against fraud ring participants during this reporting period.

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

Three leaders of a fraud ring that tried to obtain about \$5.2 million in Federal student aid were sentenced to prison for their roles in the scam. The ring used the personally identifiable information of at least 483 people to apply for admissions to and receive Federal student aid from multiple schools in the Maricopa Community College District. The ringleaders prepared and submitted fraudulent application forms, used an unsecured wireless networking 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. The ringleaders were sentenced to serve between 15 months to 37 months in prison and were ordered to pay more than \$1.6 million in restitution. [Press Release](#)

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

A fraud ringleader and her mother were sentenced for 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. The ringleader was sentenced to serve 18 months in prison and 3 years of supervised release and was ordered to pay more than \$249,000 in restitution; her mother was sentenced to 3 years of probation. [Press Release](#)



Action Taken Against Members of Fraud Ring that Targeted \$1.8 Million (Ohio)

Criminal actions were taken against two of three women who orchestrated a fraud ring that targeted more than \$1.8 million in Federal student aid. The three ringleaders used the identities of hundreds of people—including prison inmates—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 refunds directed to bank accounts they controlled. During this reporting period, one of the ringleaders was sentenced to 5 years of probation and was ordered to pay more than \$76,400 in restitution; the second ringleader was convicted by a jury on charges of fraud, conspiracy, and identity theft.

Members of \$1 Million Fraud Ring Sentenced (Michigan)

All members of a three-person fraud ring that sought to obtain more than \$1 million in Federal student aid were sentenced in Michigan for their roles in the scheme. The ring used the personally identifiable information of more than 100 people to apply for admissions and Federal student aid from the University of Maryland University College and other colleges. They created and submitted fraudulent Free Applications for Federal Student Aid and had student aid prepaid debit cards sent to addresses they controlled. The ring members received sentences ranging from 15 to 77 months in prison, 3 years of supervised release, and were ordered to pay restitution ranging from \$755,300 to more than \$1.39 million. [Press Release](#)

Leader of \$600,000 Fraud Ring Pled Guilty (Louisiana)

One of two leaders of a fraud ring that sought to obtain more than \$600,000 in Federal student aid pled guilty to her role in the scheme. From 2008 through 2014, the ringleaders obtained the personally identifiable information of 38 people—some with and others without consent—that they used to apply for and receive Federal student aid from a number of schools, including Ashford University, University of Phoenix, and American Public University. A woman pled guilty for her role in the fraud scheme; she received more than \$4,600 for providing her personally identifiable information to the two ringleaders. In her plea, the woman admitted that she knew that the ringleaders were using the personally identifiable information of people who were unaware that their information was being used in the scheme.

Two More Members of Criminal Enterprise Composed Mostly of Former Prison Inmates Pled Guilty (Colorado)

In our last Semiannual Report to Congress, we highlighted our indictments of nine people, most of whom were connected through family or periods of incarceration, for charges that included racketeering and conspiracy. We also shared that three of the nine ring members were sentenced for their roles in the scheme. During this reporting period, two additional members pled guilty. The ring used the personally identifiable information of people to apply for and receive more than \$488,500 in student aid. They stole most of the information from unwitting victims, including from the business clients of a cleaning company run by one of the participants, and from 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. One of the ring members pleading guilty agreed to pay more than \$24,400 in restitution.

Leader of \$358,700 Fraud Rings Sentenced (Texas)

The leader of fraud rings that sought to obtain more than \$358,000 in Federal student aid was sentenced to prison for orchestrating the scams. The rings used the personally identifiable information of family and friends to fraudulently apply 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 ringleader was sentenced to serve 24 months in prison and 3 years of supervised release and was ordered to pay more than \$123,400 in restitution. A total of 9 people have been sentenced for their roles in the scheme, including the ringleader's mother and sister.

Leader of \$257,400 Fraud Ring Pled Guilty (Michigan)

The leader of a fraud ring pled guilty to using the identities of 100 people to fraudulently apply for and receive Federal student aid. From 2011 through 2015, the ringleader electronically enrolled the straw students for classes at colleges located in Phoenix, Arizona. Once enrolled, the ringleader completed and submitted student aid applications loaded with false information. She also completed or arranged coursework on their behalf to make it appear that the people were regularly meeting their student obligations. Student aid funds in excess of what was needed to cover the expenses at the colleges were forwarded to the straw students, who kicked back a portion of those proceeds to the ringleader. In her plea agreement, the ringleader agreed to pay more than \$257,400 in restitution.

Leader of \$136,600 Fraud Ring Pled Guilty (California)

The leader of a fraud ring pled guilty to fraudulently obtaining more than \$136,600 in student aid from various California community colleges. The ringleader used the identities of others to fraudulently apply for admissions to and receive Federal student aid from the schools, knowing that none of them intended to go to classes or use the money for educational purposes. A number of the straw students were ineligible to receive the aid, including people who were incarcerated, people who did not have a high school diploma or its equivalent, a 13-year-old child, and a person who had died. Some of the people had no idea that their information was being used in the scheme.

Investigations of Other Student Aid Fraud Cases

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

Woman Who Wrote Phony Check to Settle Student Loan Debt of More Than \$152,900 Sentenced (Virginia)

A woman was sentenced in Virginia for 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 in an attempt to pay off her student debt of more than \$152,900. The woman was sentenced to 6 months of home confinement and 3 years of probation and was ordered to pay about \$14,500 in restitution.

Man Who Used Identities of Others Sentenced for \$150,000 Fraud Scam (Michigan)

A man was sentenced for 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. The man was sentenced to serve 4 years in prison and was ordered to pay more than \$128,700 in restitution. [Press Release](#)

Former Cornell University Student Sentenced in \$130,000 Fraud Scam (New York)

A former Cornell University student was sentenced for 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. The woman was sentenced to 5 years of probation and was ordered to pay more than \$70,000 in restitution. [Press Release](#)

Internal Revenue Service Employee Pled Guilty in Student Loan Unemployment Deferment Scam (New Jersey)

An Internal Revenue Service employee pled guilty to making false statements on student loan deferment forms in connection with two parent PLUS student loans totaling more than \$86,000. The employee submitted unemployment deferment requests, falsely certifying that she was unemployed when in fact she was employed with the Internal Revenue Service. The employee also used her work email address on the deferment requests and submitted some of the requests by an Internal Revenue Service fax machine. [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.
- **FBI 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

- **Department's Revised Draft Notice of Proposed Rulemaking for Borrower Defense.** The OIG made clarifying recommendations related to efficiency and effectiveness.
- **Department's Draft Notice of Proposed Rulemaking for Gainful Employment.** The OIG disagreed with the proposed elimination of the gainful employment accountability provision.
- **Department's Draft Notice to Allow Additional Time, Until July 1, 2019, for Institutions to Comply with Certain Disclosure Requirements in the Gainful Employment Regulations.** The OIG continued to recommend that existing student distribution requirements remain in effect because schools remain obligated to complete and post on their websites the gainful employment disclosure template by July 1.

Elementary, Secondary, and Indian 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

During this reporting period, we completed audits involving elementary, secondary, and Indian education programs and operations. These included audits of oversight of the Indian Education Formula Grant Program, Louisiana's Orleans Parish School Board's followup of previous audit findings, and closed charter schools.

Oversight of the Indian Education Formula Grant Program

The Indian Education Formula Grants to Local Education Agencies program is authorized under the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act. It is the Department's principal vehicle for addressing the particular needs of American Indian and Alaska Native students. The program, with around 1,300 grantees each year, was funded at about \$100.4 million annually during fiscal years 2014 through 2017 and at \$99.7 million in fiscal year 2018. In this audit, we sought to determine whether the Department had an adequate process in place to ensure that grantees used funds appropriately and whether performance goals were being met.

We determined that significant improvements are needed in the Department's Office of Indian Education oversight of Indian Education Formula Grant program grantees' performance and use of funds. Specifically, we found that although the Office of Indian Education conducts some monitoring, the monitoring activities it conducts are insufficient to ensure that grantees are making progress toward meeting program goals and spending grant funds appropriately. We found that the Office of Indian Education's efforts related to monitoring are primarily limited to ensuring grantees are drawing down and spending grant funds by established deadlines and closing out the grant. For key program monitoring activities, we found a lack of written comprehensive procedures, follow-through, and documentation. We also found that although the Office of Indian Education developed plans to monitor grantees for fiscal years 2014 and 2015, it had not developed clear procedures for identifying which grantees to monitor, including taking into account multiple risk assessment factors. Although the Office of Indian Education collected some data on grantee performance and use of funds, we found little evidence that the office used the data to provide assistance to grantees in implementing the program successfully. Without adequate monitoring of grantee progress and use of funds,

the Office of Indian Education has little assurance as to whether Indian Education Formula Grant program grantees are making progress toward program goals and objectives and spending funds appropriately.

As reported in Semiannual Report to Congress No. 74, we encountered significant and recurring delays in receiving responses to nearly all of our requests for information. This included delays in getting responses from the Office of Indian Education to basic questions and requests for information, which necessitated sending follow-up requests and having to clarify inadequate or unclear responses. Information requested included monitoring plans, letters, and reports. We were also informed that staff members were told to be as limited as possible with responses to our questions, and we identified specific instances where staff were instructed to not provide relevant information we had not specifically requested. The Office of General Counsel and the Office of Elementary and Secondary Education senior management screened the Office of Indian Education's responses before we received them. This screening process contributed to the delays and to concerns that we may not have received candid responses. We also confirmed that this led to information being altered or withheld. These ongoing actions ultimately resulted in our reporting of a scope limitation in the final audit report.

Based on our finding, we made 12 recommendations, including that the Department ensure that management and the Office of Indian Education Formula Team develop, finalize, and implement detailed written policies and procedures on monitoring grantees' performance toward achieving the program's goals and objectives; monitoring grantees' use of funds, and ensuring that student counts are being appropriately verified and documented. The Department did not explicitly agree or disagree with the finding and fundamentally agreed with our recommendations. Indian Education Formula Grant Program Audit



Followup on Previous Audit Findings and Recommendations—Orleans Parish School Board

As reported in previous Semiannual Reports to Congress, we have been conducting a series of audits involving the Title I program, authorized by the Elementary and Secondary Education Act of 1965, as amended. Title I authorizes the Department to provide grants to local educational agencies through State educational agencies. Title I is the largest Federal grant program for elementary and secondary education, providing more than \$14.4 billion annually to supplement State and local education funding. In this audit series, we sought to determine whether previously audited local educational agencies completed corrective actions to remediate prior audit findings, and if not, why and whether risks still exist. During this reporting period,

we completed the fourth audit in this series. This audit focused on Louisiana's Orleans Parish School Board (Orleans Parish). We shared the findings of our three previous audits (Harvey Public School District 152 in Illinois, Wyandanch Union Free School District in New York, and the Detroit Public Schools Community District in Michigan) in previous Semiannual Reports to Congress. Those reports are available on our website.

We performed this audit to determine whether Orleans Parish had taken actions that provided reasonable assurance that Title I-relevant audit findings we reported in 2005 would not reoccur. In the 2005 report, we found that Orleans Parish did not adequately document the use of almost \$69.3 million in Elementary and Secondary Education Act Title I funds. Specifically, Orleans Parish did not adequately document expenditures for payroll, contract services, travel, supplies, and equipment. In addition, Orleans Parish did not follow competitive bidding procedures or have adequate control over its accounting system. In 2010, the Department issued a letter stating that the school district had taken steps to address the audit findings and recommendations.

Other than a deficiency involving nonpublic schools, nothing came to our attention during the followup audit indicating that Orleans Parish did not design and implement policies and procedures to reduce the risk of future noncompliance. Orleans Parish implemented a new financial management system, developed grants management policy requiring adequately documented personnel and nonpersonnel expenditures, and revised its policies and procedures for purchasing and contracting using district-held credit cards, and limiting user access to the financial management system. Regarding the deficiency, we found that Orleans Parish did not design and implement procedures that provided reasonable assurance that expenditures for services provided to nonpublic school students and charged to Title I funds were allowable. Specifically, Orleans Parish did not verify that educational services providers delivered the Title I services to nonpublic school students as asserted on invoices and supporting documentation. In fiscal year 2017, contracts with these educational services providers accounted for 26 percent (\$3.7 million) of Orleans Parish's \$14.1 million Title I allocation.

To address the deficiency, we recommended that the Louisiana Department of Education require Orleans Parish to develop and implement policies and procedures sufficient to verify that Title I services are delivered to nonpublic school students as asserted by vendors on their invoices and supporting documentation. The Louisiana Department of Education agreed with our findings and recommendations. [Orleans Parish Audit](#)

Closed Charter Schools

In this audit, we sought to determine whether the Department had effective oversight of the programs provided to charter schools and whether it sufficiently monitored State educational agencies to ensure that (1) procedures and internal controls were in place to identify the causes for charter school closures and for mitigating the risks of future charter school closures, (2) close-out procedures for Federal funds received by a charter school are performed in accordance with Federal law and regulations, (3) assets acquired with Federal funds by a charter school that closes are disposed of in accordance with Federal law and regulations, and (4) student information and

records from closed charter schools are protected and maintained in accordance with Federal law and regulations.

We examined oversight efforts related to the charter school closure process by the Department and three States that had charter schools that closed during the audit period: Arizona (the highest number of closed charter schools authorized by the same charter school authorizer), California (the largest charter school student enrollment and the most charter schools of any State), and Louisiana (the highest ratio of closed charter schools to total charter schools). The authorizers for the closed charter schools in these States were an independent chartering board (Arizona), local educational agencies (California), and the State board of education (Louisiana).

We found that the Department's oversight and monitoring of the States was not effective to ensure that the States performed the charter school closure process in accordance with Federal laws and regulations. Specifically, we found that the Title I, Individual with Disabilities Education Act, and Charter School Program offices did not always (1) provide adequate guidance to the States regarding their charter school closure procedures and (2) sufficiently monitor the States to ensure they had adequate internal control systems regarding charter school closures. This occurred

because the Department did not consider charter school closures to be a risk to Federal funds, and, therefore, did not prioritize providing guidance to the States on how to manage the charter school closure process or monitor the States' charter school closure processes. As a result, the Department lacked assurance that the State educational agencies ensured all applicable Federal requirements for the closed charter schools were consistently



performed and documented. During follow-up work in September and October 2017, we found the program offices had issued some guidance regarding requirements related to charter school closures and also updated some of their State monitoring procedures. These State monitoring procedures addressed some issues related to monitoring and oversight of closed charter schools, but we did not verify whether the new procedures have been fully implemented.

At the State level, we found that Arizona, California, and Louisiana generally had procedures and controls to identify the causes for charter school closures and for mitigating the risks of future charter school closures. However, the States did not always meet Federal and State-specific requirements when (1) performing close

out procedures for Federal funds a charter school received, (2) disposing of assets a charter school acquired with Federal funds, and (3) protecting and maintaining student information and records from closed charter schools. For 46 of the 89 charter schools we reviewed, we found that the States and/or authorizers did not ensure that schools properly closed out Federal funds within 90 days of the school closure as required by Federal laws and regulations. The States and/or authorizers also did not ensure that schools properly disposed of assets the schools acquired with Federal funds for 65 of the 89 charter schools. In addition, for 39 of the 89 charter schools, the States and/or authorizers did not ensure that student information and records were protected.

To address the weaknesses identified, we recommended that the Department (1) develop a risk assessment and monitor State educational agencies based on this assessment; (2) review and modify as needed the recent guidance issued by the Department to determine whether it adequately addresses issues we found; and (3) work with State educational agencies to develop and implement effective charter school closure procedures. We also included in the Other Matter section of this report a suggestion that the Department emphasize to States the importance of providing timely notification and appropriate assistance to all parents or legal guardians of displaced students in the event of a charter school's closure. The Department did not explicitly agree or disagree with our finding and did not agree with our recommendations. [Closed Charter Schools 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 and relevant press releases follow.

Investigations of School Officials and Contractors

The following are summaries of 2 OIG investigations involving K–12 school officials and contractors.

More Actions Taken in Department of Sports and Recreation \$9.8 Million Kickback, Fraud, and Money Laundering Scheme (Puerto Rico)

In previous Semiannual Reports, we highlighted actions against the former secretary of the Puerto Rico Department of Sports and Recreation, his assistant, and five vendors 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, a number of the vendors pled guilty to their role in the scheme. The former secretary allegedly used his position to enter into contracts with 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 inflated price and used the overpayments for kickbacks. The former secretary's assistant previously pled guilty to his role in the scheme.

Former Thornton Township High School District 205 Technology Department Consultant Indicted (Illinois)

A former Thornton Township High School District 205 consultant was indicted on conspiracy charges. The former consultant allegedly conspired with a vendor to direct the school district to purchase computer-related equipment and other items of value at significantly marked-up prices in exchange for a financial kickback. As a result of his alleged effort, the former employee received more than \$33,000.

Former High School Counselor Indicted on Fraud Charges (West Virginia)

A former Greenbrier West High School counselor was indicted on fraud charges for allegedly using her position to alter the grades of her two daughters in order to receive merit based and Federal student aid to which they were not otherwise entitled. The former counselor allegedly abused her access to the West Virginia Education Information System—the State's system that manages student records, including grading for all active, inactive, and graduated students—and altered more than 35 grades for her daughters, some of which were changed several years after the original grades were posted. As a result of her alleged actions, the girls fraudulently received more than \$10,000 in merit based and Federal student aid.

[Press Release](#)

Investigations of Charter Schools and Charter School Officials

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

Founder of the Varnett Public School and Her Husband Sentenced to Prison for Roles in \$4 Million Fraud Scam (Texas)

The founder and superintendent of the Varnett Public School, a charter school in Houston, and her husband, the school's facilities and operations manager, were sentenced to prison for bilking the school out of millions of dollars. The couple used their positions of trust and authority to embezzle millions of dollars from the school's three campuses by maintaining "off the books" accounts, stealing money orders submitted by parents of the school's students for school field trips and fundraisers, and deploying false invoicing schemes. The founder and superintendent was sentenced to 10 years in prison and 3 years of supervised release and was ordered to pay more than \$4.7 million. Her husband was sentenced to 3 years in prison and 1 year of supervised release and was ordered to pay more than \$4.5 million in restitution and fines.

Former President of Now-Defunct Delaware Valley High School Management Corporation Sentenced to Prison for Role in Embezzlement Scheme with Congressman's Son (Pennsylvania)

The former president of the now-defunct Delaware Valley High School Management Corporation and another company, Unique Educational Experience, was sentenced for embezzlement funds from the School District of Philadelphia, defrauding PNC Bank, and filing false tax returns with the Internal Revenue Service. From 2010 through 2012, the former school president conspired with the son of a Congressman to misrepresent the services the corporation and the company would provide to district students. The former president conspired with the Congressman's son to hide the true costs of services provided by his company by submitting false budgets to the school district that included false benefit costs, inflated staff salaries, and salaries for staff positions that were never filled. He then used those funds for personal expenses, including paying for contractors who performed work on his personal residence and vacation homes. The former president was sentenced to serve 60 months in prison. The Congressman's son was sentenced in 2016 to 60 months in prison and was ordered to pay more than \$1.1 million in restitution for his role in the scam. [Press Release](#)



Former Chief Executive Officer of Pennsylvania Cyber Charter School, His Sister, and Accountant Sentenced in \$8 Million Tax Fraud Scam (Pennsylvania)

The former chief executive officer of the Pennsylvania Cyber Charter School, his accountant, and his sister were sentenced for fraud. The former chief executive officer, aided by his accountant, founded a series of connected for-profit and not-for-profit entities that he used to funnel about \$8 million out of the Pennsylvania Cyber Charter School coffers into those sham companies in order to have free access to the funds and avoid Federal income tax liabilities. For more than 6 years, the former chief executive officer and his accountant falsified corporate books and records to

shift and hide the money. The accountant also helped file tax returns that attributed the money to other people, including the chief executive officer's sister. The former executive was sentenced to serve 20 months in prison and 3 years of supervised release. His accountant was sentenced to serve 12 months and 1 day in prison and 3 years of supervised release and was ordered to pay \$50,000 in restitution. His sister pled guilty to filing a false tax return and was sentenced to 2 years of probation and was ordered to pay more than \$30,200 in restitution. [Press Release](#)

Former Principal of Academy of Dover Charter School Sentenced for Theft (Delaware)

The former principal of the Academy of Dover charter school was sentenced for 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. The former principal was sentenced to serve 13 months in prison and was ordered to pay more than \$145,400 in restitution. [Press Release](#)

Investigations of Academic Tutoring Services Providers

The following is a summary of and a press release on an OIG criminal investigation involving the fraud, theft, and other misuse of Federal funds for academic tutoring services, including Supplemental Educational Services funds—money that should have gone toward tutoring and other academic enrichment activities for disadvantaged students to help improve achievement in reading, language arts, and math.

Creative Educational and Psychological Services, Inc., its President, and Three Other Employees Indicted in \$24 Million Fraud Scam (Puerto Rico)

A Federal grand jury returned a seven-count indictment charging Creative Educational and Psychological Services, a tutoring services company; its president and three other employees were indicted on charges of fraud, conspiracy, and theft. The indictment alleges that from 2011 through 2014, the president and the employees engaged in a conspiracy scheme to defraud the Puerto Rico Department of Education for tutoring services that were not provided or were not payable under its contract with the company. The company and its employees allegedly charged the Puerto Rico Department of Education for Supplemental Educational Services-funded tutoring services never provided and created false attendance and other records and documents to support their fraudulent efforts. Throughout the conspiracy, the company allegedly caused the Puerto Rico Department of Education to issue about 32 checks, totaling more than \$24 million, to the company. [Press Release](#)

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Federal and State Audit-Related Groups

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

Reviews of Legislation, Regulations, Directives, and Memoranda

- **2018 Frequently Asked Questions for the Temporary Emergency Impact Aid for Displaced Students Program.** The OIG made technical comments.





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

During this reporting period, we completed three audits specific to the Department's management and operations. These included audits of contractor security screening and improper payments.

Contractor Personnel Security Clearance Process

The Department requires all contractor and subcontractor employees to undergo personnel security screenings if they will require an identification badge granting unescorted access to Department facilities, access to information technology systems that house the personally identifiable information of millions of student loan borrowers and aid recipients, unclassified sensitive information, or if they will perform duties in a school or location where children are present. This is an important safeguard as the Department employs thousands of contractors to help carry out its mission.

The OIG initiated a series of audits to determine whether the Department has effectively implemented the requirements for contractor personnel screenings. In 2017, we issued the first audit in this series that focused on the Department's Institute of Education Sciences. During this reporting period, we issued the final two reports in this series, one audit focused on FSA and the second audit was a summary report of the previous audits and the Department's Office of Management, the office responsible for Department-wide oversight of the contractor security screening process. The results of these audits appear below.

During this reporting period, we issued the final two reports in this series: one audit focused on FSA and one focused on the Office of Management, which is responsible for Department-wide oversight of the contractor security screening process.

Federal Student Aid

We selected FSA for this audit series as it represented a significant number (125, or 22 percent) and dollar value (\$763 million or 24 percent) of active contracts within the Department at the time of our audit. Further, FSA contracts involve information technology systems that access a considerable amount of sensitive personally identifiable information and have a considerable number of contractor employees requiring screenings at the High Risk level. At the Department, "High Risk" level

access encompasses both information technology access and non-information technology access, which includes access to Privacy Act-protected personally identifiable information, proprietary information and other sensitive information and data.

Overall, we found that FSA did not effectively implement Department requirements for the contractor personnel security screening process. We specifically noted weaknesses in FSA's development of internal policies and procedures, designation of contract positions and risk levels, maintenance of contract position, risk, and employee information, notification and maintenance of security screening decisions, and contractor employee departure procedures. We found that FSA staff and officials involved in the process were generally unaware of Department requirements and their related responsibilities for processing contractor employees' security screenings. In addition, FSA appeared to rely heavily on its contractors for determining contract positions and appropriate risk levels and for maintaining contractor employee listings without any further review of the adequacy of these determinations or the accuracy of the listings. As a result, there is increased risk that contractor employees are working on Department contracts without appropriate security screenings. We also determined that FSA had not ensured that all contractor employees had appropriate security screenings and that security screenings were initiated or verified in a timely manner. Additionally, we determined that FSA is not always denying High Risk access to Department information technology systems or Department sensitive or Privacy Act-protected information before preliminary security screenings are favorably completed, as required. FSA also inappropriately provided High Risk information technology access to non-U.S. Citizens.

Because FSA did not ensure that the contractor employees assigned to its contracts received appropriate security screenings, the Department lacks assurance that



contractor employees with access to Department-controlled facilities and systems and/or unclassified sensitive information are suitable for the level of access granted to them. The Department's information and systems might be vulnerable to unauthorized access, inappropriate disclosure, and abuse by contractor employees who do not meet security standards, including those in positions with the potential for moderate to serious impact on the efficiency of the Department.

We made several recommendations to improve internal controls over FSA's contractor personnel security screening process, including that FSA ensure that staff involved in the contractor personnel security

screening process are aware of and comply with Department requirements and fulfill their responsibilities for processing security screenings. We also recommended that FSA begin tracking all active contractor employees assigned to FSA contracts, along with their risk level and any information technology access to ensure FSA does not provide inappropriate access to its contractor personnel. FSA agreed with the recommendations and provided a list of immediate actions it has taken and longer term solutions to strengthen the contractor personnel security clearance process. In addition, during the course of our audit, FSA noted that it had convened a task force consisting of cross functional staff whose mission is to analyze the current process and develop an improved process going forward. [FSA Contractor Personnel Security Clearance Process Audit](#)

Office of Management/Audit Series Summary Report

In this audit, we presented the results of our review of the Office of Management, the office responsible for Department-wide oversight of the contractor personnel security screening process. It combined the results of work conducted within the Office of Management and two principal offices—the Institute of Education Sciences and FSA. We found that the Department had not effectively implemented requirements for the contractor personnel security screening process. Specifically, the Office of Management did not provide adequate guidance or oversight of the process to ensure that key requirements of Office of Management Directive: 5-101, Contractor Employee Personnel Security Screenings (Directive), July 16, 2010, were implemented and that contractors had appropriate screenings. The Office of Management did not ensure the Directive was updated to reflect Federal requirements and Department practices established subsequent to the issuance of the Directive. Additionally, the Office of Management did not comply with its own requirements in the Directive, to include ensuring that principal offices submitted their specific procedures for complying with the Directive, providing notice to principal offices of final adjudication determinations, and coordinating with principal offices with regard to contract position and risk designation. We also found that the Office of Management did not ensure the timeliness of security screening activities, ensure contractor employee screening information maintained was accurate and reliable, or provide adequate training to principal offices with regard to process requirements and responsibilities.

As a result, the Department's ability to effectively implement the requirements for the contractor personnel security screening process may be hindered, to include ensuring key staff involved in the security screening process are aware of their expected responsibilities, ensuring consistency in principal offices processes, and ensuring compliance with government-wide policies. In addition, our reviews of both the Institute of Education Sciences and FSA found that staff and officials involved in the process were generally unaware of Department requirements and their related responsibilities for processing contractor employees' security screenings, and that some contractor employees did not have evidence of an appropriate screening. This lessens the Department's assurance that contractor employees with access to Department-controlled facilities and systems, unclassified sensitive information, and/or school children are suitable for the level of access granted to them. Furthermore, the Department's information and systems might be vulnerable to unauthorized access, inappropriate disclosure, and abuse by contractor employees who may not

meet security standards, including those in positions with the potential for moderate to serious impact on the efficiency of the Department.

We made several recommendations to improve internal controls over the Department's contractor personnel security screening process, including that the Office of Management develop and distribute written policies and procedures for the contractor personnel security screening process that reflect current Federal and Department requirements for the process and existing Department practices. We also recommended that the Office of Management require principal offices to develop and submit internal procedures for the contractor personnel security screening process. Finally, we recommended that the Office of Management develop a process to ensure that principal offices receive notification of all final adjudication determinations, ensure that security screening activities are completed within required timeframes, ensure the accuracy and reliability of security screening data, and provide comprehensive training on the contractor personnel security screening process to all applicable staff. The Department did not explicitly agree or disagree with our finding or recommendations. It noted that it was taking proactive steps to resolve the issues and will continue to improve the agency's personnel security program. [Department's Contractor Personnel Security Clearance Process Audit](#)

Improper Payments

The Improper Payments Elimination and Recovery Act (IPERA) requires Federal agencies to conduct annual risk assessments to determine which agency programs are susceptible to significant improper payments and to estimate, reduce, and recover improper payments. IPERA also requires each agency's Inspector General to determine the agency's compliance with the statute for each fiscal year. As a part of the review, the Inspector General evaluates the accuracy and completeness of the agency's reporting and performance in reducing and recapturing improper payments. Under the law, if an agency does not meet one or more of six compliance requirements, then it is not compliant with IPERA. Further, if an agency is not in compliance with IPERA for two consecutive fiscal years for the same program or activity, the Office of Management and Budget will review the noncompliant program and determine whether additional funding would help the agency come into compliance. A summary of our audit of the Department's compliance with IPERA for FY 2017 appears below.

Department's Compliance with Improper Payments Reporting Requirements for Fiscal Year 2017

Our audit found that the Department did not comply with IPERA for fiscal year 2017 because it did not meet its reduction target for the Federal Pell Grant program. This was the fourth consecutive year that the Department did not comply with IPERA. The Department met its reduction target for the William D. Ford Federal Direct Loan program and also met the remaining five compliance requirements for IPERA. Specifically, the Department (1) published an Agency Financial Report, (2) conducted program-specific risk assessments, (3) published improper payment estimates, (4) published a report on actions to reduce improper payments (corrective action plans), and (5) reported an improper payment rate of less than 10 percent. In addition, the Department's improper payment reporting, estimates, and methodologies were generally accurate and complete. The Department recaptured more improper payments

in fiscal year 2017 (\$42.46 million) than it did in fiscal year 2016 (\$20.35 million), and it implemented corrective actions to reduce improper payments. We also found that the Department adequately described the oversight and financial controls it has designed and implemented to identify and prevent improper payments.

However, the Department did not comply with IPERA because it did not meet its improper payment reduction target for the Pell program. The improper payment rate for the Pell program was 8.21 percent, which exceeded the reduction target of 7.85 percent set forth in the Department's fiscal year 2016 Agency Financial Report. This was the Department's second consecutive year of not meeting its reduction target for the Pell program, so now the Office of Management and Budget must review the program and determine whether additional funding would help the agency come into compliance. In addition, the Office of Management and Budget may require agencies that are not compliant with IPERA (for 1, 2, or 3 years in a row) to complete additional requirements beyond the measures listed in the guidance. For example, if a program is not compliant with IPERA, the Office of Management and Budget may determine that the agency must reevaluate or reprioritize its corrective actions, intensify and expand existing corrective action plans, or implement or pilot new tools and methods to prevent improper payments.

We recommended that the Department take necessary steps to address any actions the Office of Management and Budget may recommend to assist the agency with becoming compliant with IPERA. The Department agreed with the finding and recommendations. [Improper Payments Audit](#)

Investigations

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

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

A private investigator was sentenced to prison for fraudulently using then-presidential candidate Donald Trump's personal identifying information, including his Social Security

“A private investigator was sentenced to prison for fraudulently using then-presidential candidate Donald Trump's Social Security number in an attempt to illegally obtain his Federal tax information from the Internal Revenue Service.

number, in an attempt to illegally obtain his Federal tax information from the Internal Revenue Service. The man admitted that he used the President's information to begin an online Free Application for Federal Student Aid (FAFSA). After beginning the FAFSA, he obtained an FSA ID 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 servers. The man was sentenced to serve 18 months in prison and 2 years of supervised release and was ordered to pay more than \$14,800 in restitution and fines. [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. 5925, the Coordinated Response through Interagency Strategy and Information Sharing Act or CRISIS Act.** The OIG provided comments to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) regarding the OIG requirement to authenticate the detailed accounting of funds spent by the agency for National Drug Control Program activities before submission to the Director of the Office of National Drug Control.
- **Department Directive, Software Asset Management Policy.** The OIG made technical comments.
- **Department Directive, Handbook for Processing Salary Overpayments.** The OIG made technical comments.
- **Department Directive, Controlled Unclassified Information Program.** The OIG made technical comments.



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, specifically our non-Federal audit-related 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 audits performed each year, we conduct quality control reviews of a sample of audits. 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 33 quality control reviews of engagements conducted by 23 independent public accountants. We concluded that 2 (6 percent) were Pass, 7 (21 percent) were Pass with Deficiencies, and 24 (73 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 FSA reject the audit reports of two institutions. FSA rejected both of those audit reports. Furthermore, due to the independent public accountants' unacceptable audit work, we referred nine of them to the American Institute of Certified Public Accountants and/or to the appropriate State Boards of Accountancy for possible disciplinary action. A State Board of Accountancy took action against an independent public accountant based on one of our quality control reviews. The independent public accountant was censured and agreed to pay a fine and to not engage in audits or other engagements for 3 years.



Technical Assistance

The OIG's Non-Federal Audit Team is also dedicated to improving the quality of non-Federal audits through technical assistance and outreach to independent public accountants and others, including auditee officials and Department program

officials. Technical assistance involves providing advice about standards, audit guides and guidance, and other criteria and systems pertaining to non-Federal audits.

During this reporting period, we conducted a training session focused on the audit guide, Guide for Audits of Proprietary Schools and for Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs and the importance of selecting a qualified auditor. We provided the training to leaders in postsecondary career education at the 2018 Annual Convention of Career Education Colleges and Universities.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Federal Government

- **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 continue to play an active role in CIGIE efforts. Formerly the chair of CIGIE's Information Technology Committee, Inspector General Tighe is the at-large member of CIGIE's Executive Council. Inspector General Tighe is also a member of CIGIE's Audit 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 also chair the Information Technology Investigations Subcommittee, and are members of CIGIE's Assistant Inspector General for Investigations Subcommittee, the Grant Reform Working Group, the CIGIE Undercover Review Committee, and the OIG Human Resources Directors' Roundtable. OIG staff also participate in the following.

- **CIGIE/Government Accountability Office Financial Audit Manual Revisions Workgroup.** OIG staff participated in this workgroup to revise the Financial Audit Manual, incorporating the most recent changes from the audit and accounting standards.
- **CIGIE/Government Accountability Office Annual Financial Statement Audit Conference.** OIG staff participated on the conference planning committee for the annual Financial Statement Audit Conference. The conference is a free training program for over 400 IG, the Government Accountability Office, and independent public accountants tasked with conducting and coordinating annual financial statement audits. The training covered current issues related to the government's annual financial statement audits and standards. OIG staff participated on the conference planning committee by obtaining speakers and developing the agenda.

Government-Wide Audit-Related Groups

- **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.
- **Federal Audit Executive Council, Financial Statement Audit Committee Workgroup.** OIG staff serve on this interagency workgroup consisting of OIG auditors from numerous Federal agencies. The committee addresses government-wide financial management and financial statement audit issues through coordination with the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget. It also provides technical assistance on audit standards, policies, legislation, and guidance, and plans the CIGIE/Government Accountability Office Annual Financial Statement Audit Conference.

Required Reporting



Required Tables and Appendices

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

Acronyms and Abbreviations Used in the Required Tables

AARTS	Audit Accountability and Resolution Tracking System
Department	U.S. Department of Education
FFEL	Family Federal Education Loan
FSA	Federal Student Aid
FY	Fiscal Year
HEA	Higher Education Act of 1965, as amended
IES	Institute of Education Sciences
IG Act	Inspector General Act of 1978, as amended
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCTAE	Office of Career, Technical, and Adult Education
ODS	Office of the Deputy Secretary
OESE	Office of Elementary and Secondary Education
OIG	Office of Inspector General
OII	Office of Innovation and Improvement
OPE	Office of Postsecondary Education
OSDFS	Office of Safe and Drug-Free Schools
OSEP	Office of Special Education Programs
OSERS	Office of Special Education and Rehabilitative Services
Recs	Recommendations
RMS	Risk Management Service
SAR	Semiannual Report to Congress
Title I	Grants to local educational agencies through State educational agencies funded under Title I of the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act
Title IV	Federal student aid programs funded under Title IV of the HEA

Definitions

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

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

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

recommendations. Inspections are performed in accordance with quality standards for inspections approved by the Council of Inspectors General for Integrity and Efficiency.

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

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

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

OIG Product Website Availability Policy

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

Required Reporting

The following pages presents summary tables and tables containing statistical and other data as required by the IG Act, 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 FY 2018 (By Reporting Period)	1	50
-	Statistical Summary of Investigations Accomplishments FY 2018 (By Reporting Period)	2	51
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	10	66
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 (April 1, 2018, through September 30, 2018)	3	53
Section 5(a)(4) of the IG Act	Matters Referred to Prosecutive Authorities FY 2018 (By Reporting Period)	2	51
5(a)(5) and 6(c)(2) of the IG Act	Summary of Instances in Which Information or Assistance Was Refused or Not Provided	10	66
Section 5(a)(6) of the IG Act	Listing of Reports Audit and Other Reports and Products on Department Programs and Activities (April 1, 2018, through September 30, 2018)	4	54
Section 5(a)(8) of the IG Act	Questioned Costs Audit and Other Reports with Questioned or Unsupported Costs	5	55
Section 5(a)(9) of the IG Act	Better Use of Funds Audit and Other Reports with Recommendations for Better Use of Funds	6	56
Section 5(a)(10) of the IG Act	Unresolved Reports Unresolved Audit and Other Reports Issued Before Reporting Period	7	57
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	10	66
Section 5(a)(10)(C) of the IG Act	Outstanding Unimplemented Recommendations with Aggregate Potential Cost Savings	7	57
Section 5(a)(11) of the IG Act	Significant Revised Management Decisions	10	66
Section 5(a)(12) of the IG Act	Significant Management Decisions with Which the OIG Disagreed	8	65

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	10	66
Section 5(a)(14)-(16) of the IG Act	Peer Review Results	9	65
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 (All four requirements included)	51
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	51
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	10	66
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	10	66
Section 5(a)(20) of the IG Act	Description of Instances of Whistleblower Retaliation (Including information about the official found to have engaged in retaliation, consequences the establishment actually imposed to hold the official accountable, and whether the establishment entered into a settlement agreement with the official)	10	66
Section 5(a)(21) of the IG Act	Description of Attempt by Agency to Interfere with OIG Independence	10	66
Section 5(a)(22)(A) of the IG Act	Description of Audits Closed but Not Disclosed to the Public	10	66
Section 845 of the National Defense Authorization Act for Fiscal Year 2008	Contract-Related Audit Products with Significant Findings	10	66

Table 1. Statistical Summary of Audit and Other Report Accomplishments—FY 2018 (By Reporting Period))

Accomplishment	October 1, 2017– March 31, 2018	April 1, 2018– September 30, 2018	FY 2018 Total
Audit Reports Issued	11	8	19
Inspection Reports Issued	1	0	1
Other Products Issued	4	0	4
Questioned Costs (Including Unsupported Costs)	\$97,481	\$0	\$97,481
Recommendations for Better Use of Funds	\$0	\$0	\$0
Reports Resolved By Program Managers	8	5	13
Questioned Costs Sustained (Including Unsupported Costs)	\$173,164	\$0	\$173,164
Unsupported Costs Sustained	\$0	\$0	\$0
Additional Disallowances Identified by Program Managers	\$825,782	\$0	\$825,782
Management Commitment to the Better Use of Funds	\$0	\$0	\$0

**Table 2. Statistical Summary of Investigative Accomplishments—
FY 2018 (By Reporting Period)**

Accomplishment	Description of the Metric	SAR 76 (October 1, 2017– March 31, 2018)	SAR 77 April 1, 2017– September 30, 2017	FY 2018 Total
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.	39	29	68
Investigative Cases Closed	Number of investigations that were closed during the reporting period.	39	48	87
Cases Active at the End of the Reporting Period	Number of investigations not closed prior to the end of the reporting period.	255	234	-
Investigative Reports Issued	Number of Reports of Investigation issued during the reporting period.	60	57	117
Total Number of Persons Referred to State and Local Prosecuting Authorities	Number of individuals and organizations formally referred to state or local prosecuting authorities for prosecutorial decisions during the reporting period.	8	2	10
Total Number of Persons Referred to the U.S. Department of Justice	Number of individuals and organizations formally referred to the U.S. Department of Justice for prosecutorial decisions.	44	42	86
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.	31	24	55
Convictions/Pleas	Number of criminal convictions, pleas of guilty or nolo contendere, or acceptance of pretrial diversions that occurred during the reporting period.	37	36	73
Fines Ordered	Sum of all fines ordered during the reporting period.	\$28,358	\$406,474	\$434,832
Restitution Payments Ordered	Sum of all restitution ordered during the reporting period.	\$15,468,247	\$38,728,114	\$54,196,360

Accomplishment	Description of the Metric	SAR 76 (October 1, 2017– March 31, 2018)	SAR 77 April 1, 2017– September 30, 2017	FY 2018 Total
Civil Settlements/ Judgments (number)	Number of civil settlements completed or judgments ordered during the reporting period.	2	0	2
Civil Settlements/ Judgments (amount)	Sum of all completed settlements or judgments ordered during the reporting period.	\$600,200	0	\$600,200
Recoveries	Sum of all administrative recoveries ordered by the Department or voluntary repayments made during the reporting period.	\$1,489,155	\$4,321,264	\$5,810,419
Forfeitures/Seizures	Sum of all forfeitures/ seizures ordered during the reporting period.	\$262,162	\$861,529	\$1,123,691
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	\$206,879	\$206,879
Suspensions Referred to Department	Number of suspensions referred to the Department during the reporting period.	0	0	0
Debarments Referred to Department	Number of debarments referred to the Department during the reporting period.	5	24	29

Table 3. Significant Recommendations Described in Previous Semiannual Reports to Congress on which Corrective Action Has Not Been Completed (April 1, 2018, through September 30, 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	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)	11/14/16	1/26/17	2	11	9/27/19
IES	Audit A19R0002 New	The Institute of Education Sciences' Contractor Personnel Security Clearance Process (SAR 74, page 57)	3/8/17	5/3/2017	1	10	3/30/19
OCFO	Audit A17Q0001	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)	11/14/16	2/14/17	2	11	3/29/19
ODS	Audit A06O0001	Management Certifications of Data Reliability (SAR 72, page 57)	2/11/16	5/9/16	1	4	2/15/19
ODS	Audit A02M0012	Nationwide Assessment of Charter and Education Management Organizations (SAR 73, page 52)	9/29/16	1/10/17	1	4	3/31/19

Table 4. Audit and Other Reports and Products on Department Programs and Activities (April 1, 2018, through September 30, 2018)

Office	Report Type and Number	Report Title	Date Issued	Questioned Costs (Includes Unsupported Costs)	Number of Recs
FSA	Audit A05Q0007	Federal Student Aid: Efforts to Implement Enterprise Risk Management Have Not Included All Elements of Effective Risk Management	7/24/18	-	6
FSA	Audit A19R0003	Federal Student Aid's Contractor Personnel Security Clearance Process	4/17/18	-	17
OCFO	Audit A04S0003	The U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2017 (FSA is also designated as an action official)	5/9/18	-	2
ODS	Audit A02M0011	Nationwide Audit of Oversight of Closed Charter Schools (The report is addressed to ODS and recommends ODS coordination with OESE, OSERS, and OII on report recommendations)	9/28/18	-	3*
OESE	Audit A05R0002	Orleans Parish School Board: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses	5/14/18	-	2*
OESE	Audit A19Q0002	The Department's Oversight of the Indian Education Formula Grant Program	9/28/18	-	12
OM	Audit A19P0008	The Department's Implementation of the Contractor Personnel Security Clearance Process	9/20/18	-	11
OPE	Audit A09R0003	U.S. Department of Education's Recognition and Oversight of Accrediting Agencies	6/27/18	-	3
Total	8 reports			-	56

* Reports A02M0011 and A05R0002 each contain 1 suggestion in addition to their recommendations.

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

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

Requirement	Number	Questioned Costs (Includes Unsupported Costs)	Unsupported Costs
A. For which no management decision has been made before the commencement of the reporting period	2	\$712,778,606*	\$0
B. Which were issued during the reporting period	0	\$0	\$0
Subtotals (A + B)	2	\$712,778,606	\$0
C. For which a management decision was made during the reporting period	0	\$0	\$0
(i) Dollar value of disallowed costs		\$0	
(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

* Reflects recommendations from two OIG audit reports: "Western Governors University Was Not Eligible to Participate in the Title IV Programs" (\$712,681,125) and "Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds" (\$97,481). See Table 7 for more information.

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

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

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

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

The Department tracks audit resolution and the implementation of corrective actions related to OIG recommendations in its Audit Accountability and Resolution Tracking System. The Office of 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, it is currently working to close 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 currently in the Department's audit closure process.	5/15/12	Yes	22	\$232,918
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 close 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	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 currently working to resolve this audit.	9/20/17	No Proposed resolution date: Anticipate resolution within the next 60 days	9	\$712,681,125
FSA	Final Independent Auditors' Report Fiscal Years 2017 and 2016 Financial Statements Federal Student Aid (Budget Service is also designated as an action official) A17R0002 New	The audit identified two significant deficiencies in internal controls over financial reporting involving (1) controls over modeling activities of student loan portfolio costs, and (2) persistent information technology control deficiencies. The report also identified one instance of noncompliance involving debts that are more than 120 days delinquent. Current Status: FSA informed us that the audit is resolved, but all corrective actions have not been completed.	11/13/17	Yes	10	\$0

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
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 resolved, but all corrective actions have not been completed.	3/18/17	Yes	11	\$0
IES	Protection of Personally Identifiable Information in Statewide Longitudinal Data Systems A02O0008 New	The audit found that IES had inadequate controls for monitoring its grantees' adherence to State system security requirements. Current Status: IES informed us that it is currently working to close this audit.	3/15/18	Yes	3	\$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 fiscal 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 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.	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	Protection of Personally Identifiable Information in Indiana's Statewide Longitudinal Data System (IES is also designated as an action official) A06Q0001	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
OCFO	The Department's Communication Regarding the Costs of Income-Driven Repayment Plans and Loan Forgiveness Programs (The report is addressed to ODS) A09Q0003 New	The audit found 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. Due to weaknesses 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. Current Status: OCFO informed us that the audit is resolved, but all corrective actions have not been completed.	1/31/18	Yes	3	\$0

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
OCFO	<p>Final Independent Auditors' Report Fiscal Years 2017 and 2016 Financial Statements U.S. Department of Education</p> <p>(Budget Service and OCIO are also designated as action officials)</p> <p>A17R0001</p> <p>New</p>	<p>The audit identified two significant deficiencies in internal controls over financial reporting involving (1) controls over modeling activities of student loan portfolio costs, and (2) persistent information technology control deficiencies. The report also identified one instance of noncompliance involving debts that are more than 120 days delinquent.</p> <p>Current Status: OCFO informed us that the audit is resolved, but all corrective actions have not been completed.</p>	11/13/17	Yes	9	\$0
OCIO	<p>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)</p> <p>A11R0001</p> <p>New</p>	<p>This 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.</p> <p>Current Status: OCIO informed us that the audit is resolved, but all corrective actions have not been completed.</p>	10/31/17	Yes	35	\$0
OCTAE	<p>Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds</p> <p>A04O0004</p> <p>New</p>	<p>The audit found that the Puerto Rico Department of Education can improve its oversight of the Adult Education program to ensure that it (1) submits complete, supported, and accurate performance data to the Department, (2) uses funds in compliance with applicable laws and regulations, and (3) obtains and reviews single audit reports of subgrantees.</p> <p>Current Status: OCFO/Post Audit Group Program Determination Letter was issued on 8/27/2018.</p> <p>OCTAE informed us that it is currently working to resolve this audit.</p>	2/22/18	<p>No</p> <p>Proposed resolution date unknown</p>	9	\$97,481

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
OESE	Puerto Rico Department of Education's Award and Administration of Personal Services Contracts (OVAE, OSDFS, and RMS also designated as action officials) A04J0005	The audit found that the Puerto Rico Department of Education 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: This audit is resolved, corrective action has been completed, and is in the process of being formally closed in AARTS.	1/24/11	Yes	11	\$15,169,109
OESE	Harvey Public School District 152: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses A05Q0003	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 is currently working to resolve this audit.	5/18/17	No Proposed resolution date: March 2019	5	\$0
OESE	Calculating and Reporting Graduation Rates in Alabama A02P0010	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 is currently working to resolve this audit.	6/14/17	No Proposed resolution date: March 2019	6	\$0
OESE	Calculating and Reporting Graduation Rates in California A02Q0005 New	The audit found that the California Department of Education's system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete. Current Status: OESE is currently working to resolve this audit.	1/11/18	No Proposed resolution date: June 2019	6	\$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	Detroit Public Schools Community District: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses A05R0001 New	<p>The audit found that the school district's noncompliance occurred because it did not have adequate policies and procedures to review Title I contracts, invoices, employee insurance benefit costs, and adjust journal entries to ensure they were adequately documented, reasonable, and allowable.</p> <p>Current Status: OESE is currently working to resolve this audit.</p>	3/28/18	No Proposed resolution date: June 2019	10	\$0
OESE	New York State's and Selected Districts' Implementation of Selected Every Student Succeeds Act Requirements under the McKinney-Vento Homeless Assistance Act A03Q0005 New	<p>The audit found that New York State Education Department had not yet completed updating its policies and procedures, did not require local educational agencies to submit final documentation in response to monitoring findings, and was not ensuring that local educational agencies were reporting all unaccompanied youth.</p> <p>Current Status: OESE is currently working to resolve this audit.</p>	3/29/18	No Proposed resolution date: June 2019	9	\$0

Table 8. Significant Management Decisions with Which the OIG Disagreed

Issue	Description
Gainful employment	<p>Since the 1998 reauthorization of the HEA, the OIG has recommended that Congress define the requirement that certain institutions are eligible to participate in the Title IV student financial assistance only if, among other requirements, they prepare students for gainful employment in a recognized occupation. The Gainful Employment regulations promulgated in 2014 established such a definition of gainful employment. In August 2018, the Department proposed to rescind these Gainful Employment regulations. In May 2018, we notified the Department of our disagreement with its proposal to eliminate the Gainful Employment regulations without an adequate replacement to ensure accountability. In our recent recommendations to Congress for reauthorization of the HEA, we highlight the need for a continued definition of gainful employment in order to ensure compliance with the gainful employment requirement established by Congress in the HEA. The Inspector General and her predecessors have testified before Congress on issues involving proprietary schools over the years, and the sector continues to be a high-risk area for the Department. OIG resources devoted to postsecondary school investigations continue to be disproportionately devoted to fraud and abuse in the proprietary sector. The sector also represents a disproportionate share of student loan defaults. In addition, findings of misrepresentation of job placement rates and guaranteed employment by Corinthian Colleges and other schools provide a clear demonstration of the need for particular accountability.</p>

Table 9. Peer Review Results

Description
<p>During this reporting period, the U.S. Department of the Interior Office of Inspector General issued its findings related to a peer review it conducted of the OIG's audit organization for the period April 1, 2017, through March 31, 2018. Our office received a peer review rating of pass. There were no outstanding recommendations from prior peer reviews. The Department of the Interior Office of Inspector General's peer review report was issued in September 2018 and is available on our website.</p> <p>The OIG conducted a peer review of U.S. Department of Treasury Office of Inspector General's audit organization for the period April 1, 2017, through March 31, 2018. The Department of Treasury Office of Inspector General received a peer review rating of pass. There were no outstanding recommendations from prior peer reviews. We issued the report in September 2018.</p>

Table 10. Other Reporting Requirements

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

CIGIE	Council of the Inspectors General on Integrity and Efficiency
Department	U.S. Department of Education
ERM	Enterprise Risk Management
FAFSA	Free Application for Federal Student Aid
FSA	Federal Student Aid
IPERA	Improper Payments Elimination and Recovery Act
OIG	Office of Inspector General
OPE	Office of Postsecondary Education
Title I	Grants to local educational agencies through State educational agencies funded under Title I of the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act

FY 2019 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. The following are the management challenges that the OIG identified for FY 2019:

1. Improper Payments,
2. Information Technology Security,
3. Oversight and Monitoring, and
4. Data Quality and Reporting.

For a copy of our FY 2019 Management Challenges report, visit our website at <http://www2.ed.gov/about/offices/list/oig/managementchallenges.html>.



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

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