UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE GENERAL COUNSEL

June 7, 2019

The Honorable Elijah E. Cummings
Chairman
Committee on Oversight and Reform
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Cummings:

Thank you for your letter of May 30, 2019 to Deputy Secretary Mitchell Zais. A similar letter was also sent to Rep. DeSaulnier.

To begin, we should have been more responsive to Rep. DeSaulnier's request to participate, and I truly regret any inconvenience that we may have caused. I am happy to speak with Rep. DeSaulnier at his convenience and will have my staff reach out to coordinate either a direct call or a meeting at his office, as he may prefer.

At the same time, the Department categorically rejects any suggestion that it has "obstructed" the Committee's work by raising well-founded constitutional concerns relating to the scope or nature of Congressional oversight requests and by seeking a more fulsome accommodation process. Separation of powers and the rule of law constrain government power to protect America's citizens. Properly understood, these are the essential objects of the Federal enterprise, not mere procedural impediments. Consequently, Congress and the Executive Branch each have an independent constitutional obligation to seek optimal accommodation through a realistic evaluation of the other's needs when oversight is disputed. *See, e.g., Brief of Amici Curiae Rep. Cummings et al., Comm. on Oversight & Gov't Reform v. Lynch,* 156 F. Supp. 3d 101 (D.D.C. 2016), ECF No. 28-1 ("[The Committee] has not exhausted reasonable avenues of negotiation or accommodation...."); *United States v. AT&T*, 567 F.2d 121, 127, 130 (D.C. Cir. 1977).

Our understanding is that the Committee seeks "to determine whether the Department complied with the Vacancies Act, honored the independence of the Office of Inspector General, pressured the Acting Inspector General to drop an investigation, sought to remove the Acting Inspector General, or sought to replace her with a conflicted agency insider."[1] In response, we note:

1. The Department Complied with the Vacancies Act. The Department has previously confirmed and documented Vacancies Act compliance. Therefore, we welcome the

[1] *See* Letter from Chairman Elijah Cummings and Rep. Mark DeSaulnier to Deputy Secretary Mitchell Zais at 3 (May 30, 2019), available at https://oversight.house.gov/sites/democrats.oversight.house.gov/files/documents/2019-05-30.EEC%20DeSaulnier%20to%20Zais-DoEd%20re%20OIG%20Firing.pdf (last accessed May 31, 2019).

opportunity to speak with your staff so that we may better understand the Committee's specific concerns on this front.

2. The Department Honored the Acting Inspector General's Independence and Did Not Pressure Her to Drop an Investigation. On or about May 30, 2019, the Acting Inspector General issued the Semiannual Report to Congress. Office of Inspector Gen., Dep't of Educ., No.78, *Semiannual Report to Congress* (2019) (attached as Exhibit A and available at https://www2.ed.gov/about/offices/list/oig/semiann/sar78.pdf). There, in Table 10, the Acting Inspector General affirmed that with respect to any "Description of Attempt by the Agency to Interfere with OIG Independence" there was "Nothing to Report." *Id.* at 68. Also, the Report is bare of any fact or allegation that the Department pressured the OIG "to drop an investigation." This is because the Department has not done so. Again, we welcome further staff discussions, informed by these facts, to clarify the Committee's specific areas of inquiry and to facilitate the collection and review of relevant records.

3. Congress Delegated the Authority for Appointing an Acting Inspector General to the President. Appointing an Inspector General is a function the Congress reserved for the President, subject to Senate advice and consent. Appointing or removing an Acting Inspector General is also a function the Congress reserved for the President, but without Senate advice and consent. To the extent the House of Representatives has an oversight role here, the deliberative process component of executive privilege and the judicial admonition that the Branches have a duty to engage in a *mutual* accommodation process both apply with great force. Our authorities for this position include *Comm. on Oversight and Gov't Reform v. Lynch,* 156 F.Supp.3d 101, 110-12 (D.D.C. 2016); *United States v. Nixon,* 418 U.S. 683, 705-06, 708 (1974); *United States v. AT&T, supra*; *NLRB v. Sears, Roebuck & Co.*, 421 U.S. 132, 150–51 (1975); *Nixon v. Adm'r of Gen. Servs.*, 433 U.S. 425, 448-50 (1977); *Congressional Requests for Confidential Executive Branch Information,* 13 Op. O.L.C. 153, 156-57 (June 19, 1989). Interestingly, the May 30 letter cites House Rule X and claims for the Committee plenary jurisdiction over the Inspector General Act and the Vacancies Act but does not address or distinguish the Department's cited authorities.[2]

4. Mr. Rosenfelt Was Wrongly Described As "A Conflicted Agency Insider." As Committee staff knows, but by way of background, Mr. Rosenfelt is the Department's former Acting Secretary (for the early weeks of the Trump Administration) and Acting General Counsel (for three years of the Obama Administration). He has served the American people with honor at the Department, and its predecessor Department of Health, Education and Welfare, since 1971. His professional reputation is beyond reproach. Your staff also knows

[2]Congress' power of inquiry may not cross the line into efforts to gain "day-to-day" control over affairs committed to the Executive Branch. *See Metropolitan Washington Airports Authority v. Citizens for Abatement of Aircraft Noise, Inc.,* 501 U.S. 252 (1992); *Myers v. United States*, 272 U.S. 52, 135 (1926). If tested, we believe the proposed oversight in this case runs a very real danger of prohibited line-crossing.

that he was subject to applicable federal conflict of interest and ethics laws and regulations and the relevant Rules of Professional Conduct and would have taken appropriate steps to comply with these authorities on a case-by-case basis had it been necessary for him to do so. Consequently, the description of Mr. Rosenfelt as a "conflicted agency insider" unqualified to serve as Acting Inspector General is simply not supported by the facts, as Mr. Rosenfelt's independence, professionalism, and reputation for fairness are beyond dispute. We regret the Committee's press release suggesting otherwise and urge your staff to avoid such gratuitous personal attacks in the future.

5. The Department Proposes *In Camera* Review to Address Separation of Powers and Privilege Issues. We believe the contention that the Department has "refus[ed] . . . to produce documents" is incorrect. Rather, we have requested a constitutionally compliant accommodation process addressing the Committee's legitimate oversight interests while also respecting the well-recognized constitutional obligations and prerogatives of the co-equal Executive Branch. To most efficiently manage the separation of powers and attendant privilege concerns at play here, our proposal is for your staff to conduct an *in camera* review of an agreed set of records at the Department's offices. By way of accommodation, the Department will make these agreed records available in unredacted form, save for privileges attaching to communications from the Executive Office of the President, which the Department does not have authority to waive. Our staff will be available to assist and answer any questions that might arise during your review. Additionally, we propose deferring all discussions regarding the Deputy Secretary's transcribed interview until after your staff has reviewed the Acting Inspector General's Report and the above records.

As the Committee at least tacitly admits, Acting Inspector General appointments are a quintessential Presidential function, where the Executive Branch's deliberative confidentiality interests are at their peak. We have proposed what we believe to be a reasonable, practical, and lawful compromise. If the Committee is unwilling to engage in good faith accommodation and to cease unwarranted personal attacks against a 48-year career civil servant, then there is no path forward. This Department will defend the Constitution's separation of powers against encroachments and protect our political officials and career employees.

Please feel free to contact Jordan Harding, Principal Deputy Assistant Secretary, Office of Legislation and Congressional Affairs, at 202-401-0200 to finalize the details for the *in camera* review (if acceptable to you) or if you have any other questions about this matter.

Sincerely,

Reed D. Rubinstein
Acting General Counsel

EXHIBIT A

Exhibit A

Semiannual Report to Congress, No. 78

October 1, 2018–March 30, 2019

U.S. Department of Education
Office of Inspector General



Office of Inspector General
Sandra D. Bruce
Acting Inspector General

May 2019

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Please Note:

The Inspector General's Semiannual Report to Congress, No. 78 is available on the ED OIG website at http://www2.ed.gov/about/offices/list/oig/sarpages.html.

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Message to Congress

As the Acting Inspector General of the U.S. Department of Education (Department) Office of Inspector General (OIG), I present this Semiannual Report on the activities and accomplishments of this office from October 1, 2018, through March 31, 2019. The audits, investigations, and related work highlighted in the report are products of our mission to identify and stop fraud, waste, and abuse, and promote accountability, efficiency, and effectiveness through our oversight of the Department's programs and operations.

The work that the OIG accomplished over the last 6 months reflects our ongoing dedication and commitment to our mission and goals. In our audit-related work, we issued 12 reports and recommendations aimed at improving Department programs and operations. This work also identified more than $712 million in questioned and disallowed costs. Examples of this audit work include the following.

- We found that the Department did not have controls in place to ensure that it processed Family Educational Rights and Privacy Act (FERPA) complaints timely and effectively. We found a long-standing and substantial backlog of unresolved FERPA complaints that prevented timely and effective resolution of new complaints, as well as a number of significant control weaknesses that hampered the Department's ability to resolve FERPA complaints. As a result, the Department did not ensure the timely remediation of violations, which may have compounded the adverse impact on students.

- Our fiscal year (FY) 2018 Federal Information Security Modernization Act, or FISMA, review concluded that the Department's and Federal Student Aid's (FSA) overall information security programs were generally not effective as defined by the reporting metrics. Although both the Department and FSA continued to make progress in strengthening their information security, weaknesses remained, leaving their systems vulnerable to security threats.

- In FY 2018, although the Department and FSA received unmodified financial statements audit opinions, the auditors identified one material weakness in internal controls over the reliability of information used in modeling activities and one significant deficiency in information technology controls. Ineffective controls impact management's ability to prevent, detect, and correct errors and can increase the risk of unauthorized access to the Department's systems. In addition, the auditors identified one instance of noncompliance involving a provision of the Debt Collection Improvement Act of 1996, as amended by the Data Accountability and Transparency Act of 2014.

- We found that FSA needed to take additional actions to mitigate the risk of student loan servicer noncompliance with requirements for servicing federally held student loans. Although FSA oversight activities regularly identified instances of servicers' noncompliance, it did not track identified instances of noncompliance that servicers remediated, FSA had not analyzed the information it did track to identify trends and recurring instances of noncompliance at each servicer and across all servicers, and FSA rarely used available contract accountability provisions to hold servicers accountable for instances of noncompliance. By not holding servicers accountable for instances of noncompliance with Federal loan servicing requirements, FSA did not provide servicers with an incentive to take actions to mitigate the risk of continued servicer noncompliance that could harm students.

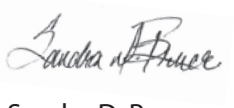
- Our loan servicing oversight audit was the focus of a Congressional hearing in March and is one of many reports issued by the OIG over the years aimed at improving Federal higher education programs and operations. As you proceed with the critical task of reauthorizing the Higher Education Act of 1965, as amended, I hope that you will consider the OIG's Recommendations for the Reauthorization of the Higher Education Act that we provided to Congress in 2018. We provided these recommendations in accordance with our mission; we provide independent and objective assistance to ensure continuous improvement in program operations as well as

prevent fraud, waste, and abuse. We based our recommendations on OIG audits, reviews, and investigations related to the Federal student aid programs and program participants, as well as a review of legislation and legislative proposals issued before March 1, 2018. We welcome the opportunity to discuss these suggestions or provide additional information should you so require.

In our investigative work, we closed 39 investigations involving fraud or corruption and secured more than $26.5 million in restitution, settlements, fines, recoveries, and forfeitures. 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. This included the following:

- 12 college and university officials, contractors, and employees, including two former financial aid officers at the Center for Employment Training in Chicago who pled guilty for their roles in a multimillion dollar fraud scheme;
- 16 members of student aid fraud rings, including a father and son team in Arizona who are alleged to have orchestrated a scam that targeted nearly $7.5 million in student aid;
- 11 people who embarked on their own fraud scams, including a man who was sentenced to 17 years in prison for operating a $12 million identity theft, student aid, and phony tax return scam; and
- 10 high-ranking K–12 school officials and contractors for stealing public education funds for their own purposes, including the former superintendent of Oklahoma's Grant-Goodland Public Schools who was sentenced to prison and was ordered to pay more than $1 million in restitution for theft, and the founder of New Mexico's Southwest Learning Center charter schools who was sentenced to prison and was ordered to pay more than $3 million in restitution for fraud.

In closing and as you know, I have been Acting Inspector General since Inspector General Kathleen Tighe retired on November 30, 2018. Inspector General Tighe oversaw the work of this office for the first 2 months of this reporting period. It is truly an honor to lead this organization with its proven record of accomplishment and exemplary work. I have every intention of continuing to maintain the high level of integrity and service you have come to expect from this office and that America's taxpayers and students deserve. I look forward to working with the Department, members of Congress, and my colleagues in the Inspector General community to provide our nation's taxpayers with assurance that the Federal government is using their hard-earned tax dollars effectively and efficiently.

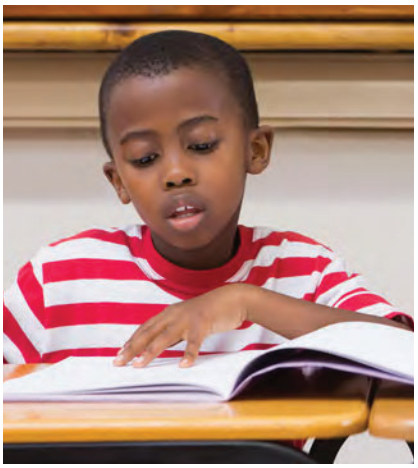


Sandra D. Bruce
Acting Inspector General

Exhibit A








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Federal Student Aid Programs and Operations

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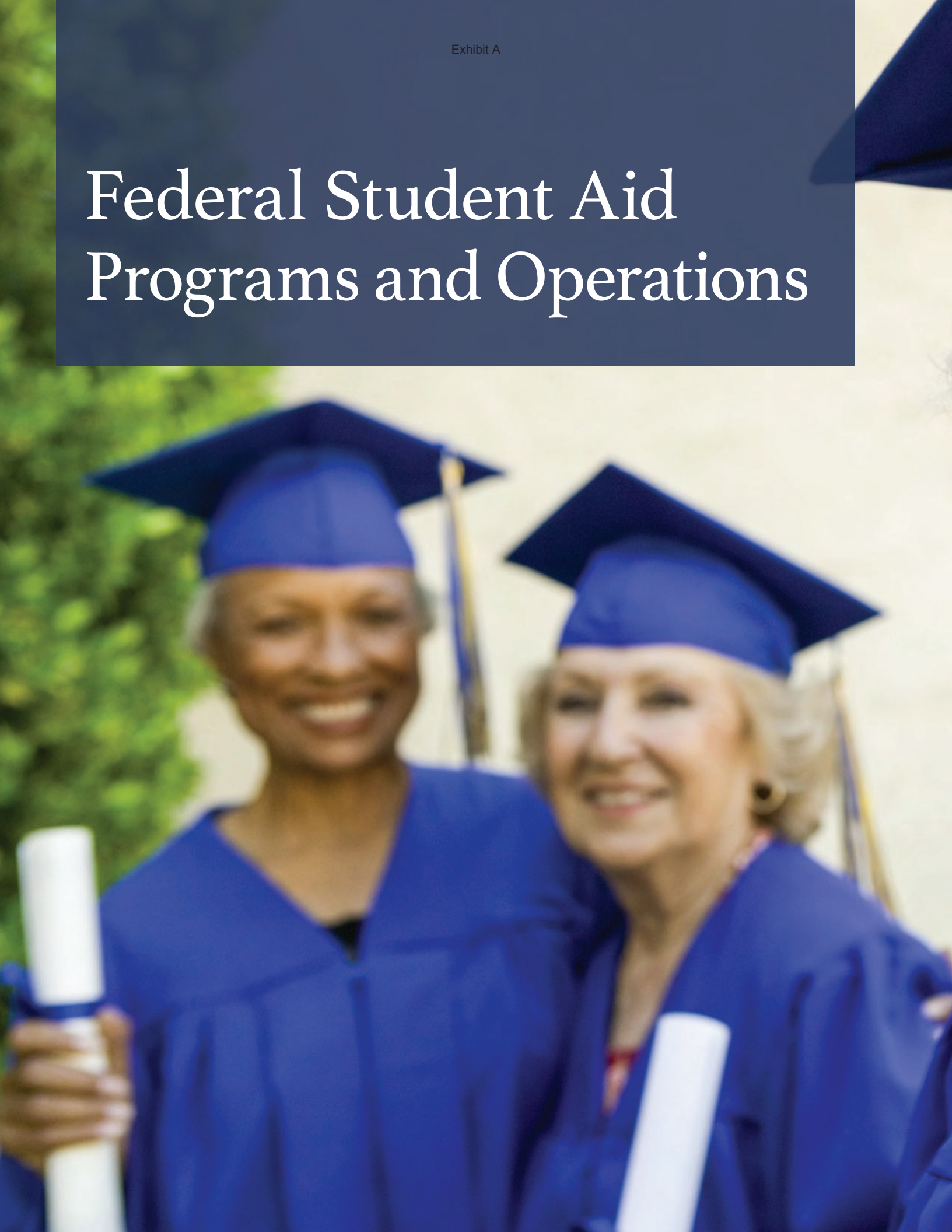
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Exhibit A

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 more than $1 trillion. This makes the Department one of the largest financial institutions in the country. As such, effective oversight and monitoring of its programs, operations, and program participants are critical. Within the Department, the Office of Postsecondary Education and the Federal Student Aid office (FSA) are responsible for administering and overseeing the student aid programs. The Office of Postsecondary Education develops Federal postsecondary education policies, oversees the accrediting agency recognition process, and provides guidance to schools. FSA disburses student aid, authorizes schools to participate in the student aid programs, works with other participants to deliver services that help students and families finance education beyond high school, and enforces compliance with FSA program requirements. During this reporting period, OIG work identified actions that FSA should take to address the identified weaknesses in program operations and management. Summaries of these reports follow.

FSA Oversight of Student Loan Servicing

The objective of our audit was to determine whether FSA had established policies and procedures to mitigate the risk of servicers not servicing federally held student loans in accordance with Federal requirements. We assessed FSA's operations as of September 2017.

Our audit found that FSA's oversight policies, procedures, and activities collectively did not provide reasonable assurance that the risk of servicer noncompliance with requirements for servicing federally held student loans was being mitigated or reduced.

Specifically, our audit determined that FSA's oversight activities regularly identified instances of servicer noncompliance; FSA identified servicer noncompliance in 210 (about 61 percent) of the 343 monitoring reports that we analyzed. FSA routinely tracked the instances of noncompliance when servicers did not remediate them before FSA issued a final monitoring report. However, FSA did not track the identified instances of noncompliance if servicers remediated them. For example, if during the course of a review, FSA found multiple instances of noncompliance in a sample of

borrower accounts, and the servicer corrected all but one of them during the course of the review, FSA tracked only the single uncorrected instance of noncompliance. Further, FSA did not analyze information to track and identify trends and recurring instances of noncompliance at each servicer and across all servicers. We also found that FSA rarely used available contract provisions to hold servicers accountable for instances of noncompliance and did not incorporate a performance metric relevant to servicer compliance into its methodology for assigning loans to servicers.

Because FSA's oversight policies, procedures, and activities did not collectively provide reasonable assurance that the risk of servicer noncompliance was being mitigated, FSA did not have reasonable assurance that servicers were complying with Federal loan servicing requirements when handling borrowers' inquiries. Additionally, borrowers might not have been protected from poor services, and taxpayers might not have been protected from improper payments. Also, as it was not holding loan servicers accountable for instances of noncompliance, FSA did not provide servicers with an incentive to take actions to mitigate the risk of continued servicer noncompliance that could harm borrowers.

We made 6 recommendations, including that FSA (1) track all instances of noncompliance identified during its oversight activities; (2) analyze the records relevant to noncompliance, identify trends and recurring noncompliance for each servicer and across all servicers, and use the information as a basis for assessing servicer performance; and (3) use the contractual provisions available to hold servicers accountable for instances of noncompliance.

In response to our draft report, FSA stated that it already had or will implement all of our report recommendations, and it described improvements it has made to its oversight activities since September 2017. However, FSA strongly disagreed with the overall conclusion that it did not establish policies and procedures that provided reasonable assurance that the risk of servicer noncompliance with Federal requirements was mitigated. We acknowledge that reasonable assurance of risk mitigation is a matter of management's risk appetite and risk tolerance. However, FSA did not explain or provide evidence showing the level of noncompliance that is acceptable to FSA or the level of noncompliance that would compel FSA to take enforcement actions against a servicer. Because the post-September 2017 improvements that FSA described in its comments did not occur during our audit period, we did not evaluate them; however, the improvements as described are aligned with our recommendations. FSA Oversight of Student Loan Servicing Audit

Compliance with Verification and Reporting Requirements

To ensure that the information provided by students and parents on the Free Application for Federal Student Aid (FAFSA) is accurate, the Department requires colleges and universities to verify financial and demographic data included on the FAFSA. Schools are then required to report the results of the verification to the Department. Verification helps ensure that students receive the appropriate amount of Federal financial aid and is an important control to prevent improper payments of Federal financial aid. The OIG is conducting a series of audits to determine whether schools completed verification of applicant data in accordance

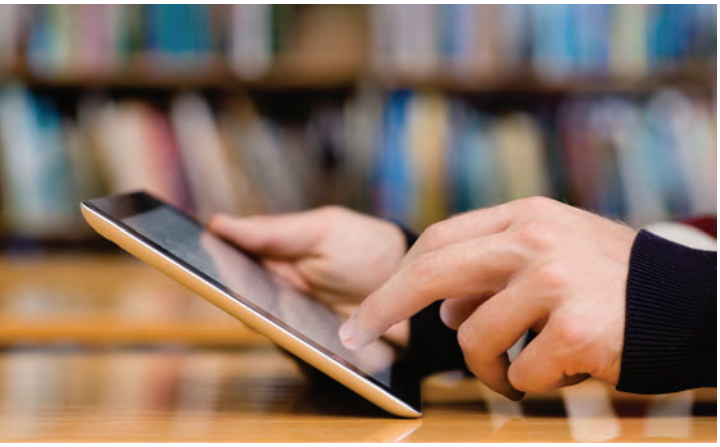
with Federal requirements and whether they accurately reported the results to the Department in accordance with Federal guidance. During this reporting period, we issued the first reports in this series involving three schools: the University of Houston, the College of Southern Nevada, and MiraCosta College in California. The results of these audits follow. We will share the findings results of our additional work once completed.

University of Houston

We found that the University of Houston completed verification of applicant data in accordance with Federal requirements for 55 of the 60 students in our sample for award year 2016–2017. However, the school did not properly perform verification of applicant data in accordance with Federal requirements for 5 of the 60 students. As a result, the school improperly disbursed about $14,000 in Federal Pell Grant Program funds for students. Our audit also determined that the University of Houston accurately reported verification results to FSA for 59 of 60 students included in our sample. In addition to recommending that FSA confirm that the school returned the improperly disbursed funding, we recommended that that the school develop and implement control activities to ensure proper management of its verification processes. University of Houston agreed with our findings and identified corrective actions it had taken to address our recommendations. University of Houston Audit

College of Southern Nevada

We found that College of Southern Nevada completed verification of applicant data in accordance with Federal requirements for all 60 students included in our sample. We also determined that College of Southern Nevada accurately reported verification results to FSA for 57 of the 60 students included in our sample. Although the school did not accurately report verification results for three students, the inaccurate reporting did not affect the amount of Title IV funds that were disbursed to the students. We did not have any recommendations for corrective actions. College of Southern Nevada Audit



MiraCosta College

We found that MiraCosta generally completed verification of applicant data in accordance with Federal requirements. Specifically, MiraCosta completed verification for 59 of the 60 students we reviewed, but did not complete verification after a subsequent Institutional Student Information Record was received for 1 of the 60 students. We also determined that MiraCosta did not accurately report verification results to FSA. Specifically, for 10 of the 60 students sampled, MiraCosta did not accurately report new Central Processing System transaction numbers to the Common Origination and Disbursement System after MiraCosta completed verification. If not corrected, this type of error would enable students to receive more than their Pell lifetime eligibility limit in future award periods. Based on our findings, we recommended that MiraCosta revise its policies and procedures to ensure proper placement and review of Institutional Student Information Records, and that FSA confirm that the school submitted documentation noting that the Pell Grant data discrepancies identified in our report have been corrected. MiraCosta

College officials agreed with our findings and noted that it had implemented corrective actions. MiraCosta College Audit

Investigations

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

Investigations of Schools and School Officials

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

Two Former Center for Employment Training Employees Pled Guilty in a Multimillion Dollar Fraud Scheme (Illinois)

In a recent Semiannual Report, we noted that six former employees of the Center for Employment Training in Chicago were indicted for conspiring to steal millions of dollars from the Federal student aid programs. During this reporting period, two of the Center's former financial aid officers pled guilty for their roles in the scheme. From 2005 through 2013, the two and their alleged conspirators applied for and obtained Federal student aid for "ghost students" or students who were ineligible to receive the funds because they had not graduated from high school or earned a high school diploma equivalent. The two former employees and their alleged conspirators created and submitted to the Department fake FAFSAs and other information making it appear as though the students were eligible to receive the aid when they were not. As a result of their criminal efforts, the school received at least $2.9 million in Federal student aid to which it was not entitled.

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

As highlighted in previous Semiannual Reports to Congress, a former financial aid director at Columbia University's Teachers College and four students were indicted for participating 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 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 approved stipends for the students and created 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 kicked back hundreds of thousands of dollars to the former director. During this reporting period, the former financial aid director pled guilty and agreed to forfeit more than $2 million. Two of the four students also pled guilty, with one agreeing to pay more than $796,400 in restitution and the second agreeing to pay more than $484,700 in

restitution. Two other students were sentenced for their roles in the scheme: one received a sentence of 1 year and 1 day in prison followed by 3 years of supervised release and was ordered to pay more than $620,000 in restitution; the second was sentenced to 3 months in prison followed by 18 months of supervised release and was ordered to pay more than $166,100 in restitution.

Former Director of HDS Trucking Institute Sentenced to Prison for Fraud (Arizona)

The former director of HDS Trucking Institute was sentenced to serve 48 months in prison followed by 5 years of supervised release for fraud. The former director used his position to implement various schemes to fraudulently steal money from the school. 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. In his guilty plea, the former director agreed to pay more than $1.2 million in restitution. Press Release

Shaw University and a Contractor Agreed to Pay $316,900 to Settle False Claims Allegation (North Carolina)

Shaw University and one of its contractors agreed to pay $316,900 to settle claims that they falsely obtained funds from the Department. A former Shaw vice president and a local building contractor were alleged to have violated the False Claims Act by making false statements and violating competitive bid requirements to obtain Department funds. Our investigation found that the two fabricated bids for a construction contract to evade the Department's competitive bid requirements and used those fabricated bids to justify payment of Federal funds. Press Release

Former Owner of Now-Defunct Stenotype Institute of Jacksonville Sentenced to Prison for Fraud (Florida)

The former owner of the now-defunct Stenotype Institute of Jacksonville was sentenced to serve more than a year in prison and was ordered to pay more than $288,000 in restitution for failing to refund Federal student aid. The school was authorized to receive Federal student aid funds on behalf of its students to cover tuition, fees, and living expense stipends. The school was required to refund to the Department or to the student any excess funds it drew on behalf of students within 45 days. Beginning in 2015, instead of refunding the excess funds for students, the school began tracking the amounts owed in a spreadsheet while the former owner continued to draw funds from the school for personal use. In total, the former owner and the school held some $290,000 that should have been returned to the government, none of which has ever been paid. The school closed in March 2016, shortly after a Department program review. Press Release

Former Texas Christian University Upward Bound Program Official Sentenced to Prison for Theft (Texas)

The former assistant director of Texas Christian University's Upward Bound program was sentenced for 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. The former official

was sentenced to serve 5 years in prison. In her plea agreement, the former official agreed to pay more than $210,000 in restitution. Press Release

Former Trinity Valley Community College Financial Aid Director Pled Guilty to Fraud (Texas)

The former director of financial aid at Trinity Valley Community College pled guilty to student aid fraud. From 2016 through 2017, the former official used her position and access to the school's records to remove her son, a student at the school, from academic suspension, thereby allowing him to receive student aid he was not eligible for. The former director also diverted student aid funds of other students into her personal bank accounts. As a part of her plea, the former director agreed to pay more than $61,700 in restitution.

Owner of Regina's College of Beauty Sentenced to Prison for Conspiracy to Commit Fraud (North Carolina)

The owner of the now-defunct Regina's College of Beauty—a for-profit cosmetology school that operated campuses in North Carolina and Georgia—was sentenced on charges of conspiracy to commit financial fraud. The owner and the vice president (who previously pled guilty and was sentenced to prison for her role in the scheme) failed to remit to students or to the Department students' credit balance overages totaling more than $89,000—money that they used for their personal benefit. The former owner was sentenced to serve 6 months in prison and 6 months of home confinement, followed by 1 year of supervised release and was ordered to pay more than $39,300 in restitution.

Former Delgado Community College Financial Aid Official Sentenced for Bribery (Louisiana)

A former financial aid official at Delgado Community College was sentenced for bribery. While employed at the school, the former official was responsible for importing and exporting financial aid files as well as verifying 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, three Delgado Community College students sought the former official's assistance in their appeals because they were not meeting satisfactory academic progress requirements. 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. The former official was sentenced to serve 4 years of probation and perform 150 hours of unpaid community service. He was also ordered to pay $6,700 in restitution. Press Release

City University of New York Medgar Evers Lecturer Sentenced to Prison for Fraud (New York)

A full-time, tenured lecturer at the City University of New York Medgar Evers College was sentenced to prison for 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. The lecturer was sentenced to serve 6 months in prison, 6 months of home confinement, and 2 years of supervised

> A father and son were indicted for allegedly filing hundreds of fraudulent college admissions forms and applications for Federal student aid and defrauding the Department out of more than $7.4 million in grants and loans.

release. He was also ordered to pay $20,000 in restitution. 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.

Father and Son Indicted for Orchestrating Fraud Ring that Targeted More Than $7.4 Million (Arizona)

A father and son were indicted for allegedly filing hundreds of fraudulent college admissions forms and applications for Federal student aid and defrauding the Department out of millions of dollars in grants and loans. The two allegedly used the identities of more than 300 people—some of which were stolen—to register for classes at community colleges in Arizona, Ohio, and elsewhere in order to obtain student aid. Upon receiving the grant and loan money for the straw students, the colleges disbursed a portion of the financial aid funds onto prepaid debit cards that the father and son then used for their own personal expenses. The duo is alleged to have targeted more than $7.4 million in Federal student aid funds in the scam.

All Members of Fraud Ring that Targeted $1.8 Million Now Sentenced to Prison (Ohio)

Three women who orchestrated a $1.8 million student aid fraud scheme have now been sentenced. The three women 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. The first ring member was sentenced to serve nearly 7 years in prison and was ordered to pay more than $1.2 million in restitution; the second was sentenced to 5 years of supervised release and was ordered to pay more than $520,200 in restitution; and the third was sentenced to probation and was ordered to pay more than $76,400 in restitution. Press Release

Criminal Actions Taken Against Members of Fraud Ring that Targeted More Than $1.8 Million (Ohio)

Two people were sentenced and two others pled guilty for their roles in a fraud ring that targeted more than $1.8 million in Federal student aid. From 2009 through 2017,

the ring recruited straw students to participate in the scheme. The straw students provided their personally identifiable information, which ring members used to apply for admissions to and receive Federal student aid from a number of community colleges on their behalf. The ring members knew that none of the students had any intention of attending classes, and many did not have a high school diploma or equivalent, making them ineligible to receive student aid. The ring charged the straw students fees to complete their academic coursework as well as fees for counterfeit high school diploma equivalent certificates or high school transcripts. As a result of these fraudulent efforts, the ring received more than $1.8 million in Federal student aid. One of the ring participants was sentenced to serve 114 months in prison and was ordered to pay more than $1.8 million in restitution; the second was sentenced to serve 66 months in prison and was ordered to pay more than $205,700 in restitution. Press Release



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

In previous Semiannual Reports to Congress, we highlighted a case involving nine people, most connected through family or periods of incarceration, who were indicted on charges that included racketeering and conspiracy. As we previously reported, three of the nine ring members were sentenced for their roles in the scheme; during this reporting period, three additional members were sentenced. The ring used the personally identifiable information of people to apply for and receive more than $488,500 in student aid. They obtained most of the information from stolen wallets and from unwitting victims, including from the business clients of a cleaning company run by one of the participants. 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 three ring members was sentenced to serve 14 years in prison, the second was sentenced to serve more than 12 years in prison, and the third was sentenced to serve 180 days in jail.

Leaders of $600,000 Fraud Ring Sentenced (Louisiana)

Two leaders of a fraud ring that sought to obtain more than $600,000 in Federal student aid were sentenced for their roles 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. One of the leaders was sentenced to serve 24 months in prison and 2 years of supervised release and was ordered to pay more than $141,000 in restitution; the second leader was sentenced to serve 81 months in prison and 3 years of supervised release and was ordered to pay more than $2,500 in restitution. Press Release

Leader of $257,400 Fraud Ring Sentenced (Michigan)

The leader of a fraud ring was sentenced for 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. The woman was sentenced to serve 2 years of probation with the first 6 months in home confinement and was ordered to pay more than $257,400 in restitution.

Leader of $136,600 Fraud Ring Sentenced (California)

The leader of a fraud ring was sentenced for fraudulently obtaining more than $136,600 in student aid from various California community colleges. The leader 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. The leader was sentenced to serve 2 years of probation, including 14 months in a home detention program, and was ordered to pay more than $136,600 in restitution.

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.

Man Sentenced to 17 Years in Prison for Orchestrating $12 Million Identity Theft, Student Aid, and Phony Tax Return Scam (Indiana)

In a recent Semiannual Report to Congress, we highlighted our case with the Internal Revenue Service Criminal Investigations Division and the U.S. Postal Inspection Service that led to guilty pleas by two men for using thousands of stolen identities to fraudulently obtain more than $12 million in Federal funds. During this reporting period, one of the two men was sentenced to 17 years in prison and was ordered to pay more than $4.8 million in restitution. The men obtained the stolen identities in several ways, and in many cases used those stolen identities to obtain taxpayer information through the Data Retrieval Tool on the Department's Free Application for Federal Student Aid website, and used the information to file false tax returns with the IRS. The two, along with others, directed the Internal Revenue Service to

deposit tax refunds resulting from the false returns onto prepaid debit cards that they used to purchase money orders at several locations in Indiana and Georgia.

Man Sentenced for Role in $1.1 Million Fraud Scam (Virginia)

A man who used the identities of more than 60 people to fraudulently obtain Federal student aid was sentenced to serve 111 months in prison and was ordered to pay more than $1.1 million in restitution. The man initially used the personally identifiable information of family and friends and enrolled them as students in online universities for the sole purpose of obtaining student aid. He then expanded his efforts and targeted low-income residents in the Danville area, where he persuaded people to provide their personally identifiable information for enrollment purposes, promising free government money and other benefits. Press Release

Woman Pled Guilty for Role in Phony Debt Elimination Scheme (New Jersey)

One of five people who were charged with using phony money orders, cashier checks, and other fabricated documents that they used to fraudulently discharge hundreds of thousands of dollars in financial obligations, including student loans, has pled guilty to her role in the scam. The woman and her alleged conspirators submitted phony money orders and cashier checks to various financial institutions, sometimes in amounts larger than the debt owed so they could eliminate the debt and obtain extra money that they used for their personal benefit. Among the debt she sought to eliminate was $52,000 in student loans. She sent phony money orders and cashier's checks totaling more than $67,000 to the Department. The Department rejected the payment. Press Release

Three People Target Federal Student Aid at Bossier Parish Community College in Three Separate Schemes (Louisiana)

During this reporting period, criminal actions were taken against three people who each orchestrated a fraud scam that targeted Federal student aid at Bossier Parish Community College. In the first case, a woman was sentenced to 5 years of probation and was ordered to pay more than $34,500 in restitution for enrolling people in classes at the school knowing that they had no intention of attending classes. She completed enrollment forms, student aid applications, and attended classes using their identities in order to receive the aid. In the second case, a man completed 20 FAFSAs in other students' names, completed their admissions and student aid forms, and attended classes in exchange for a portion of the student aid. As a result of his fraudulent efforts, the man obtained more than $400,700 in student aid. In the third case, a woman was indicted for enrolling straw students in the school. As a result of her alleged criminal actions, she fraudulently received more than $93,000 in Federal student aid. Press Release

Former State Department Employee Sentenced to Prison for Student Loan Fraud (Virginia)

A former State Department employee was sentenced for fraudulently discharging more than $250,000 in student loan debt. From 2013 through 2017, while employed at the State Department, he was also a supervisor for a security company that provided protection for a Federal building in Washington, D.C. However, he applied for a Total and Permanent Disability discharge of more than $200,000 in student

loan debt, affirming that he was unable to work and was earning no income. In 2016, he submitted a signed self-certification stating that he did not have any earned income from 2013 through 2016, when in reality he had earned more than $300,000 from his two full-time jobs. He was sentenced to serve 15 months in prison and 3 years of supervised release and was ordered to pay more than $244,800 in restitution. Press Release

Former Department of the Interior Employee Sentenced for Fraud and Identity Theft (Kentucky)

A former Department of the Interior employee was sentenced for fraud and identity theft. The former employee submitted about 40 false loan applications to 10 lending institutions in the names of her children, her sister, and her niece to obtain student loans without her relatives' knowledge or consent. She forged signatures on applications forms and falsified pay stubs to show false amounts of income. She was sentenced to serve 36 months in prison and 3 years of supervised release and was ordered to pay more than $128,200 in restitution.

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

An Internal Revenue Service employee was sentenced for 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. The employee was sentenced to 5 years of probation and was ordered to pay more than $86,300 in restitution.

Family Members Pled Guilty for Roles in Separate Student Aid Fraud Scams (Colorado)

Two family members pled guilty to running separate student aid fraud scams. One of the family members devised a scheme where she fraudulently obtained more than $30,300 in student aid for purported attendance at the Community College of Denver and Front Range Community College. She also obtained more than $16,400 in student aid by submitting fraudulent enrollment and financial aid forms to the Community College of Denver on behalf of her unwitting mother. The woman spent much of the fraudulently obtained aid on various extravagances, including gambling, vacations, and cosmetic surgery. The second family member also applied for and received more than $30,300 in student aid to attend the Community College of Denver and the Front Range Community College, but did not make a realistic effort to pursue an education at either institution. She used the funds for personal, noneducational purchases such as event tickets.

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 member of this task force of Federal, State, and local law enforcement agencies conducting cybercrime investigations nationwide, with agents physically located in Washington, D.C., and Boston, Massachusetts. OIG agents are currently assisting with investigations in Alabama, Connecticut, Florida, Georgia, Louisiana, and Texas associated with this task force.

Reviews of Legislation, Regulations, Directives, and Memoranda

- **H.R. 640, Student Aid Simplification Act.** The OIG provided technical assistance on this bill that would authorize the disclosure of tax return information to determine eligibility for student financial aid programs under the Higher Education Act.
- **Draft Bill, Stop Student Debt Relief Scams Act.** The OIG provided technical assistance that would criminalize improper access to the Department's student financial aid systems for fraudulent or private financial gain purposes, as recommended in OIG's 2018 Recommendations for the Reauthorization of the Higher Education Act, and require the Department to take various actions to protect students from debt relief scams.
- **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 to Allow Additional Time, Until July 1, 2020 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.
- **Department's Draft 1 Final Rule for Gainful Employment.** The OIG disagreed with the proposed elimination of the gainful employment accountability provision.

Exhibit A

Elementary, Secondary, and Indian Education Programs and Operations





The Department administers more than 100 programs that involve 55 States and territorial educational agencies, nearly 18,400 public school districts, 132,000 schools, and numerous other grantees and subgrantees. Effective oversight of and accountability in how these entities spend the Department funding they receive is vital. Through our audit work, we identify problems and propose solutions to help ensure that the Department's programs and operations 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 two audits involving elementary, secondary, and special education programs and operations. These included our audit of the Utah State Board of Education's process for calculating and reporting of its high school adjusted cohort graduation rate and our audit of the Department's Office of Special Education Program's implementation of its differentiated monitoring and support system. Summaries of this work follow.

Calculating and Reporting Graduation Rates in Utah

States are required to calculate and report high school adjusted cohort graduation rates (ACGR) under the Every Student Succeeds Act. The ACGR is considered an academic indicator that measures student achievement and school performance. The OIG conducted a series of audits to determine whether State educational agencies have implemented systems of internal control over calculating and reporting graduation rates sufficient to provide reasonable assurance that reported graduation rates were accurate and complete. In previous Semiannual Reports, we shared the findings of our audits at the Alabama State Department of Education and the California Department of Education. During this reporting period, we completed the third and final audit in our series at the Utah State Board of Education (Utah).

Our audit found that Utah's system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete for the time period covered by our audit (school year 2014–2015). Specifically, Utah did not have sufficient processes to ensure that (1) ACGR data received from the local educational agencies were accurate and complete, (2) students who the local educational agencies identified as graduates in the cohort met State graduation requirements, and (3) local educational agencies maintained adequate documentation for students removed from the cohort. Further, we found that Utah did not calculate its ACGR in accordance with Federal requirements. Utah's methodology for calculating its ACGR improperly included students as graduates who earned an alternative award and did not include all students who should have been reported in the school year cohort. As a result of the issues identified, Utah's reported ACGR was not accurate and complete and, based on our analysis, was about 1.3 percentage points higher than it should have been. This means that both Utah and the Department are at risk of using

inaccurate and incomplete data when describing and reporting on Utah's progress towards raising its graduation rate and when using Utah's graduation rate as an academic indicator to measure student achievement and school performance for accountability purposes.



Based on our findings, we recommended that the Department require Utah to ensure that local educational agencies have internal controls regarding the accuracy and completeness of ACGR data, establish local educational agency accountability for maintaining adequate documentation for students removed from the cohort, develop and implement a risk-based monitoring process, and ensure that local educational agencies conform to Federal guidance for maintaining required documentation supporting student removal from a cohort. We also recommended that it require Utah to update its ACGR methodology for future school years to ensure that its calculation accurately includes all students who should be included in the cohort and does not count students as graduates if they earn a diploma or certificate that does not meet the Federal definition of a regular high school diploma, that it review prior year cohorts that were inaccurately reported to the Department and correct the ACGR for those years or note that the ACGR was not accurate, and that it document its policies and procedures related to calculating and reporting the ACGR to the Department in accordance with Federal requirements. Utah agreed with our findings and described actions it was taking to address our recommendations. Utah Audit

Office of Special Education Programs' Differentiated Monitoring and Support

The Individuals with Disabilities Education Act, as amended, was enacted to ensure that children with disabilities have access to a free and appropriate public education and to protect the rights of children with disabilities and their parents. States, school districts, and other local educational agencies are primarily responsible for providing a free and appropriate education to children with disabilities. Through the Individuals with Disabilities Education Act, as amended, the Department awards Special Education Grants to States for this purpose, providing more than $11.9 billion for FY 2017. Within the Department, the Office of Special Education Programs (OSEP) is responsible for administering this program. OSEP uses the Differentiated Monitoring and Support (DMS) system to fulfill its responsibilities to mitigate potential risks and to help OSEP use its resources wisely.

During this reporting period, we concluded an audit that sought to evaluate OSEP's implementation of its DMS component under the results driven accountability initiative. We found that OSEP needs to enhance its internal controls to help ensure that it plans and conducts DMS properly and consistently across all States. Specifically, OSEP did not have sufficient policies and procedures for how personnel should perform and document the four phases of DMS: (1) performing organizational assessments, (2) designating engagement levels, (3) issuing notices and charts to States, and (4) conducting and documenting tasks and activities. OSEP developed a partial framework for the four phases of DMS, including templates for personnel to record information for each DMS phase, written instructions for performing organizational assessments, and written guidance for documenting tasks and activities; however, OSEP did not develop written policies or procedures for the DMS phases on designating engagement levels and issuing notices and charts to States. OSEP also did not have a document retention policy for DMS. Further, the written instructions and guidance that OSEP developed for DMS lacked sufficient detail on key processes that personnel should perform or information that personnel should record in the templates. OSEP's written instructions also did not provide guidance on how OSEP personnel should review information related to DMS, such as organizational assessments or notices and charts issued to States. In addition to these issues, we identified limitations in OSEP's ability to obtain or verify the Technical Assistance Accessed data it used in its organizational assessments. When OSEP does not assess State risks using applicable and consistent data, it may designate an improper DMS engagement level for the State. Further, without proper or sufficient documentation of DMS activities, OSEP may lack evidence that it is effectively supporting States in their efforts to educate children with disabilities, improve educational results for such children, and ensure equal protection under the law.

Based on our finding, we recommended that OSEP improve its internal controls over the DMS component, including (1) developing and implementing written policies and procedures for how its personnel will prepare, review, and approve organizational assessments and designate engagement levels; (2) developing and implementing written policies and procedures for how its personnel will prepare, review, and approve notices and charts it issues to the States; (3) enhancing written policies and procedures on documenting DMS tasks and activities; and (4) establishing and implementing a formal DMS document retention policy that ensures all relevant documents are readily accessible to OSEP and maintained as official records. OSEP did not explicitly agree with our finding or specific recommendations but was already taking actions to strengthen DMS. OSEP 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 OIG investigations involving K–12 school officials and contractors.

Former Grant-Goodland Public School Superintendent Sentenced to Prison for Stealing More than $1 Million (Oklahoma)

The former superintendent of the Grant-Goodland Public School system was sentenced to serve 108 months in prison and was ordered to pay more than $1 million restitution for fraud and Federal programs embezzlement. From 2010 through 2016, the former superintendent, with assistance from a school employee, created phony invoices, purchase orders, and payment requests in the names of legitimate school district vendors, prepared and presented checks to the school board for payment of those purchases and services that were never provided, converted the checks to be payable to himself, and pocketed the money. Press Release

Former Swink Public Schools Treasurer Pled Guilty to Theft (Oklahoma)

The former treasurer of Swink Public Schools pled guilty to stealing more than $42,700 from the school district. From 2012 through 2015, the former treasurer wrote checks to herself and others unrelated to school business. In her plea agreement, the former treasurer agreed to pay more than $42,730 in restitution. Press Release

Former High School Counselor Pled Guilty to Fraud (West Virginia)

A former counselor at Greenbrier West High School pled guilty to fraud charges for using her position to alter the grades of her two daughters to receive merit-based and Federal student aid to which they were otherwise not entitled. The former counselor 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 were changed several years after the original grades were posted. As a result of her actions, the girls fraudulently received more than $10,000 in merit-based and Federal student aid. Press Release

Brainstrong Agrees to $250,000 Settlement (Puerto Rico)

Brainstrong, a company that provided after-school tutoring services under contract with the Puerto Rico Department of Education (Puerto Rico), agreed to pay $250,000 to settle claims that its payment invoices or claims to Puerto Rico violated the False Claims Act. Brainstrong was alleged to have billed Puerto Rico for tutoring services and other remedial academic services that it did not perform.

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 Southwest Learning Centers Charter Schools Sentenced to Prison, Ordered to Pay $3 Million in Restitution for Running 15-Year Fraud Scheme (New Mexico)

The founder of Southwest Learning Centers, a group of public charter schools that he established in Albuquerque, was sentenced to prison for running a 15-year scheme aimed at defrauding millions of dollars from the schools. Starting in 2000, the founder devised a series of schemes to defraud the schools for his personal benefit, including purchasing buildings under the name of one company and charging the schools exorbitant rates for rental space, making more than $700,000 in profits, and charging students for online courses, diverting more than $1 million of those payments away from the schools and into bank accounts he controlled. He also created and submitted fraudulent proposals and invoices from a bogus business he created for services never produced or provided, and used most of the money for his personal benefit, including $199,000 to pay down a personal line of credit, $50,000 to his personal bank account, $12,000 for personal items, and $4,000 at a casino in Las Vegas. The founder was sentenced to serve 60 months in prison followed by 3 years of supervised release and was ordered to pay $3 million in restitution. Press Release

Criminal Actions Taken Against Celerity Educational Group Founder and a Former Chief Executive Officer for Roles in $2.5 Million Fraud Scheme (California)

The founder and former chief executive officer of Celerity Educational Group, a nonprofit company that owned and operated charter schools, pled guilty for misappropriating about $2.5 million in public education funds awarded to several Celerity charter schools. Another former chief executive officer was indicted for her role in the scheme. The founder used the money to pay for personal expenses, including first-class air travel, fine dining, and luxury goods from shops in Beverly Hills and Tokyo. Money was also used to purchase a building for another charter school in Ohio, monthly rent and renovations at a soundstage and recording studio that Celerity students rarely used, and leather-making equipment used by a for-profit company the founder and her family was involved with. To cover up the theft, the founder, and allegedly other Celerity leaders, falsely certified to Federal, State, and local authorities that they were complying with all rules and regulations governing the use of the public funds that they received. Press Release



Director of Now-Closed Bradley Academy of Excellence Pled Guilty, Other Officials Indicted for Roles in $2.5 Million Fraud Scheme (Arizona)

The former director of the now-defunct Bradley Academy of Excellence pled guilty to participating in a $2.5 million conspiracy. Two other officials, the former

principal and the former registrar, were indicted by a State Grand Jury for their alleged roles in the scam. From 2016 through 2018, the former director and his alleged conspirators fraudulently overreported the number of students enrolled in the school in order to receive additional funding they were otherwise not entitled to receive. For school year 2016–2017, the school reported 652 enrolled students; however, 191 of them were fraudulent; for school year 2017–2018, the school reported 528 enrolled students, 453 of whom were fraudulent. As a result of the false reporting, the school received about $2.5 million from the State and the Federal government. Press Release (Director), Press Release (Principal, Registrar)

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

- **Department's FY 2018 Agency Financial Report.** The OIG recommended that the Department highlight ESSA requirements/related activities aimed at fraud reduction/program accountability.
- **Revised Grant Bulletin 18-02, The Official Grant File for Discretionary Grant Programs.** The OIG made technical comments.
- **Department's Data Integration Strategy: New Data Standards for the Next-Generation Grants Management System (in response to OMB's Memorandum re: DATA Act Requirements, Strategies to Reduce Grant Recipient Reporting Burden).** The OIG made technical comments.



Department Management and Operations

Exhibit A



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

OIG work completed over the last 6 months in this area includes statutory audits involving information technology security, and financial management, as well as reviews of the Department's processing of Family Educational Rights and Privacy Act complaints, and risks associated with the Department's use of government purchase cards. Summaries of this work follow.

Information Technology Security

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

Our FY 2018 FISMA review reporting metrics were grouped into five cybersecurity framework security functions that have a total of eight metric domains, as outlined in the National Institute of Standards and Technology's Framework for Improving Critical Infrastructure Cybersecurity. The five functions and their associated metric domains are Identify (Risk Management); Protect (Configuration Management, Identity and Access Management, Data Protection and Privacy, and Security Training); Detect (Information Security Continuous Monitoring); Respond (Incident Response); and Recover (Contingency Planning). Using this framework, we assessed the effectiveness of each security function using maturity level scoring prepared in coordination with the Office of Management and Budget and the Department of Homeland Security. The scoring distribution is based on five maturity levels: (1) Ad-hoc, (2) Defined, (3) Consistently Implemented, (4) Managed and Measurable, and (5) Optimized. Level 1, Ad-hoc, is the lowest maturity level and Level 5, Optimized, is the highest maturity level. For a security function to be considered effective, agencies' security programs must score at or above Level 4, Managed and Measurable.

FY 2018 FISMA Review Results

As guided by FY 2018 FISMA Metrics, we found that the Department and FSA were not effective in any of the five security functions—Identify, Protect, Detect, Respond, and Recover. We also identified findings in all eight metric domains, of which seven are repeat findings. Repeat findings are current report findings with the same or similar conditions contained in prior Office of Inspector General reports. At the metric domain levels, we determined that the Department's and FSA's programs were consistent with the maturity level of Defined for Configuration Management, Identity and Access Management, Data Protection and Privacy, Security Training, Information Security Continuous Monitoring, and Incident Response. "Defined" means policies, procedures, and strategy are formalized and documented but not consistently implemented. We determined the programs were consistent with the maturity level of Consistently Implemented for Risk Management and Contingency Planning. "Consistently Implemented" means policies, procedures, and strategy are consistently implemented, but quantitative and qualitative effectiveness measures are lacking. The Department demonstrated some improvement from FY 2017 in several metric areas, most notably in contingency planning where the maturity level improved from Defined to Consistently Implemented. While the overall maturity level did not improve for Risk Management, Configuration Management, and Incident Response, the Department did make improvement on individual metric scoring questions in each of these functions. For example, the Department improved from consistently implemented to optimized for two Risk Management metric questions. Specifically, we found the Department and FSA have improved their risk management programs by implementing the Department's Cybersecurity Framework Risk Scorecard used to perform regular framework-based risk assessments, identify gaps and improvement opportunities, enhance incident response capabilities, and protect its network assets and data.



To address the issues identified, we made 45 recommendations (28 of which were repeat recommendations) to assist the Department and FSA with increasing the effectiveness of their information security programs. These recommendations will help the Department and FSA fully comply with all applicable requirements of FISMA, the Office of Management and Budget, the Department of Homeland Security, and the National Institute of Standards and Technology. The Department agreed with 39 recommendations, partially agreed with 4 recommendations, and did not agree with 2 recommendations. FY 2018 FISMA Audit

Financial Management

One of the purposes of the Chief Financial Officers Act of 1990 is to improve agency systems of accounting, financial management, and internal controls to ensure the reporting of reliable financial information and to deter fraud, waste, and abuse of government resources. The act requires an annual audit of agency financial statements, which is intended to help improve an agency's financial management and controls over financial reporting. A summary of our FY 2018 financial statements audits follows.

FY 2018 Financial Statements Audits

The OIG's contracted auditors found that the FY 2018 financial statements for the Department and FSA were presented fairly in all material respects, in accordance with generally accepted accounting principles. However, the auditors identified one material weakness and one significant deficiency in internal control over financial reporting. First, the auditors found material weaknesses in controls over management's documentation and analysis of the models use to estimate student loan portfolio costs, controls over the completeness and accuracy of data elements used in the models, and controls to ensure that certain data extracts related to the total exposure amount for loan guarantees were complete and accurate. The auditors noted that although the Department and FSA had controls related to the accounting and reporting of loan programs, the weaknesses in processes, procedures, and controls impacted management's ability to prevent, detect, and correct errors in the loan cost re-estimate process, which could lead to a material misstatement of the financial statements. Second, the auditors noted information technology control deficiencies related to logical access in the Department's network and in one application system, access and change control in two application systems, and in program development where evidence of data validation upon system migration to a new data center was not available. Additionally, management had not fully remediated prior year weaknesses related to logical access administration, user access removal, user access reviews, and recertification and system configuration management. Ineffective information technology controls increase the risk of unauthorized use, disclosure, disruption, modification, or destruction of information and information systems that could impact the integrity and reliability of information processed in the associated applications, which could lead to misstatements of the financial statements.

The auditors also found an instance of noncompliance involving a provision of the Debt Collection Improvement Act of 1996, as amended by the Digital Accountability and Transparency Act of 2014, which requires Federal agencies to notify the Secretary of the Treasury of debts that are more than 120 days delinquent—60 days earlier than the previous 180 days requirement. The auditors found that due to the number of entities and systems involved in handling student loan debts and the decentralized nature of such processes, FSA was not yet capable of meeting this accelerated timeline. Accordingly, as of September 30, 2018, the Department and FSA were not in compliance with the requirement to refer student debt delinquent for 120 days to the Department of the Treasury. FY 2018 Department Report, FY 2018 FSA Report

FY 2018 Closing Package Financial Statements

The OIG contracted auditors found that the Department's FY 2018 Closing Package Financial Statements were presented in accordance with generally accepted accounting principles. The auditors identified no material weakness in internal control over financial reporting and no instances of reportable noncompliance with Federal law. The Department concurred with the auditors' report. FY 2018 Closing Package Report

Department's Processing of Family Educational Rights and Privacy Act Complaints

The Family Educational Rights and Privacy Act (FERPA) grants certain rights and privacy protections to parents and students regarding student education records. FERPA applies to all schools (elementary, secondary, and postsecondary) that receive Federal education funding under any applicable program administered by the Department, as well as to educational agencies such as school districts and State departments of education. FERPA affords rights to parents of students under 18, but those rights transfer to students when they turn 18 or begin attending postsecondary school. Under FERPA, parents or students can review the student's education record maintained at the school and can request that the school correct records they believe to be inaccurate, misleading, or that violate the student's rights to privacy. Parents and eligible students also have the right to file a complaint with the Department if they believe their FERPA rights have been violated. FERPA requires the Department to establish an office for the purpose of investigating, processing, reviewing, and resolving FERPA violations or complaints and to take appropriate actions to enforce the law.

During this reporting period, we concluded an audit assessing whether the Office of the Chief Privacy Officer (Privacy Office)—the office responsible for administering FERPA at the time of our audit—had controls in place to ensure that it timely and effectively processed FERPA complaints. For the period covered by our review, we determined that it did not. The Privacy Office had a long-standing backlog of unresolved FERPA complaints; Privacy Office officials estimated they were about 2 years behind on complaint investigations. However, based on the number of open complaints and the number of complaint investigations that the Privacy Office had recently closed, we concluded that the backlog may be significantly greater than 2 years. Multiple factors contributed to the backlog, including a lack of resources to timely investigate all complaints and unresolved FERPA policy issues that impede complaint investigations.

The Privacy Office had an opportunity to reduce or eliminate the complaint backlog beginning in FY 2015 when it received authority to hire additional staff for the student privacy function. However, despite the significant complaint backlog, the Privacy Office

> "When a school inappropriately discloses personal information from a student's education record, the student can face consequences including a loss of reputation, harassment, and retaliation.

dedicated the majority of the new resources to performing FERPA work unrelated to resolving existing complaints.

We also identified a number of weaknesses in the Privacy Office's processes for resolving complaints. The Privacy Office's tracking process for FERPA complaints was inadequate and did not enable the Privacy Office to identify the number of individual complaints it had received or track the status of all complaints through the resolution process. As a result, the Privacy Office did not have reliable data on its effectiveness in resolving complaints and could not set meaningful performance goals or evaluate its performance. The Privacy Office's processes also lacked consistency and in some cases were not appropriate, in part because the Privacy Office had not implemented written policies and procedures to guide personnel. Many critical decisions were left to the discretion of caseworkers and managers did not sufficiently oversee the work, which led to inconsistency in complaint handling. The Privacy Office also did not always communicate effectively with complainants during the complaint resolution process. Finally, the Privacy Office generally processed complaints in the order they were received rather than evaluating the risk of each complaint and prioritizing the complaints with the highest risk or most significant potential adverse impact.

FERPA violations can have significant ramifications for students. Because of weaknesses in its FERPA complaint resolution processes, the Privacy Office did not ensure the timely remediation of violations, which may have compounded the adverse impact on students. For example, when a school inappropriately discloses personal information from a student's education record, the student can face consequences including a loss of reputation, harassment, and retaliation. Further, when a school denies a student the opportunity to access, review, and correct the information in their education record, the student can lose out on important educational or employment opportunities. Complainants rely on the Privacy Office to take timely enforcement action on their complaints when warranted.

Based on our findings, we made a number of recommendations, including addressing the complaint backlog and correcting the control weaknesses associated with its complaint resolution processes. Specific recommendations included (1) allocating appropriate resources to eliminate the current unresolved complaint backlog so that it can resolve complaints in a timely manner going forward; (2) resolving FERPA policy issues that affect its ability to resolve certain complaints; and (3) eliminating control weaknesses by developing written policies and procedures, implementing an effective tracking process, and developing performance standards for complaint resolution. The Department agreed with the finding and all recommendations and described corrective actions that it had taken or planned to take to address each of the recommendations. FERPA Audit

Purchase Card Risk Assessment

As required by the Government Charge Card Abuse Prevention Act of 2012, the OIG performed a review to analyze the risk of illegal, improper, and erroneous purchases and payments made through the Department's purchase card program, and to use the results to determine the scope, frequency, and number of periodic audits of purchase card transactions to perform in the future. Based on our review of the Department's FY 2018 purchase card data, we determined that the purchase card

program does not pose a high risk to the Department and an audit of the program was not necessary. FY 2018 Purchase Card Risk Assessment

Investigations

The following is a summary of an OIG investigation involving Department employees.

Director of Department's Office of Security Reassigned

As a result of an OIG investigation, the Director of the Department's Office of Security, Facilities, and Logistics Services (Office of Security) has been reassigned and removed from the ranks of the Senior Executive Service. The OIG received an allegation that high-ranking staff within the Office of Security were carrying firearms in Department buildings without proper authorization. This included two GS-15 employees. We found that the U.S. Marshals Service's special deputation authorizations for these two GS-15 employees had expired in 2015. In August 2016, Department officials ordered the Director of the Office of Security, a member of the Senior Executive Service, to disarm the employees and lock up the firearms. The Director, however, instructed the staff to continue carrying their firearms despite no longer being authorized to do so, and although the staff were aware of the order to disarm and the lack of legal authorization, they followed the instructions of the Director. After presenting the results of our investigation to the Department's Office of Management, the Director was reassigned and removed from the ranks of the Senior Executive Service. The Office of Security employees were not formally disciplined and were alternatively required to attend training classes related to government ethics and internal controls, topic areas all Department employees are required to take.

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

- **S. 375, Payment Integrity Information Act of 2019. T**he OIG provided technical suggestions on this bill and noted its concerns with the bill's expansion of the scope and complexity of OIGs' annual compliance reviews and restricting OIGs' ability to plan work in the areas identified by OIGs as significant management challenges and areas of higher risk.
- **Department Directive, Contractor Employee Personnel Security Screenings.** The OIG made technical comments.
- **Department Directive, Voluntary Separations before Resolution of a Personnel Investigation, Draft HCP 715.** The OIG made technical comments.
- **Department Directive, Controlled Unclassified Information Program.** The OIG made technical comments.
- **Department Directive, Duty to Cooperate with the IG.** The OIG made technical changes and submitted to the Department for review.



Other OIG Efforts



n 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. The Council of Inspectors General on Integrity and Efficiency (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 24 quality control reviews of engagements conducted by 19 independent public accountants. We concluded that 6 (25 percent) were Pass, 3 (12.5 percent) were Pass with Deficiencies, and 15 (62.5 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 that the report be rejected. During this reporting period, we recommended that FSA reject the audit report of one institution, and FSA did. We also referred four independent public accountants to the American Institute of Certified Public Accountants and/or to the appropriate State Boards of Accountancy for possible disciplinary action. We made these referrals due to the independent public accountants' unacceptable audit work. We are currently awaiting the results of these referrals.

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. The training was provided to financial aid professionals and auditors at the 2018 Federal Student Aid Training Conference. Other topics covered included audit guide frequently asked questions, common quality control review deficiencies, and common documentation weaknesses.

Also during this reporting period, the OIG developed a reporting system to better track audit deficiencies identified through quality control reviews. This type of tracking will allow us to focus our resources on training and outreach activities to address common audit quality issues. It will also enable the OIG to evaluate whether its technical assistance is effective in reducing the amount of repeat deficiencies. We have collected information about the results of quality control reviews of FY 2017 audits. We used those results to update our list of frequently asked questions and to compile a list of common quality control review deficiencies, which were discussed during training sessions. We will also use the FY 2017 audits as a baseline to compare future quality control review results.

Congressional Testimony

During this reporting period, the OIG testified before the U.S. House of Representatives Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies. A summary of the testimony follows.

Loan Servicing Oversight Audit

On March 6, 2019, Assistant Inspector General for Audit Bryon Gordon testified before the U.S. House of Representatives Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies on the OIG's recent audit of FSA's oversight of student loan servicing. Assistant Inspector General Gordon shared with the subcommittee the audit objectives, findings, and recommendations, specifically noting that the audit found that FSA's oversight policies, processes, and activities collectively did not provide reasonable assurance that the risk of servicer noncompliance with requirements for servicing Federally held student loans was being mitigated or reduced. He also noted that FSA rarely used available contract accountability provisions to hold servicers accountable for instances of noncompliance and did not incorporate a performance metric relevant to servicer compliance into its methodology for assigning loans to servicers. As a result, FSA did not have reasonable assurance that servicers were complying with Federal loan servicing requirements when handling borrowers' inquiries, borrowers might not have been protected from poor services, and taxpayers might not have been protected from improper payments. He also stated that because it was not holding loan servicers accountable for instances of noncompliance, FSA did not provide servicers with an incentive to take actions to mitigate the risk of continued servicer noncompliance that could harm students. Congressional Testimony

Other OIG Reports & Efforts

During this reporting period, the OIG issued three reports specific to the OIG mission and goals, including the required Management Challenges report. The OIG also launched its official podcast series, "Eye on ED." Summaries of these efforts follow.

FY 2019 Management Challenges

In October, the OIG issued its FY 2019 Management Challenges Report, a statutorily required report that highlights the most serious management challenges the Department faces and actions the Department needs to take to address them. To identify these challenges, the OIG routinely examines past audit, inspection, and investigative work and reports issued by the Government Accountability Office, including reports issued to management where corrective actions have yet to be taken; assesses ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyzes new programs and activities that could pose significant challenges because of their breadth and scope. For FY 2019, the OIG identified four management challenges: (1) improper payments, (2) information technology security, (3) oversight and monitoring, and (4) data quality and reporting. FY 2019 Management Challenges Report

FY 2019 Annual Plan

In November, the OIG issued its FY 2018 Annual Plan, which presents the major initiatives and priorities that we intend to undertake to assist the Department in fulfilling its responsibilities to America's taxpayers and students. It details the assignment areas and resources the OIG plans to devote to evaluating the efficiency, effectiveness, and integrity of Department programs and operations. It incorporates suggestions from Department leaders, the Office of Management and Budget, and members of Congress. FY 2019 Annual Plan

FY 2018 Small Business Innovation Research Report

In October, the OIG issued its statutory report on OIG investigations involving the Small Business Innovation Research program. The National Defense Authorization Act for FY 2012 requires the inspector general of a Federal agency that participates in the program to submit an annual report describing its investigations involving those programs. The Department participates in the Small Business Innovation Research program, although it is a relatively small program within the agency. As reported, for FY 2018, no cases involving the Small Business Innovation Research program were referred to the OIG. FY 2018 SBIR Report

Eye on ED Podcasts



During this reporting period, the OIG launched its official podcast series, "Eye on ED." Each episode of Eye on ED features interviews, discussions, and summaries of OIG work, including its audits, criminal investigations, and other special reports and efforts. During this reporting period, the OIG released two episodes: the first discussing our audit of the Department's processing of Family Educational Rights and Privacy Act, or FERPA, complaints, and the second summarizing our audit of FSA's oversight of student loan servicing. OIG staff write, produce, and are featured on Eye on ED podcasts, which are available on the OIG's website. Eye on ED Podcast

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Federal Government

- **Government Accountability Office Domestic Working Group.** Before her retirement on November 30, 2018, Inspector General Tighe served 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. Before her retirement, Inspector General Tighe was the at-large member of CIGIE's Executive Council, as well as a member of CIGIE's Audit Committee. Acting Inspector General Bruce is a member of the Audit Committee and the Information Technology Committee.

  OIG staff serve on the following CIGIE committees, subcommittees, and work groups:

  - Information Technology Investigations Subcommittee (Chair)
  - Assistant Inspector General for Investigations Subcommittee
  - Assistant Inspector General for Management Working Group
  - Council of Counsels to the Inspectors General
  - Data Analytics Working Group of the Information Technology Committee
  - CIGIE/Office of Management and Budget Grant Reform Working Group
  - Undercover Review Committee
  - Federal Hotline Working Group
  - Quality Standards for Digital Forensics Working Group
  - Disaster Assistance Working Group
  - Human Resources Directors' Roundtable
  - CIGIE/Government Accountability Office Annual Financial Statement Audit Conference

Government-Wide Audit-Related Groups

- **Interagency Fraud and Risk Data Mining Group.** The OIG participates in this group that shares best practices in data mining and evaluates data mining and risk modeling tools and techniques that detect patterns indicating possible fraud and emerging risks.
- **Federal Audit Executive Council, Financial Statement Audit Committee Workgroup.** OIG staff serve on this interagency workgroup consisting of OIG auditors from numerous Federal agencies. The

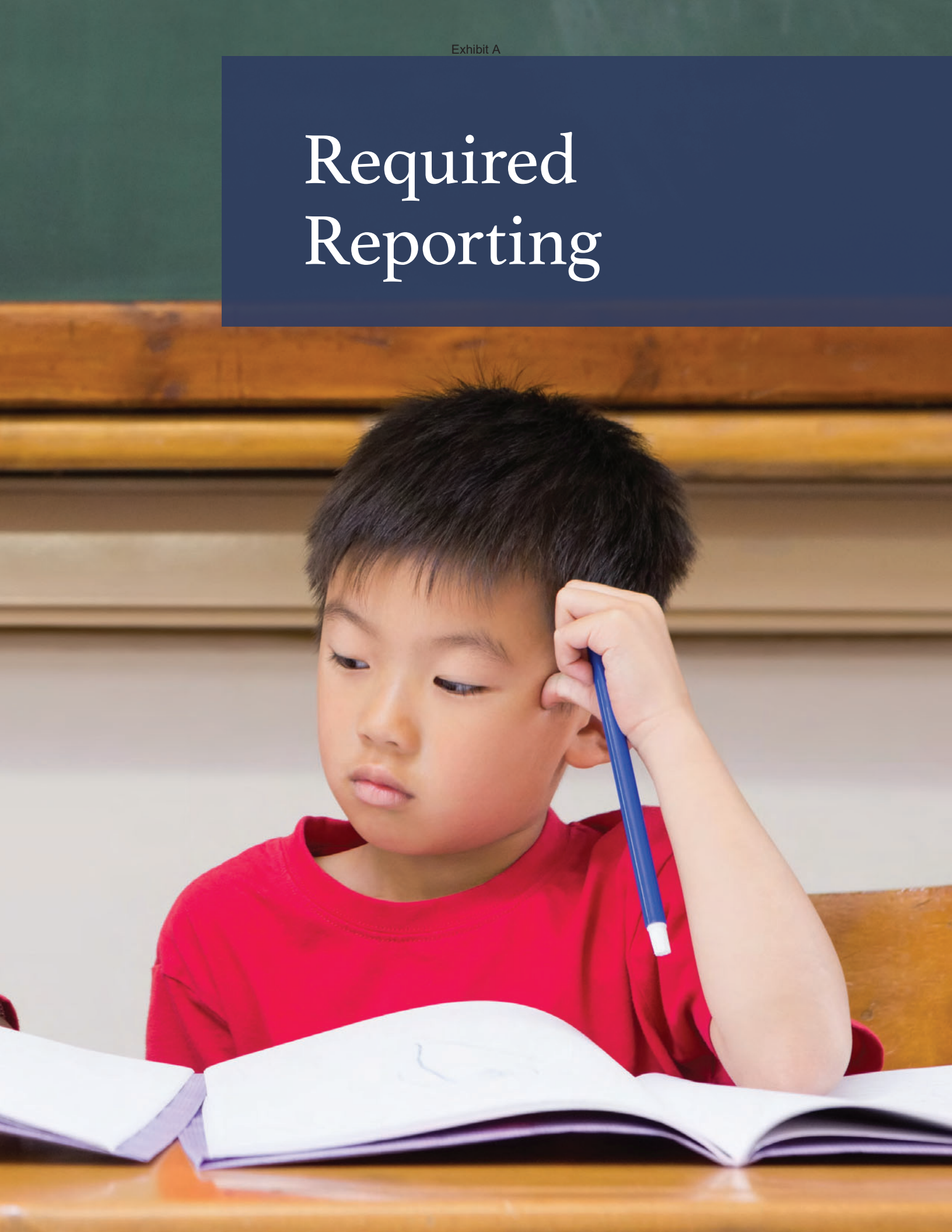
committee addresses government-wide financial management and financial statement audit issues through coordination with the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget. It also provides technical assistance on audit standards, policies, legislation, and guidance, and plans the CIGIE/Government Accountability Office Annual Financial Statement Audit Conference.

Review of Legislation, Regulations, Directives, and Memoranda

- **H.R. 6891, the Anti-Deficiency Reform and Enforcement Act of 2018 (115th Congress).** The OIG noted its support for specific provisions of the bill, its concern with the bill's assessment requirement for OIGs as it may be duplicative of existing OIG annual financial statements audit requirements, and provided clarifying changes to the bill's legal provisions regarding disciplinary actions against Federal employees and officers involved in Anti-Deficiency Act violations.
- **Grant Application Risk Identified from Single Audit Findings Draft Business Use Summary.** As part of the CIGIE/Office of Management and Budget Grant Reform Working Group, the OIG made technical comments.



Required Reporting



Required Tables and Appendices

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

Acronyms and Abbreviations Used in the Required Tables

Department	U.S. Department of Education
FFEL	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
OFO	Office of Finance and Operations
OIG	Office of Inspector General
OII	Office of Innovation and Improvement
OM	Office of Management
OPE	Office of Postsecondary Education
OPEPD	Office of Planning, Evaluation, and Policy Development
OS	Office of the Secretary
OSDFS	Office of Safe and Drug-Free Schools
OSEP	Office of Special Education Programs
OSERS	Office of Special Education and Rehabilitative Services
Recs	Recommendations
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 (October 1, 2018, through March 31, 2019)	1	52
-	Statistical Summary of Investigations Accomplishments (October 1, 2018, through March 31, 2019)	2	53
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	68
Section 5(a)(3) of the IG Act	Significant Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed (October 1, 2018, through March 31, 2019)	3	54
Section 5(a)(4) of the IG Act	Matters Referred to Prosecutive Authorities (October 1, 2018, through March 31, 2019)	2	53
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	68
Section 5(a)(6) of the IG Act	Listing of Reports Audit and Other Reports and Products on Department Programs and Activities (October 1, 2018, through March 31, 2019)	4	56
Section 5(a)(8) of the IG Act	Questioned Costs Audit and Other Reports with Questioned or Unsupported Costs	5	58
Section 5(a)(9) of the IG Act	Better Use of Funds Audit and Other Reports with Recommendations for Better Use of Funds	6	59
Section 5(a)(10) of the IG Act	Unresolved Reports Unresolved Audit and Other Reports Issued before Reporting Period	7	60
Section 5(a)(10)(B) of the IG Act	Reports for Which No Agency Comment Was Returned to the OIG within 60 days of Issuance	10	68
Section 5(a)(10)(C) of the IG Act	Outstanding Unimplemented Recommendations with Aggregate Potential Cost Savings	7	60
Section 5(a)(11) of the IG Act	Significant Revised Management Decisions	10	68
Section 5(a)(12) of the IG Act	Significant Management Decisions with Which the OIG Disagreed	10	68

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	68
Section 5(a)(14)-(16) of the IG Act	Peer Review Results	9	67
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)	53
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	53
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	8	67
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	68
Section 5(a)(20) of the IG Act	Description of Instances of Whistleblower Retaliation	10	68
Section 5(a)(21) of the IG Act	Description of Attempt by Agency to Interfere with OIG Independence	10	68
Section 5(a)(22)(A) of the IG Act	Description of Audits Closed but Not Disclosed to the Public	10	68
Section 845 of the National Defense Authorization Act for Fiscal Year 2008	Contract-Related Audit Products with Significant Findings	10	68

Table 1. Statistical Summary of Audit and Other Report Accomplishments (October 1, 2018, through March 31, 2019)

Accomplishment	October 1, 2018–March 31, 2019
Audit Reports Issued	11
Inspection Reports Issued	0
Other Products Issued	1
Questioned Costs (Including Unsupported Costs)	$14,004
Recommendations for Better Use of Funds	$0
Reports Resolved By Program Managers	10
Questioned Costs Sustained (Including Unsupported Costs)	$712,673,223
Unsupported Costs Sustained	$0
Additional Disallowances Identified by Program Managers	$0
Management Commitment to the Better Use of Funds	$0

Table 2. Statistical Summary of Investigative Accomplishments (October 1, 2018, through March 31, 2019)

Accomplishment	Description of the Metric	SAR 76 (October 1, 2017–March 31, 2018
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.	31
Investigative Cases Closed	Number of investigations that were closed during the reporting period.	39
Cases Active at the End of the Reporting Period	Number of investigations not closed prior to the end of the reporting period.	329
Investigative Reports Issued	Number of Reports of Investigation issued during the reporting period.	46
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.	0
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.	1 Civil 14 Criminal
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.	22
Convictions/Pleas	Number of criminal convictions, pleas of guilty or nolo contendere, or acceptance of pretrial diversions that occurred during the reporting period.	24
Fines Ordered	Sum of all fines ordered during the reporting period.	$2,700
Restitution Payments Ordered	Sum of all restitution ordered during the reporting period.	$19,118,173
Civil Settlements/ Judgments (number)	Number of civil settlements completed or judgments ordered during the reporting period.	4
Civil Settlements/ Judgments (amount)	Sum of all completed settlements or judgments ordered during the reporting period.	$3,066,900
Recoveries	Sum of all administrative recoveries ordered by the Department or voluntary repayments made during the reporting period.	$4,326,622
Forfeitures/Seizures	Sum of all forfeitures/seizures ordered during the reporting period.	$20,000
Estimated Savings	Sum of all administrative savings or cost avoidances that result in a savings to, or better use of funds for, a program or victim during the reporting period. These are calculated by using the prior 12 month period of funds obtained or requested and then projecting that amount 12 months forward.	$0
Suspensions Referred to Department	Number of suspensions referred to the Department during the reporting period.	11
Debarments Referred to Department	Number of debarments referred to the Department during the reporting period.	9

Table 3. Significant Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed (October 1, 2018, through March 31, 2019)

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 Services also designated as an action official) *(SAR 74, page 57)*	11/14/16	1/26/17	2	11	9/27/19
FSA	Audit A17R0002 New	Final Independent Auditors' Report Fiscal Years 2017 and 2016 Financial Statements Federal Student Aid (Budget Services is also designated as an action official) *(SAR 76, page 58)*	11/13/17	2/16/18	2	8	1/14/20
OFO (formerly OCFO)	Audit A06O0001	Management Certifications of Data Reliability *(SAR 72, page 57)* (Note: Program Office was changed from ODS to OFO due to recent reorganization)	2/11/16	5/9/16	1	4	10/31/19
OFO	Audit A17Q0001	Final Independent Auditors' Report Fiscal Years 2016 and 2015 Financial Statements U.S. Department of Education (OCIO and Budget Services also designated as action officials) *(SAR 74, page 57)*	11/14/16	2/14/17	2	11	8/28/19
OFO	Audit A17R0001 New	Final Independent Auditors' Report Fiscal Years 2017 and 2016 Financial Statements U.S. Department of Education (Budget Services and OCIO are also designated as action officials) *(SAR 76, page 58)*	11/13/17	3/23/18	1	8	1/28/20

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
OCIO	Audit A11R0001 New	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) *(SAR 76, page 58)*	10/31/17	3/23/18	12	23	7/31/19
OESE (From the former ODS)	Audit A02M0012	Nationwide Assessment of Charter and Education Management Organizations *(SAR 73, page 52)* (Note: Program Office was changed from ODS to OESE due to recent reorganization)	9/29/16	1/10/17	1	4	5/15/19

Table 4. Audit and Other Reports and Products on Department Programs and Activities (October 1, 2018, through March 31, 2019)

Office	Report Type and Number	Report Title	Date Issued	Questioned Costs	Unsupported Costs	Number of Recs
FSA	Audit A02S0007	MiraCosta College's Compliance with Verification and Reporting Requirements	11/27/18	-	-	2
FSA	Audit A05Q0008	Federal Student Aid: Additional Actions Needed to Mitigate the Risk of Servicer Noncompliance with Requirements for Servicing Federally Held Student Loans	2/12/19	-	-	6
FSA	Audit A05S0012	College of Southern Nevada Complied with Federal Verification and Reporting Requirements	11/27/18	-	-	-
FSA	Audit A06S0007	University of Houston's Compliance with Verification and Reporting Requirements	11/30/18	$14,004[1]	-	2[2]
FSA	Audit A17S0002	Final Independent Auditors' Report Fiscal Year 2018 Financial Statements Federal Student Aid	11/15/18	-	-	12
OCIO	Audit A11S0001	The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report For Fiscal Year 2018 (The report was addressed to ODS and FSA)	10/31/18	-	-	45
OESE	Audit A06R0004	Calculating and Reporting Graduation Rates in Utah	11/27/18	-	-	7
OFO (formerly OCFO)	Audit A17S0001	Final Independent Auditors' Report Fiscal Year 2018 Financial Statements U.S. Department of Education (The report was addressed to OCFO with OCIO copied)	11/15/18	-	-	12
OFO	Audit A17S0003	Final Independent Auditors' Report Fiscal Year 2018 Closing Package Financial Statements U.S. Department of Education	11/16/18	-	-	-

[1] The University of Houston stated that it returned $14,004 in improperly disbursed Pell funds during our audit; this is considered questioned costs for SAR reporting purposes.

[2] Report A06S0007 also included a suggestion to the University of Houston.

Office	Report Type and Number	Report Title	Date Issued	Questioned Costs	Unsupported Costs	Number of Recs
OFO	Special Project S19T0001	Completion of OIG Risk Assessment of the Department's Purchase Card Program for Fiscal Year 2018	2/1/19	-	-	-
OPEPD	Audit A09R0008	Office of the Chief Privacy Officer's Processing of Family Educational Rights and Privacy Act Complaints (The report was addressed to OM)	11/26/18	-	-	8
OSERS	Audit A09R0004	Office of Special Education Programs' Differentiated Monitoring and Support	10/25/18	-	-	5
Total	**12 reports**			**$14,004**	**-**	**99 Recs (and 1 suggestion)**

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	1	$14,004	$0
Subtotals (A + B)	3	$712,792,610	$0
C. For which a management decision was made during the reporting period	1	$712,681,125	$0
(i) Dollar value of disallowed costs		$712,673,223	
(ii) Dollar value of costs not disallowed		$7,902	
D. For which no management decision was made by the end of the reporting period	2	$111,485	$0

* Reflects recommendations from two OIG audit reports: "Western Governors University Was Not Eligible to Participate in the Title IV Programs" ($712,681,124) and "Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds" ($97,481).

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

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

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

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

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

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

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

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
FSA	Technical Career Institute's Administration of the Federal Pell Grant and Federal Family Education Loan Program 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, and it is working to complete the audit.	5/19/08	Yes	13	$6,458
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 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	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, and it is working to complete the audit.	9/30/15	Yes	6	$1,795,500
FSA	Federal Student Aid's Contractor Personnel Security Clearance Process A19R0003 New	The report found that FSA did not effectively implement Department requirements for the contractor personnel security screening process, as FSA officials and staff involved in the process were generally unaware of Department requirements and their related responsibilities for processing contractor employees' security screenings. **Current Status:** FSA informed us that the audit is resolved, and it is working to close the audit.	4/17/18	Yes	17	$0
FSA	Federal Student Aid: Efforts to Implement Enterprise Risk Management Have Not Included All Elements of Effective Risk Management A05Q0007 New	The audit 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. **Current Status:** FSA informed us that the audit is resolved, and it is working to close the audit.	7/24/18	Yes	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
OCTAE	Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds A04O0004	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. **Current Status:** OCTAE informed us that it is working to resolve this audit. OFO/Post Audit Group Program Determination Letter was issued on 8/27/2018.	2/22/18	No Proposed resolution date unknown	9	$97,481
OESE	Puerto Rico Department of Education's Award and Administration of Personal Services Contracts (OCTAE OSDFS, OSERS/OSEP and Risk Management Services 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:** OESE informed us that the audit is resolved, but all corrective actions have not been completed.	1/24/11	Yes	11	$15,169,109
OESE	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 informed us that it is working to resolve this audit.	5/18/17	No Proposed resolution date: September 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 informed us that it is working to resolve this audit.	6/14/17	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	Calculating and Reporting Graduation Rates in California A02Q0005	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 informed us that it is working to resolve this audit.	1/11/18	No Proposed resolution date: June 2019	6	$0
OESE	Detroit Public Schools Community District: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses A05R0001	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. **Current Status:** OESE informed us that it is working to resolve this audit.	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	The audit found that New York had not yet completed updating its policies and procedures, did not require local educational agencies to submit final documentation in response to monitoring findings, and was not ensuring that local educational agencies were reporting all unaccompanied youth. **Current Status:** OESE informed us that it is working to resolve this audit.	3/29/18	No Proposed resolution date: June 2019	9	$0
OESE	Orleans Parish School Board: Status of Corrective Actions on Previously Reported Title I-Relevant Control Weaknesses A05R0002 New	Other than a deficiency involving nonpublic schools, nothing came to our attention during the followup audit indicating that Orleans Parish did not design and implement policies and procedures to reduce the risk of future noncompliance. Regarding the deficiency, we found that Orleans Parish did not design and implement procedures that provided reasonable assurance that expenditures for services provided to nonpublic school students and charged to Title I funds were allowable. **Current Status:** OESE informed us that it is working to resolve this audit.	5/14/18	No Proposed resolution date: September 2019	2*	$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	The Department's Oversight of the Indian Education Formula Grant Program A19Q0002 New	The report found the monitoring activities Office of Indian Education conducts are insufficient to ensure that grantees are making progress towards meeting program goals and spending grant funds appropriately. The report found a lack to written comprehensive procedures, follow-through and documentation. Although the Office of Indian Education collected some data on grantee performance and use of funds, the report found little evidence that the office used the data to provide assistance to grantees in implementing the program successfully. **Current Status:** OESE informed us that the audit is resolved, but all corrective actions have not been completed.	9/28/18	Yes	12	$0
OESE (Note: audit was transferred from ODS to OII which is now part of OESE)	Nationwide Audit of Oversight of Closed Charter Schools (The report was addressed to ODS (now OS) and recommended that ODS (now OS) coordinate with OESE and OII on report recommendations) A02M0011 New	The report found that the Department's oversight and monitoring of the States was not effective to ensure that the States performed the charter school closure process in accordance with Federal laws and regulations. **Current Status:** OSERS informed us that the audit is resolved, but all corrective actions have not been completed.	9/28/18	Yes	3*	$0
OFO (Formerly 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 the school did not serve the number of participants it was funded to serve and that its partnership did not provide the required matching funds. **Current Status:** OFO informed us that the audit is resolved, but all corrective actions have not been completed.	1/14/04	Yes	4	$1,018,212

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
OFO	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:** OFO informed us that the audit is resolved, but all corrective actions have not been completed.	1/25/16	Yes	5	$0
OFO	Protection of Personally Identifiable Information in the Commonwealth of Virginia's Longitudinal Data System (Note: Audit was transferred from IES to OFO.) 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:** OFO informed us that it is working to resolve this audit.	7/12/16	No Proposed resolution date unknown	3	$0
OFO	Protection of Personally Identifiable Information in Oregon's Statewide Longitudinal Data System (Note: Audit was transferred from IES to OFO.) 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:** OFO informed us that it is working to resolve this audit.	9/27/16	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
OFO	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:** OFO informed us that the audit is resolved, but all corrective actions have not been completed.	11/7/16	Yes	7	$0
OFO	Protection of Personally Identifiable Information in Indiana's Statewide Longitudinal Data System (IES is also designated as an action official) 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:** OFO informed us that it is working to resolve this audit.	7/10/17	No Proposed resolution date unknown	4	$0
OFO (From the former OM)	The Department's Implementation of the Contractor Personnel Security Clearance Process A19P0008 New	The audit found that the Department had not effectively implemented requirements for the contractor personnel security screening process. The report also found that OM did not ensure the timeliness of security screening activities, ensure contractor employee screening information maintained was accurate and reliable, or provided adequate training to principal offices with regard to process requirements and responsibilities. **Current Status:** OFO (formerly OM) informed us that the audit is resolved, but all corrective actions have not been completed.	9/20/18	Yes	11	$0
OPE	U.S. Department of Education's Recognition and Oversight of Accrediting Agencies A09R0003 New	The audit found that the Department did not provide reasonable assurance that it recognized only agencies meeting Federal recognition criteria. We also found that the Department's oversight approach may not identify issues soon enough to mitigate or prevent potential harm to accredited institutions of higher education, students, or taxpayers. **Current Status:** OPE informed us that the audit is resolved, but all corrective actions have not been completed.	6/27/18	Yes	3	$0

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

Table 8. Report on Each Investigation Conducted by the OIG Involving a Senior Government Employee (GS-15 or Above) Where the Allegations of Misconduct Were Substantiated

Description
As noted on page 23 of this Semiannual Report to Congress, the OIG received an allegation that high-ranking staff within the Department's Office of Security, Facilities, and Logistics Services (Office of Security) were carrying firearms in Department buildings without proper authorization. This included two GS-15 employees. We found that the U.S. Marshals Service's special deputation authorizations for these two GS-15 employees had expired in 2015. In August 2016, Department officials ordered the Director of the Office of Security, a member of the Senior Executive Service, to disarm the employees and lock up the firearms. The Director, however, instructed the staff to continue carrying their firearms despite no longer being authorized to do so, and although the staff were aware of the order to disarm and the lack of legal authorization, they followed the instructions of the Director. After presenting the results of our investigation to the Department's Office of Management, the Director was reassigned and removed from the ranks of the Senior Executive Service. The Office of Security employees were not formally disciplined and were alternatively required to attend training classes related to government ethics and internal controls, topic areas all Department employees are required to take.

Table 9. Peer Review Results

Description
During this reporting period, two external peer reviews of OIG operations were conducted. First, the U.S. Department of Veterans Affairs Office of Inspector General issued its findings related to a peer review it conducted of the OIG's investigative organization for the period September 1, 2017, through August 31, 2018. Our office received a peer review rating of pass. There were no outstanding recommendations from prior peer reviews. The U.S. Department of Veterans Affairs OIG report was issued in November 2018. Second, the Tennessee Valley Authority Office of Inspector General (TVA OIG) issued its findings related to a peer review of the OIG's inspection and evaluation function. The Council of the Inspectors General on Integrity and Efficiency External Peer Review Team, led by TVA OIG, determined that the OIG's policies and procedures generally met the seven Blue Book standards addressed in the external peer review. Of the three reports reviewed, the review team determined that two generally met the Blue Book standards and complied with the OIG's internal policies and procedures. One reviewed report generally did not meet the standards and did not comply with internal policies and procedures related to Quality Control, Planning, and Data Collection. The review team offered recommendations that we agreed to implement to further improve our inspection and evaluation related processes.

Exhibit A

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
Significant Management Decisions with Which the OIG Disagreed	Nothing to Report
Unmet Intermediate Target Dates Established by the Department under the Federal Financial Management Improvement Act of 1996	Nothing to Report
Description of Instances of Whistleblower Retaliation	Nothing to Report
Description of Attempt by the Agency to Interfere with OIG Independence	Nothing to Report
Audits or Inspections Closed but Not Disclosed to the Public	Nothing to Report
Description of Investigations Involving Senior Government Employees (GS-15 or Above) That Were Closed but Not Disclosed to the Public	Nothing to Report
Contract-Related Audit Products with Significant Findings	Nothing to Report

Acronyms and Abbreviations

ACGR	adjusted cohort graduation rates
CIGIE	Council of the Inspectors General on Integrity and Efficiency
Department	U.S. Department of Education
DMS	Differentiated Monitoring and Support
FAFSA	Free Application for Federal Student Aid
FERPA	Family Educational Rights and Privacy Act
FISMA	Federal Information Security Modernization Act of 2014
FSA	Federal Student Aid Office
FY	fiscal year
OIG	Office of Inspector General
OSEP	Office of Special Education Programs

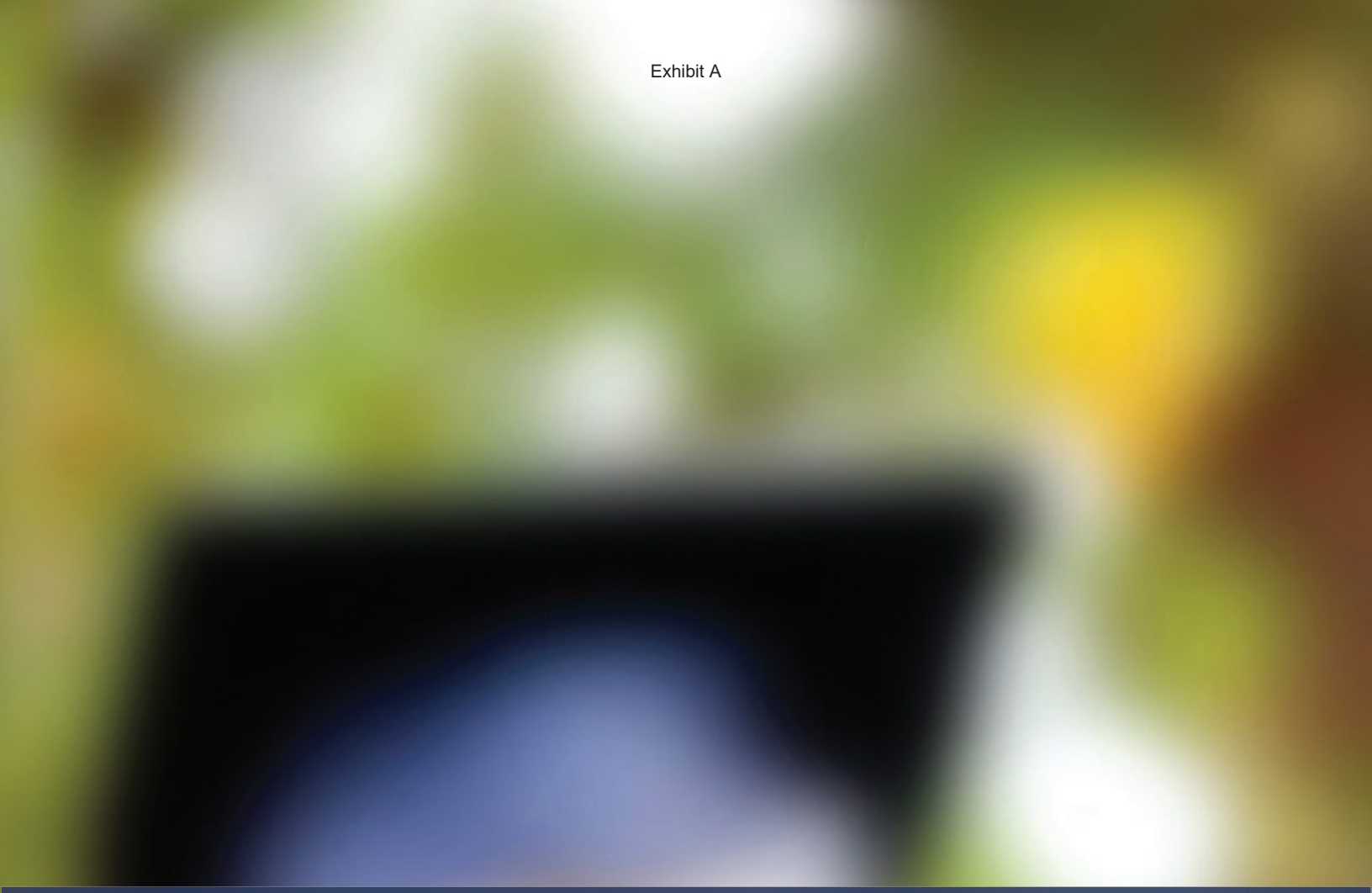
Exhibit A

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.



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(1-800-647-8733)

Inspector General Hotline
U.S. Department of Education
Office of Inspector General
400 Maryland Ave., S.W.
Washington, D.C. 20202

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