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ABSTRACT

This report from the Department of Education's (ED) Office of Inspector General (OIG) examines information-systems technology, financial systems and controls, and postsecondary education in the ED. The review focuses on postsecondary schools, lenders, and guaranty agencies. Significant investigative efforts revealed that fraud had been committed by student financial-aid consultants, by students, and by individuals falsely claiming enrollment at foreign schools. The report discusses implementation-readiness reviews of ED's Grants Administration and Payment System, describes how ED's Year 2000 efforts have not kept pace with government milestones, outlines how ED received an unqualified opinion on its FY 1997 annual financial statement, and details an ongoing investigation of various forms of financial fraud committed against ED. Other significant activities revealed in the report describe efforts to comply with the Government Performance and Results Act, which requires federal agencies to prepare a 5-year strategic plan and annual performance plans; direct loan school monitoring; and audit-quality initiatives. Two abstracts offer further information on significant audits and audit-related activities and important prosecutive actions resulting from OIG Investigations. Six statistical tables provide data on recommendations described in previous reports that have not been completed, on unresolved reports, and other information. (RJM)

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U.S. Department of Education

Office of Inspector General

Semiannual Report to Congress No. 37

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April 1, 1998 — September 30, 1998

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UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

October 30, 1998

Honorable Richard W. Riley
Secretary of Education
Washington, DC 20202

Dear Mr. Secretary:

I am pleased to submit this *Semiannual Report* on the activities of the Department's Office of Inspector General (OIG) for the six-month period ending September 30, 1998. Submission of this report is in accordance with section 5 of the Inspector General Act of 1978 (Public Law 95-452, as amended). The Act requires that you transmit this report within thirty days to the appropriate Congressional committees and subcommittees, along with any comments you may wish to make.

Our efforts this period continued to advance both OIG's and the Department's mission and goals, through a carefully designed program of audits, investigations and reviews intended to help managers administer their programs and carry out their oversight responsibilities more efficiently, effectively and economically. We continue to work with Department managers to help them resolve financial and systems problems, and have issued a number of audit reports and action memorandums to assist them in this regard.

I look forward to continuing to work with you and Department managers as we seek to ensure the efficiency, effectiveness and integrity of Education Department programs and operations.

Sincerely,

John P. Higgins, Jr.
Acting Inspector General

600 INDEPENDENCE AVE., S.W. WASHINGTON, D.C. 20202-1510

Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

U.S. Department of Education

Office of Inspector General

Semiannual Report to Congress

No. 37

April 1, 1998 — September 30, 1998

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Inspector General's
Message to Congress

During this semiannual period, the Office of Inspector General (OIG) concentrated major resources in the areas of information system technology, financial systems and controls, and postsecondary education. Working cooperatively with Department managers, our work has been centered on "front-end" controls that should assist the Department in administering its programs and leave them less vulnerable to fraud, waste, and abuse. In the recent reauthorization of the Higher Education Act, a number of our recommendations were enacted into law. One enacted recommendation, to require a match of student income reported on applications for financial aid to income reported to the Internal Revenue Service, should save the federal government over $100 million per year. In the upcoming period we will be issuing a perspectives paper with our recommendations for reauthorization of the Elementary and Secondary Education Act.

Our investigative program, focusing on institutional fraud schemes, continues to result in major recoveries. During this reporting period the government collected $30 million, a figure comparable to our annual budget.

Although the Department has made progress on program and systems improvements, major challenges remain. We plan to continue conducting work to assist the Department in these areas.

- The Department has had longstanding problems in its financial and accounting systems. A financial statement audit was to have been completed by March 1999. However, the Department has experienced difficulty with implementation of its new central automated processing system, EDCAPS, and has indicated it will not be ready for audit until February 1999. Therefore, we do not expect a full scope audit to be completed until August. In addition, the Department's Grant and Administrative Payment System faces a critical time in attempting to improve functionality, customer service, and especially data and access security while processing an increased volume of transactions.

- The Department has made considerable progress in meeting the Y2K requirements and expects to meet OMB milestones for making its systems compliant. However, the critical challenge remaining is to ensure that the data systems of its data exchange partners are also Y2K compliant and that there are adequate contingency plans to address Y2K problems at both the Department and the data partner level.

- Under the recently reauthorized Higher Education Act, the Department must convert the Office of Student Financial Assistance into a performance-based organization (PBO). The new PBO will be faced with the continuing task of integrating its data systems and improving the management and oversight of student financial assistance programs.

- Successful implementation of the Results Act requires that the Department have data systems that are accurate and reliable. The Department must complete its efforts to ensure that the underlying performance data required for the Results Act is accurate and reliable.

We look forward to working with the Congress and the Department in these and other areas to help make the financial and systems improvements that will support the efficient and effective delivery of federal education programs.

John P. Higgins, Jr.
Acting Inspector General

EXECUTIVE SUMMARY

During this semiannual period, the Office of Inspector General (OIG) concentrated major resources in the areas of information system technology, financial systems and controls, and postsecondary education. Our work has centered on "up-front" controls that should assist the Department of Education (ED) in administering its programs and leave ED less vulnerable to fraud, waste, and abuse.

The OIG continued to focus its investigative resources on complex investigations of institutions, including postsecondary schools, lenders, and guaranty agencies. Significant investigative efforts have identified fraud committed by student financial aid consultants, students, and individuals falsely claiming enrollment at foreign schools.

Highlights of our efforts follow.

— INFORMATION SYSTEMS —

Information Technology (IT) System Reviews

As a result of our implementation-readiness reviews of the Department's Grants Administration and Payment System (GAPS), a core component of the Department's new Central Automated Processing System (EDCAPS), we continued focusing our efforts on reviewing GAPS. This period we issued a security audit and several alternative products on GAPS.

Assessment of GAPS

A series of reports or action memos were issued to provide the Department with an ongoing assessment of GAPS. Specific recommendations were made to enhance system performance and security

Review of GAPS security

Our assessment of the overall security surrounding the GAPS production environment resulted in a number of technical and procedural recommendations for the enhancement of GAPS security.

OCFO/CIO officials generally agreed with the intent of the recommendations and expressed a strong interest in working closely with our review team to reach an agreeable resolution to correcting the underlying exposures.

For additional information on these products, see Abstract 1, *"Significant Audits and Audit-related Activities.*

In addition to the products discussed above, we have other reviews in progress in a number of areas. These include reviewing the Department's loan origination and consolidation system, assessing the system development process for the Department's Project EASI (Easy Access for Students & Institutions), and assessing the Postsecondary Education Participants System.

Year 2000 Testimony

The Acting Inspector General (IG) testified before the House Appropriations Committee, Subcommittee on Labor, Health and Human Services, Education, and Related Agencies on the Department's Year 2000 compliance readiness. He was part of a panel of Inspectors General for the agencies under the jurisdiction of the Subcommittee who had been asked to address their agencies' Year 2000 readiness.

The Department's Year 2000 efforts have not kept pace with government milestones

He testified about a recent OIG audit report, which concluded that, despite recent efforts and strides taken by the Department, its overall Year 2000 (Y2K) efforts had not kept pace with government-wide milestone dates established by the Office of Management and Budget. He reported that the Department's Y2K efforts had suffered from a lack of continuity in the leadership of the project and a late start in developing a comprehensive Y2K plan for the assessment, renovation and testing of mission-critical systems. In addition, the Department did not have a complete inventory of which mission-critical systems were compliant.

He indicated that the Department's Y2K project was receiving senior management attention from the Acting Deputy Secretary, who chairs the Department's Y2K Steering Committee, and that a high-level official in the Office of the Chief Financial and Chief Information Officer was assigned to lead the project He stated that the OIG will continue to monitor the Department's progress and report our findings and recommendations to the Y2K Steering Committe

Y2K projects in progress

The OIG currently has three Y2K audit efforts underway. First, OIG is conducting a review of the estimated renovation costs reported to OMB in the Department's quarterly status reports. Second, OIG is reviewing the independent verfication and validation process for the Department's critical systems. Third, OIG is conducting audits at guaranty agencies participating in the Federal Family Education Loan Program to determine their readiness for the Year 2000.

Since the testimony, the Department has made significant progress in addressing the issues raised in the audit report. In addition, the recently passed Higher Education Act Amendments of 1998 mandate continuing OIG review of the Department's Y2K activities.

— FINANCIAL REPORTING AND CONTROLS —

Financial Statement Audits

— FY 1997 annual financial statements

The Department of Education received an unqualified opinion on its FY 1997 annual financial statements. This is the first time management has reached that goal on a Department-wide basis.

Sufficient evidence presented to support opinion

In FYs 1996 and 1995, the Department was unable to provide sufficient evidence to support its estimate of liabilities, allowances and costs of the loan programs, which must be accounted for in accordance with Statements of Federal Financial Accounting Standards. After months of work by both management and the auditors, sufficient evidence was obtained, validated, and analyzed to support an unqualified opinion on the FY 1997 annual financial statements.

Significant problems remain

Although receiving an unqualified opinion is a significant milestone for the Department, the opinion and the reports on internal controls and on compliance with laws and regulations clearly indicate continued problems with the Department's oversight and management. There were four material weaknesses, three reportable conditions and three instances of non-compliance reported. (see Abstract 1, *"Significant Audits and Audit-related Activities"*).

— FY 1998 financial statements

In our last *Semiannual Report*, we committed to issuing financial statement audit reports no later than March 1, as statutorily mandated. However, the Department's Chief Financial Officer informed us that the accounting books and records would not be ready for audit until February 1999. As a result, we have agreed to delay the start of the audit until that time. Therefore, we would not expect a full-scope audit to be completed until August 1999.

— COMPLEX INVESTIGATIONS —

Over the last several years, the OIG has increasingly focused its investigative resources on the pursuit of complex, resource-intensive financial fraud investigations involving postsecondary institutions, lenders, and guaranty agencies. This is the area in which we believe our enforcement efforts are having the most impact in combating fraud in the Department's student aid programs.

Some significant results in the areas of due diligence fraud, consultant fraud, and the Foreign Schools Project follow. Highlights of specific investigative cases resulting in prosecutive actions this reporting period may be found in Abstract 2, *"Significant Prosecutive Actions Resulting from OIG Investigations."*

Due diligence fraud

The U.S. Department of Education guaranteed over $30 billion in Federal Family Education Loan Program (FFELP) funds in 1998. Department regulations mandate that the owners/servicers of FFELP portfolios must meet specific due diligence requirements to maintain the government's guarantee. These requirements include mailing letters to borrowers and making telephone contacts/attempts with them within specific time frames.

The OIG has conducted several major investigations of due diligence fraud. Most recently, a criminal conviction and civil settlement were obtained in the investigation of Cybernetics and Systems, Inc. (CSI), a subsidiary of CSX Corporation, which acted as a servicer for loan portfolios reinsured by the federal government. As part of the resolution of this investigation, CSI paid $28 million to the United States this period as well as a $2 million criminal fine.

Over the past several years, restitution and fines in excess of $55 million have been ordered in our investigations of lenders and student loan servicers.

Common reasons and methods

In several due diligence fraud investigations, at least one mid-level or higher management official was involved in the scheme to fraudulently retain the federal guarantee. The falsification of due diligence was in part motivated by management's desire to avoid the loss of guarantee, loss of fees and/or the occurrence of contractual penalties. Many of the institutions also did not maintain sufficient staffing levels to meet the workload and failed to invest in updated computer technology. When due diligence violations were identified, management typically responded by underplaying or explaining away the magnitude of the problem. These management decisions led to unmanageable workloads, which created incentives for lower-level employees to "cut corners" with respect to the due diligence requirements.

Through our completed investigations, the OIG has identified common methods of due diligence falsification:

- Creation of fictitious telephone logs
- Insufficient length of telephone calls
- Back dating of letters and contracts
- Forgery of student signatures
- Exaggerated collection activity by a select group

Proactive/prevention work

The OIG has been working to identify as well as prevent additional instances of fraudulent due diligence. OIG staff have conducted briefings on due diligence fraud for the American Institute of Certified Public Accountants, the Alliance of Loan Servicers, and the National Council on Higher Education Loan Programs, and have participated in training workshops for secondary markets. Additionally, our office is preparing a Dear Colleague Letter for distribution to all of the guaranty agencies, servicers and lenders on this issue.

Student Financial Assistance (SFA) Marketing Company/Consultant Fraud

We are conducting a significant number of criminal investigations targeting individual consultants and/or companies marketing SFA guidance and application preparation to mostly middle and upper-income students and their parents.

In many instances these students, because of their income level, are not eligible for federal loan and grant programs. Typically, for a fee, the consultants prepare and submit to the Department false Free Applications for Federal Student Aid (FAFSAs) on behalf of their clients. To circumvent detection of the fraudulent FAFSAs, the consultants also prepare false income tax returns for submission to the students' schools of choice for verification purposes.

To date, our investigations have included FAFSAs submitted via the Web, FAFSA Express and the traditional paper FAFSAs. Accordingly, as the Department moves toward eliminating the paper FAFSA, we have submitted written concerns and recommendations to the Department regarding the implementation of legally acceptable and enforceable student and parental electronic/digital signatures for FAFSAs.

Major fraud cases involving student financial aid consultants

We are presently involved in ten major fraud cases involving schemes by student financial aid consultants. To date, several consultants have been the subjects of federal indictments. In one case, an individual self-employed as a student financial aid consultant assisted approximately 700 clients in attempting to defraud the Pell Grant program by using various falsified financial documents. In another case, a person who owned financial aid consultant businesses in Michigan and Alabama charged clients a fee between $275 and $350 for assistance in supplying universities and the Department of Education with false income information on behalf of her more than 300 clients. Investigation has determined that false documents prepared by this consultant alone resulted in the disbursement of more than $1.7 million in Pell and Supplemental Educational Opportunity Grant funds.

Systemic weaknesses continue

Based on the case examples cited in the preceding paragraphs and other ongoing casework, we believe the problems surrounding student financial aid entrepreneurs are more extensive than is readily apparent. In fact, we opened seven cases involving these individuals this reporting period. The systemic program weaknesses that facilitate this fraudulent activity remain extensive. Our Office strongly supported the recently enacted legislation (which passed shortly after the end of the period covered by this report) to allow for the matching of applicant income data with Internal Revenue Service records. Successful implementation of this cost-effective fix will require cooperation between this Department and the Department of the Treasury.

Prosecution methods vary

In conjunction with the Department of Justice, we have been using a variety of prosecutive methods to address this fraudulent activity. Typically, the individual consultants are criminally prosecuted, sentenced to periods of federal incarceration, and fined. To date, in excess of 500 of the consultants' clients have been successfully sued under the federal Affirmative Civil Enforcement and referred to the federal Pre-Trial Diversion program. In the next reporting period, we expect a number of clients in the midwest to be criminally prosecuted as well, in an effort to increase the deterrent value of these cases.

The use of these prosecutive options has resulted in substantial monetary recoveries totaling more than $3.5 million. These recoveries include both the federal education dollars illegally obtained by the clients, and the heavy monetary penalties assessed as a deterrent.

Foreign School Project

The OIG has assembled a team of special agents for the purpose of carrying out a proactive investigative initiative designed to identify FFELP borrowers who defraud the program by falsely claiming attendance at foreign schools. The purposes of this initiative are to identify systemic weaknesses; to identify and prosecute individual recipient fraud cases; to identify problem foreign schools and refer them to Department management officials for appropriate administrative action; and to recover funds disbursed to ineligible borrowers.

We made written recommendations to Department officials on ways to reduce fraud and abuse in the foreign school arena. We recently received a response to our recommendations and we are currently evaluating the response.

Increase in foreign-school attendance by FFELP borrowers

Through analysis of available data, we observed an increasing number of individuals obtaining FFELP loans by claiming attendance at foreign schools. This number has increased each academic year between 1993, when the number of students was 4,595, and academic year 1995, when the number of students climbed to 11,967.

Loans to students attending foreign schools increase significantly

The total loan amounts for students claiming attendance at foreign schools rose as well, jumping to more than $200 million in academic year 1997 and remaining at about that level in FY 1998. The largest loan dollar volume is currently concentrated in the nations of Dominica, Grenada and Mexico. In the Dominican Republic, the volume of student aid has increased steadily since academic year 1993, when it was $2.8 million. By academic year 1998, the total exceeded $18.5 million.

Statutory, regulatory and programmatic deficiencies

In conjunction with our investigative efforts, we have identified serious statutory, regulatory and programmatic deficiencies relative to FFELP borrowing at foreign institutions. These deficiencies expose the FFELP to abuse and fraud. The OIG has identified deficiencies/weaknesses in the following areas:

- verification of enrollment;
- disbursement process;
- determination of borrowers' eligibility;
- standards of administrative and financial capability on the part of foreign schools;
- oversight of foreign schools.

In April 1997, we submitted two reports to Department program officials detailing our findings and making program improvement recommendations. We believe that many of our cases could have been prevented if pre-disbursement enrollment verification had been conducted. The number of ongoing investigations involving these students continues to grow.

— OTHER SIGNIFICANT ACTIVITIES —

Department Operations

— Government Performance and Results Act

The Government Performance and Results Act of 1993 (GPRA, or the Results Act) is the centerpiece of a statutory framework that Congress put in place to improve federal management and provide a greater focus on results. GPRA requires that federal agencies prepare a five-year strategic plan and annual performance plans beginning with fiscal year 1999. The act also requires that federal agencies prepare performance reports. The first performance report on FY 1999 is due in March 2000.

Our audit of the status of the Department's implementation of GPRA (see Appendix I, *"Significant Audits and Audit-related Activities"*) found that, as required by the Results Act, ED has prepared a strategic plan and an annual performance plan for fiscal year 1999 and has designed a framework for the verification and validation of its performance indicators. How-

ver, our audit identified issues similar to those raised recently by the General Accounting Office. ED's strategic plan and annual performance plan (which were rated by Congressional evaluators above most of the federal agencies' plans), and the activities ED has done and plans to do, can provide the Department with the foundation to meet the many challenges in moving toward a results-oriented organization.

Our review identified the need to establish a results-oriented culture; the importance of senior leadership involvement; the challenging nature of measuring the federal contribution; and the importance of the information used by Congress and the Department in decision-making.

— Management reviews

This period we completed management reviews on the Department's International Merchant Purchase Authorization Card process, its management of the Freedom of Information Act operations, and its Common Support Expense Fund. Our reviews resulted in several management recommendations. (See Abstract 1, "*Significant Audits and Audit-related Activities.*")

Postsecondary Education

— Direct Loan school monitoring

Last year we issued our summary report, "Administration of the William D. Ford Direct Loan Program by Schools." The report summarized deficiencies at 16 schools participating in the Direct Loan program and identified potential management weaknesses in monitoring the program. This period we issued our follow-up report, which examined the Department's monitoring of the schools participating in the Direct Loan program. (See Abstract 1, "*Significant Audits and Audit-related Activities.*")

Our review determined that sufficient data were not available for effective school monitoring, on-site monitoring of schools was not coordinated between different Departmental components and was very limited, and the elimination of loan-level data matching between schools and the Department may cause future data integrity problems.

— Institutional participation and oversight

The Institutional Participation and Oversight Service (IPOS) is responsible for all gatekeeping, oversight, monitoring and audit resolution functions for all institutions participating in the student financial assistance programs. IPOS began a major reorganization in late 1996, moving toward a team-based case management system.

Last period we initiated a management review to assess the allocation of resources, proper training and technical capabilities of staff to perform new functions, consistency of operations between case management teams, and effective monitoring of schools. To complete our management assessment, we are performing separate performance audits of the key IPOS functional operations.

Reviews of IPOS functions

During this period we completed our audit of the recertification of all institutions participating in the SFA programs, mandated to be completed within five years of enactment of the Higher Education Act Amendments of 1992. We concluded that while it appears all recertifications were generally completed, we could not assess the adequacy of the recertification process for eighteen percent of our sample, because documentation could not be located to support the recertification decisions. Documentation of supervisory reviews was also not performed.

In future periods we will be reporting on other functional areas in IPOS as the work is completed including, provisional certification, the risk-based system for case management, audit resolution, and the program review process, followed by our overall IPOS management review report.

— Implementation of the "85/15" rule

If a proprietary institution fails to obtain at least 15 percent of its revenue from other than Title IV program funds (known as the 85/15 rule), the institution must notify the Department of its ineligibility within 90 days from the end of its fiscal year. The annual nonfederal audit must also report on the accuracy of the institution's calculation of the 85/15 rule.

Audit identifies $8.6 million of ineligible funds

We initiated a project to assess the implementation of the 85/15 rule since it became effective on July 1, 1995. Our first audit on this project was issued this period and identified $8.6 million of ineligible funds awarded by an institution (see Abstract 1, "*Significant Audits and Audit-related Activities*"). The audit determined that the institution incorrectly computed the 85/15 percentages by using non-revenue items when computing the non-Title IV portion of revenue. The independent auditor also did not identify the errors in the institution's calculation.

Additional audits at other institutions are ongoing and preliminary results have indicated similar problems.

— NSLDS data integrity

During this period we issued the first of two audit reports regarding controls over the accuracy of loan data in the National Student Loan Data System (NSLDS).

Records not updated with lender data

We found that 3.7 million loan records totaling $10.7 billion (about 14 percent of all Federal Family Education Loan program records in repayment status on the NSLDS) have not been updated with lender data. We identified the causes as some paid-in-full loans data were incorrectly loaded into NSLDS during the start-up phase of the system in 1994, lenders are unwilling or unable to correct incorrectly loaded data, lenders' failure to submit loan level data to guaranty agencies, and guaranty agencies' inability to identify current holders of the loans.

We recommended, and the Department agreed, to reclassify these loan records to more accurately reflect the loans' actual status and principal and interest balances, thereby improving the integrity of the data in NSLDS.

Our recommendations to address these findings are presented in Abstract 1, *"Significant Audits and Audit-related Activities."*

Elementary And Secondary Education Act (ESEA)

— Reauthorization

The OIG conducted a series of reviews to assist ED program officials, the Office of Management and Budget and Congress in reauthorizing the ESEA in 1999. In addition to these reviews, we are preparing an OIG "perspectives paper" on the 1999 reauthorization of the ESEA. A brief summary of these reviews is set forth below

"Following Title I, Part A and Secondary School Vocational Education Program Dollars to the Schools in 36 LEAs Visited"

Our report shows that in school year 1996-1997, an average of 92 percent of Title I, Part A and an average of 95 percent of vocational education dollars provided to the local education agencies reached the schools in the 36 agencies visited.

For a more detailed description of our findings and recommendations, see Abstract 1, *"Significant Audits and Audit-related Activities."*

"Charter School Accountability for Federal Education Requirements"

Our review showed that state and local oversight of charter schools was as rigorous as their oversight of other public schools. However, we found that education officials at the state and local levels were not administering the Public Charter School Program in accordance with certain federal requirements because of weaknesses in ED's procedures for providing guidance and technical assistance.

Audit Quality Initiatives

— Cooperative Audit Resolution And Oversight Initiative

As reported in previous *Semiannual Reports*, we have been working with an intra-departmental team on a wide-ranging project known as the Cooperative Audit Resolution and Oversight Initiative, or CAROI. Other offices participating in the CAROI initiative include the Office of Elementary and Secondary Education, the Office of Vocational and Adult Education, the Office of Special Education and Rehabilitative Services, the Office of the General Counsel and the Office of the Chief Financial and Chief Information Officer.

The CAROI team has been working with a consultant in the production of a handbook that will document the process to be used by the Department in its transition to a comprehensive cooperative audit resolution process. The handbook will also be available as a model for other agencies in their assimilation of the CAROI process. The CAROI team is working with Illinois and Puerto Rico to resolve time-distribution problems, as well as resolving recurrent audit findings with Florida, California, and Mississippi. We expect to complete these projects during the next reporting period.

Details of our accomplishments this period on the CAROI project are found in Abstract 1, *"Significant Audits and Audit-related Activities."*

— **Audit guidance and quality of nonfederal audits**

This period we worked with the Office of Manageement and Budget (OMB) and program staff to develop 14 new program compliance supplements that were included in the *OMB Circular A-133 Compliance Supplement* issued in May 1998. We also provided OMB with our recommendations for changes to existing program compliance supplements. Revising the supplements is a major government-wide effort and the guidance in the compliance supplements is used in the audits of state, local and nonprofit recipients of federal assistance.

We developed the first series of "Questions & Answers" concerning ED programs audited in accordance with OMB Circular A-133. The Q&A document is available on the Non-Federal Audit Team Web Page at **http://home.gvi.net/~edoig.**

— **Audit quality projects**

We continued to focus on improving audit quality by performing quality control reviews (QCRs) of the audit working papers prepared by independent public accountants (IPAs) who audit ED programs. We assess the quality of those audits by reviewing the auditors' working papers for adherence to requirements set forth in prescribed audit guidance, generally accepted auditing standards issued by the American Institute of Certified Public Accountants, and *Government Auditing Standards* issued by the Comptroller General of the United States.

This period we completed 45 QCRs and made nine referrals to the applicable State Boards of Accountancy and to the American Institute of Certified Public Accountants for possible disciplinary action against independent public accountants (IPAs) whose audits were determined to be substandard or significantly inadequate. We also issued a notice of suspension and debarment for one IPA from participating in any covered transaction under procurement or nonprocurement programs and activities of any federal agency. Final determination of the proposed debarment is pending.

P.L. 95-452 REPORTING REQUIREMENTS

SECTIONS 5(a)(1) and 5(a)(2) **Significant Problems, Abuses and Deficiencies**

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- Significant Prosecutive Actions Resulting from OIG Investigations 23

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- ED/OIG Reports on Education Department Programs and Activities 43

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Section 5(a)(9) **Audit Reports Containing Recommendations That Funds Be Put to Better Use**

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SECTION 5(a)(10) **Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period**

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SECTION 5(a)(11) **Significant Revised Management Decisions***

SECTION 5(a)(12) **Significant Management Decisions with Which OIG Disagreed***

*We have no instances to report.

Abstract 1

SIGNIFICANT AUDITS AND AUDIT-RELATED ACTIVITIES

April 1, 1998 — September 30, 1998

NOTE: The amounts reported by auditors for the reports described below are subject to further review and final determination by Department officials.

— INFORMATION SYSTEMS —

REVIEW OF USA GROUP'S YEAR 2000 READINESS PLANS

ACN 05-80026 September 29, 1998

The purpose of our review was to supplement the activities of OPE in ensuring that USA Group had developed adequate management plans to achieve Year 2000 compliance. We also wanted to ensure that USA Group was meeting the milestones it established for each Year 2000 project phase (awareness, assessment, renovation, validation, and implementation).

Our review disclosed that USA Group has sufficient controls in place to reasonably ensure that it is making satisfactory progress in its Year 2000 efforts. We found that USA Group exhibits acceptable performance in all key phases of the Year 2000 project management process.

REVIEW OF GREAT LAKES HIGHER EDUCATION CORPORATION'S YEAR 2000 READINESS PLANS

ACN 05-80024 September 30, 1998

The purpose of our review was to supplement the activities of OPE in ensuring that Great Lakes had developed adequate management plans to achieve Year 2000 compliance. We also wanted to ensure that Great Lakes was meeting the milestones it established for each Year 2000 project phase (awareness, assessment, renovation, validation, and implementation). Our review disclosed that the entity has sufficient controls in place to reasonably ensure it is making satisfactory progress in its Year 2000 efforts. We believe that Great Lakes' Year 2000 efforts are satisfactory, because the entity exhibits acceptable performance in all key phases of the Year 2000 project management process. However, we did suggest that the Department of Education address data exchange and contingency planning issues during its monitoring of Great Lakes' Year 2000 plans.

REVIEW OF GAPS SECURITY

ACN 11-80013 September 30, 1998

Our assessment of the overall security surrounding the Grants Administration and Payment System (GAPS) production environment identified a number of technical and procedural security exposures. Our recommendations presented opportunities for the enhancement of GAPS security in the areas of security access control, security option settings, audit trail controls, cash management, security administration, ensuring accountability, and appropriate segregation of developers from security and application functions.

Due to the sensitivity of the exposures and recommendations identified during the review, detailed information was not provided in our report, but was transmitted to the OCFO/CIO under separate cover. OCFO/ CIO officials indicated general agreement with the intent of the recommendations and conveyed their plan to take appropriate corrective action to mitigate the exposures. In addition, they expressed a strong interest in working closely with our review team to reach a mutually agreeable resolution to correcting the underlying exposures.

— FINANCIAL REPORTING AND CONTROLS —

U.S. DEPARTMENT OF EDUCATION'S FISCAL YEAR 1997 FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

ACN 17-70002 May 29, 1998

In accordance with applicable provisions of the Government Management and Reform Act of 1994 (GMRA), the OIG released audit reports to the Department for inclusion in the 1997 Accountability Report. The GMRA requires the OIG to audit ED's financial statements and report on the fair presentation of the financial statements (opinion), internal controls, and compliance with laws and regulations. Distribution of the Accountability Report constitutes the official distribution of these audit reports.

The Department received an unqualified opinion on its FY 1997 financial statements. An unqualified opinion states that the financial statements are presented fairly, in all material respects.

The report disclosed material weaknesses and reportable conditions in the internal control structure and its operation. The four material weaknesses relate to: 1) lack of sufficient validation of National Student Loan Data System data as a basis for preparing reliable loan estimates, and insufficient controls over the process of preparing loan estimates; 2) insufficient oversight of guaranty agencies; 3) lack of timely and effective reconciliations of the Department's Budget Clearing (Suspense) Account cash balance and activity with the Department of the Treasury; and 4) inadequate controls over the financial reporting process. The report included recommendations for improving controls.

The report disclosed the following instances of non-compliance with laws and regulations that are required to be reported:

- ED did not meet the statutory deadline by which it is required by GMRA to issue audited financial statements (March 1st of the preceding fiscal year).
- ED did not report two material weaknesses identified during the course of the audit (relating to ED's financial reporting process and fund balance with Treasury) in its report under the Federal Managers' Financial Integrity Act, as required by OMB Bulletin No. 93-06.
- The results of our tests under the Federal Financial Management Improvement Act of 1996 disclosed instances where ED's financial management systems did not substantially comply with the federal financial management systems requirements.

— DEPARTMENT OPERATIONS —

MOVING TOWARDS A RESULTS-ORIENTED ORGANIZATION: A REPORT ON ED'S IMPLEMENTATION OF THE RESULTS ACT

ACN 17-70007 September 23, 1998

The objectives of our audit were to assess the status of ED's implementation of the Government Performance and Results Act of 1993 (GPRA or the Results Act) and the development of systems for the timely and accurate reporting of performance indicators. Our assessment represents a "snapshot" of ED's current status in implementing the Results Act.

As required by the Results Act, ED has prepared a strategic plan and an annual performance plan for fiscal year 1999, and designed a framework for the validation and verification of performance indicators. ED distributed those plans and established a reporting system for progress on the objectives in the strategic plan. In order to be prepared to meet the additional requirements of the Results Act in a timely and proper manner, ED now needs to take additional steps, including finalizing and implementing a process for the accurate and timely reporting of GPRA performance indicators.

MANAGEMENT REVIEWS

INTERNATIONAL MERCHANT PURCHASE AUTHORIZATION CARD (IMPAC CARD)

Our review did not disclose any material weaknesses in use of the IMPAC card at any of the Department's principal offices (POs). However, we did observe some minor infractions. For example, we recommended placing additional authorizing officials in one PO's regional offices, thereby providing someone on-site who would be more familiar with the need for and quantity of items purchased with their IMPAC cards. In another case, a PO was missing some backup documentation to support its IMPAC card purchases.

To address these and other identified deficiencies, we recommended that OCFO/CIO update the Departmental directive regarding commercial credit card service.

MANAGEMENT OF ED'S FREEDOM OF INFORMATION ACT (FOIA) OPERATIONS

Our review disclosed that the CIO had not fully complied with the 1996 FOIA amendment that required each agency to issue in hard copy and on-line, by March 31, 1997, a handbook containing an index of all major agency information systems and information for obtaining public information from the agency through FOIA requests. We recommended that CIO:

- provide sufficient resources to ensure that the 1996 FOIA amendments are fully implemented at headquarters and in the regional offices;
- establish an ED-wide reading room for FOIA requesters;
- make FOIA information more accessible on the ED World-Wide Web site;
- revise the Department's FOIA directive and Code of Federal Regulations to reflect the changes in the 1996 FOIA amendments; and
- provide training on the FOIA amendments to all ED FOIA coordinators.

ED'S MANAGEMENT OF ITS COMMON SUPPORT EXPENSE FUND (CSEF)

Our review disclosed that although the Department had established polices and procedures under its Administrative Control System for financial management in general, it had not established and communicated to POs such guidelines that apply exclusively to the CSEF. As a result of the above, some POs felt that they were not given a fair chance to participate in the decision-making processes that directly affected how and why their funds were being applied.

We recommended that the Department's Office of Management:

- work with Budget Service and POs to develop and communicate to all stakeholders formal policies and operating procedures that are solely applicable to the CSEF;
- work with the Budget Service and continue the search for additional service areas where charge-back amounts can be based on actual charges rather than on FTE usage; and
- ensure that POs can raise questions and get adequate responses to their questions about any aspect of the PO's fund account.

RAYTHEON E-SYSTEMS, FALLS CHURCH, VA, DIRECT LOAN SERVICING CONTRACT CLOSE-OUT PROPOSAL DATED FEBRUARY 20, 1998

ACN 07-80007 July 10, 1998

The objectives of our audit of this $19.2 million contract were to determine whether the costs claimed were incurred, allowable, and adequately supported by contractor records. This audit was requested by Contracts and Purchasing Operations staff to assist them in close-out negotiations. We performed fieldwork at the contractor's locations in Falls Church, Virginia, and Greenville, Texas, and also at the subcontractor's (Great Lakes Educational Loan Services, Inc.) location in Madison, Wisconsin.

We generally found that costs claimed were incurred, allowable, and adequately supported by contractor records. However, we found that:

- the contractor's close-out proposal included $923,694 in unallowable costs;
- an additional $929,262 of contract costs were incurred after the contract expired; and
- costs included equipment and other items with residual value of $1,441,452 which were purchased under the contract and are considered government property.

— POSTSECONDARY EDUCATION —

REVIEW OF THE DEPARTMENT'S OVERSIGHT OF SCHOOLS PARTICIPATING IN THE WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

ACN 04-70016 September 25, 1998

The objectives of our review, a follow-on to the work performed for our report titled "Administration of the William D. Ford Direct Loan Program by Schools," were to examine the Department's processes for monitoring school administration of the Direct Loan program and to identify areas where improvements could be made. Our review identified the following concerns with the Department's oversight of the Direct Loan program:

- The Department does not have sufficient data to effectively monitor schools participating in the Direct Loan program.
- The Department needs to improve its approach to monitoring Direct Loan schools.

- Lack of loan-level matches decreases control over data reliability.

Department officials generally agreed with the recommendations made relative to Findings 1 and 2 and have planned or taken actions that should improve the cited conditions. For Finding 3, Department officials believe that their system for data verification is more effective than the OIG's recommendation for loan-level data verification. We have revised our recommendation and are recommending that the Department implement interim measures until they can provide assurances that their system will provide the necessary safeguards for data reliability.

INSTITUTIONAL PARTICIPATION AND OVERSIGHT SERVICE HAS OPPORTUNITIES TO IMPROVE THE RECERTIFICATION PROCESS

ACN 05-80011 August 27, 1998

Our review found that the Institutional Participation and Oversight Service (IPOS) case teams did not always document work performed, including supervisory reviews, to reach recertification decisions. We recommended that IPOS:

- develop, document, and implement management controls, to ensure that: a) case teams adequately document all work performed to reach recertification decisions, and b) supervisors continuously review and approve the assigned work of the case teams; and
- require each case team to document all implementing procedures.

We also found that IPOS has an opportunity to improve its filing system to ensure that institutional files are properly maintained and readily available. We could not assess the recertification process for 18 percent of the institutions for which we requested files because IPOS could not locate one or more of the files. We recommended that OPE allocate space to IPOS so that it can develop a secure record and retrieval system which includes access, filing, tracking, and maintenance controls.

AUDIT OF THE GUARANTOR AND LENDER OVERSIGHT SERVICE'S OVERSIGHT OF LENDERS PARTICIPATING IN THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

ACN 05-70015 September 24, 1998

The purpose of our audit was to evaluate the Guarantor Lender and Oversight Service's (GLOS) oversight of lenders and determine whether controls were sufficient to provide reasonable assurance that the lenders were complying with federal regulations. We also wanted to ensure that the types of oversight (audits, guaranty agency reviews, and GLOS reviews) did not result in duplication.

We found that GLOS has controls in place to ensure that the required lender audits were completed. We also found that GLOS review staff are adhering to management's controls when conducting their reviews. However, we identified significant overlap among IPA audits, GLOS reviews, and guaranty agency reviews. We provided OPE with a suggestion on how to reduce any need for such overlap.

ASSOCIATED TECHNICAL COLLEGE ELIGIBILITY OF INSTITUTIONS TO PARTICIPATE IN TITLE IV PROGRAMS AND OTHER ISSUES

ACN 09-70015 SEPTEMBER 9, 1998

Our review found that Associated Technical College (ATC) did not comply with certain provisions of the Higher Education Act (HEA) and federal regulations in its administration of the Pell Grant program.

Our review identified the following:

- ATC's Los Angeles and San Diego campuses did not qualify as eligible proprietary institutions of higher education because revenues from Title IV programs exceeded 85 percent of campus

revenues. Under the HEA, proprietary institutions must derive at least 15 percent of their revenues from non-Title IV sources to participate in Title IV programs.

- ATC overstated its actual tuition costs when calculating student refunds. As a result, ATC understated the refunds due to the Pell Grant program for students who dropped out of the institution.

- ATC lacked adequate record maintenance. Student files for 51 of 145 selected students were not made available at the time of our review. In addition, ATC could not readily provide us with supporting documentation on cash revenues for the Anaheim campus and receivables for all campuses. ATC's failure to provide this information indicates that it may not have the necessary administrative capability to participate in Title IV programs.

Our report recommended that the Assistant Secretary for Postsecondary Education take emergency action to terminate participation of the Los Angeles and San Diego campuses in the Title IV programs. We also recommended that the Assistant Secretary require ATC to return the $8.6 million received by the two campuses after July 1, 1995 (the date on which the campuses became ineligible under the 85 percent rule); and that ATC identify and return any additional refund amounts due for students who dropped out of the Anaheim campus during the period July 1, 1995 to the present. The report also includes procedural recommendations for the Anaheim institution.

NSLDS Can Be Enhanced If Loan Principal and Interest Balances and Statuses Are Updated With Lender Data

ACN 06-70001 September 30, 1998

Our review found that ED has made significant progress in improving the integrity of the National Student Loan Data System (NSLDS) in the last 18 months. However, a significant number of the loan records which initially populated NSLDS have not been updated with lender-provided loan status, and with principal and interest balance data. About 3.7 million loan records totaling $10.7 billion (about 14 percent of all FFELP loan records in repayment on NSLDS) have not been updated with lender data.

We recommended that the Department, in cooperation with the guaranty agencies, reclassify these loan records to more accurately reflect the loans' actual status and principal and interest balances, thereby increasing the usefulness of NSLDS.

One factor that reduces the reliability of NSLDS loan-status and balance data is that guaranty agencies have not been able to update significant numbers of FFELP loan records on NSLDS with current lender-provided data. Factors affecting the guaranty agencies' ability to report current data include: 1) lenders' unwillingness or inability to report on loans that were paid-in-full prior to NSLDS and incorrectly loaded on NSLDS as active loans in repayment; 2) lenders' failure to submit loan level data to their associated guaranty agency(s); and 3) guaranty agencies' inability to identify the current holders of the loans. The Department agreed with our findings and recommendations.

Professional Judgment at the University of Colorado

ACN 06-70009 July 17, 1998

Our review disclosed that the University of Colorado inappropriately used professional judgment to modify the statutory needs analysis formula for certain students based on their place of residence. The Higher Education Act does not grant financial aid administrators the authority to make modifications to the statutory formula based upon their belief that a student's place of residence constitutes a financial hardship. We also identified other inappropriate uses of professional judgment.

We questioned professional judgment actions for 34 percent of 100 students sampled. The questioned actions resulted in $15,082 in additional Pell grants being disbursed in award years 1994-95 through 1996-97. The university disagreed that professional judgment was used improperly.

STRENGTHENING INSTITUTIONS PROGRAM AUDIT AT DONNELLY COLLEGE, KANSAS CITY, KANSAS

ACN 07-80005 July 10, 1998

The objective of our audit was to determine whether Donnelly College, Kansas City, Kansas, has accounted for and expended Title III, Strengthening Institutions funds in accordance with applicable program requirements. Our review identified the following weaknesses in Donnelly College's administration of the Strengthening Institutions program:

- Donnelly College claimed and reported salary expenditures based on budgeted amounts rather than actual expenditures.
- Donnelly College's accounting records did not adequately identify the source and application of federal funds.
- Donnelly College did not adequately support all of its grant expenditures or consistently follow its established procedures.

Donnelly College has taken corrective action or has planned actions that generally should correct the cited conditions.

APPLICANTS WITH DEFAULTED STUDENT LOANS CONTINUE TO RECEIVE FINANCIAL AID

ACN 06-70004 June 23, 1998

Our review disclosed that students who are ineligible because they have defaulted loans continue to be awarded student financial aid. We found that applications for financial aid are not rejected when Department records show that an applicant has defaulted on a student loan or received a grant overpayment. Instead, applicants' records are flagged and school officials are responsible for taking the appropriate action. This reliance on schools has not always prevented ineligible students from receiving additional aid. We estimate that 3,278 ineligible students received $11.9 million of award year 1996-97 student financial aid.

The Department took action after our audit period to improve controls and has plans to provide additional guidance to schools on how to resolve the eligibility of applicants with flagged records. We recommended that the Department implement planned additional actions and monitor the effectiveness of these actions at least annually. If these actions are not effective, we recommend that the Department take stronger action, to include rejecting applications from all applicants who are identified as having a defaulted loan or grant overpayment.

THE DEPARTMENT OF EDUCATION HAS AN OPPORTUNITY TO IMPROVE ITS MANAGEMENT OF THE DEFAULT AVERSION PROGRAM

ACN 05-80007 September 23, 1998

Effective July 1, 1996, Great Lakes Higher Education Corporation (Great Lakes) and ED entered into a default aversion agreement, whereby Great Lakes agreed to support ED's efforts to reduce defaults in the Federal Family Education Loan Program by accepting an alternative method for payment of the costs of preclaims assistance, claim payment, and collections. The alternative payment method is designed to provide an incentive to Great Lakes to avoid defaults by borrowers and limit Great Lakes' reliance on post-default collections as a method for financing operations

While our audit disclosed that Great Lakes generally administered the new program in accordance with the Agreement, we found that ED:

- did not identify indicators of success needed to monitor the experimental program's performance;
- lacked adequate policy guidance;
- needs to improve communication within ED offices and with Great Lakes; and
- lacked adequate financial reporting. As a result, we could not conclusively determine the merits of the experimental program.

INCOME CONTINGENT REPAYMENT: COST ATTRIBUTION AND BORROWER STUDIES COULD ASSIST TO MEET THE OBJECTIVES OF FEDERAL FINANCIAL REPORTING AND PROGRAM MANAGEMENT

ACN 07-70002 June 1, 1998

This report sets out the results of our analysis and recommendations regarding the Federal Direct Loan Program's (FDLP), Income Contingent Repayment (ICR) plan. The ICR plan has been in effect for only a few years and the costs and benefits associated with the plan are not fully known. Nevertheless, we decided to provide as much information to program managers as possible at this time, along with our recommendations for additional studies of ICR plan costs and users. In order to better support future policy decisions, the Department should:

- expand the accumulation of and report ICR costs separately from other FDLP costs in order to be able to attribute the costs to the original loan program;
- expand the data collected to include a long-term study to determine the characteristics of ICR borrowers in order to better understand and address the needs of the population that the ICR plan serves; and
- continue to accumulate the cost of the ICR plan in order to better support important policy decisions.

The Department agreed with the report's focus on the importance of gathering and analyzing cost and borrower data related to the Direct Loan's ICR plan. The Department noted that it accumulates data on the FDLP income contingent repayment plan through a number of Department systems.

REVIEW OF R. GONZALEZ MANAGEMENT, INC.'S PROCESSING OF STUDENT FINANCIAL ASSISTANCE TRANSACTIONS AND REPORTS FOR VOCATIONAL SCHOOLS

ACN 09-70003 April 21, 1998

The objectives of our audit were to determine whether R. Gonzalez Management, Inc. (RGM): 1) is performing duties that are in accordance with SFA program requirements, and 2) has adequate internal controls to protect the federal interest. We found that RGM could better protect the integrity of its computer system by implementing additional electronic data processing controls. RGM's system did not consistently calculate refunds in accordance with SFA program requirements and ensure that refund information was consistently recorded. RGM also had not properly resolved unreconciled transactions for the Direct Loan program.

We recommended that the Department encourage RGM to strengthen controls over its computer system and address problems noted with its refund calculations and handling of unreconciled direct loan transactions.

— ELEMENTARY AND SECONDARY EDUCATION —

FOLLOWING TITLE I, PART A AND SECONDARY SCHOOL VOCATIONAL EDUCATION PROGRAM DOLLARS TO THE SCHOOLS IN 36 LEAS VISITED

ACN 04-70012 June 26, 1998

The objectives of our audit were to determine what percentage of Title I, Part A and Secondary School Vocational Education Program dollars reached the schools, and to identify the types of expenditures for these two programs at the LEA and school levels.

Our audit found that, for the 36 LEAs visited, on average 92 percent of Title I, Part A, and 95 percent of Vocational Education dollars provided to the LEAs reached the schools. The majority of Title I, Part A, funds were used to support the salaries and benefits of personnel directly related with school activities. For the Secondary School Vocational Education program, the majority of the dollars were used to support salaries and benefits and to purchase materials and equipment for the schools.

APPALACHIA EDUCATIONAL LABORATORY, INC.'S ADMINISTRATION OF THE REGIONAL EDUCATIONAL LABORATORY CONTRACTS

ACN 03-70007 June 26, 1998

Our audit of Appalachia Educational Laboratory, Inc. (AEL), a nonprofit research organization, found that AEL did not administer the Regional Educational Laboratory (REL) contract for fiscal year 1996 in a manner that ensured that its building space and staffing levels were reasonable for the performance of the contract. We found that:

- In FY 1996, AEL charged an unreasonably high amount of office space to the REL contract, at the rate of 345 square feet per FTE, a rate that substantially exceeded estimates provided by government experts.
- AEL appears to have an unreasonable proportion of managers and support staff assigned to the REL contract. Our analysis of time charged to the REL contract showed that one AEL manager worked on the contract for every 2.2 employees. AEL's ratio falls far short of the target and actual ratios of the government.

AEL expressed nonconcurrence with our findings.

AUDIT OF THE MASSACHUSETTS REHABILITATION COMMISSION'S PROVISION OF TRAINING SERVICES AND CLIENT MONITORING FOR THE PERIOD OCTOBER 1, 1994 THROUGH SEPTEMBER 30, 1995, BOSTON, MASSACHUSETTS

ACN 01-60003 June 30, 1998

The objectives of our audit were to determine whether the Massachusetts Rehabilitation Commission (MRC) was adequately monitoring client progress and considering prior client education and vocational skills when establishing vocational goals.

We found that MRC case files did not contain evidence of sufficient annual and periodic reviews to demonstrate adequate monitoring of client progress. We also found that MRC did not always consider prior education or vocational skills when establishing the client's vocational goal. Indeed, many case files containing evidence of previous client education and/or vocational skills lacked evidence that the education and/or skills were considered in establishing vocational goals. In addition, 90 percent of the case files containing evidence of one or more changes to the client's initial vocational goal did not contain justification for the changes.

Our review further disclosed that the majority of the case files of substance abuse problems did not contain sufficient evidence of attendance in recovery programs, as prescribed in the clients' Individualized Written Rehabilitation Program.

We recommended that the Department require MRC to implement specified procedures and training to address the problems we identified.

STATE OF NEW MEXICO: SUSTAINABILITY OF THE SCHOOL-TO-WORK OPPORTUNITIES PROGRAM

ACN 07-70004 May 27, 1998

The objective of this audit was to determine whether New Mexico has institutionalized elements that are indicative of a sustainable School-to-Work (STW) system. Even though New Mexico's five-year STW Implementation Grant had only been awarded eight months prior to our review, we found that the state had taken measures that would contribute to system sustainability.

Through the creation of a statewide career education program, it had laid a foundation for the school-based learning component of its STW system. Further, its placement of the position of STW Coordinator in the governor's office appears to have encouraged a level of partnership and team work among key state agencies that may otherwise have been difficult to achieve. In addition, system sustainability may be enhanced by decisions made by state officials that will extend the benefits of STW to include students in non-public as well as public schools.

We also found areas in which actions could be taken to increase the likelihood that New Mexico's STW system will be sustained after federal funding ceases. The National School-To-Work Office should work with New Mexico to implement our recommendations, which include the following:

- The STW Advisory Council should develop formal plans for transition to the governance structure that will implement the STW system after federal funding ceases.
- The State Board of Education and the New Mexico Department of Education should focus their strategic planning efforts on the transformation of public education in New Mexico into an STW-based education system.
- The State Board of Education should establish policies and procedures that will ensure that K-12 teachers, counselors, and administrators are prepared to deliver STW services to all students.

The State of New Mexico generally concurred with our recommendations.

COOPERATIVE AUDIT RESOLUTION AND OVERSIGHT INITIATIVE

As reported in previous *Semiannual Reports*, we have been working with an intradepartmental team on a wide-ranging project know as the Cooperative Audit Resolution and Oversight Initiative, or CAROI. The goal is to improve education programs and student performance at the state and local levels through better use of audits, monitoring and technical assistance. Due to the number of inquiries and requests from states to participate in the CAROI process, we are working with the Department to streamline and institutionalize the process further. Following are the CAROI team's accomplishments during the reporting period for the four CAROI strategies.

#1: Create and Maintain a Dialoque with States

The team made presentations at the Office of Vocational and Adult Education and State Joint Planning Workshop and at the National State Auditors Association Conference.

#2: Work with States to Resolve Open Audits or Audits Under Appeal

The CAROI team is currently working with a consultant in the production of a CAROI handbook that will document the process to be used by the Department in its transition to a comprehensive co-operative audit resolution process. The handbook will also be available as a model for other agencies in their assimilation of the CAROI process. The CAROI team is working with Illinois and Puerto Rico to resolve time distribution problems. The CAROI team is also working to correct recurring audit deficiencies in Florida, California and Mississippi. We expect to complete all of these projects during the next semiannual period.

#3: Improve the Single Audit Process

The team continues to work with state auditors from Washington and Georgia and with the Office of Management and Budget on a pilot project under the provisions of the Single Audit Act Amendments. The goal of the pilot project is a comprehensive single audit report on how federal programs are managed at the local level. At present, the Department receives little information from the single audits conducted at most LEAs. These pilot projects would give federal program managers information on how federal programs operate at the local levels.

#4: Coordinate Audits, Monitoring and Technical Assistance

The CAROI team is working with the Department in program coordination reviews and other state program monitoring efforts. This period CAROI members participated in program coordination reviews in New Mexico, Ohio, Nebraska and Wisconsin. The CAROI members are working with program officials to ensure the linkage between audits, monitoring, and technical assistance. The CAROI team is also participating as a member of the Department's Data Coordination group, which is considering more efficient and effective approaches to data-collection coordination and usage.

QUALITY OF NONFEDERAL AUDITS

This period we completed 45 quality control reviews (QCRs) of proprietary-school audit workpapers; of those, 23 (approximately 51 percent) were substandard or contained significant inadequacies. We plan to evaluate the corrective action taken on the substandard audits and also take appropriate action against those with significant inadequacies, which may include referrals to the State Boards of Accountancy and to the AICPA, and issuance of notices of government-wide suspension and proposed debarment.

Abstract 2

SIGNIFICANT PROSECUTIVE ACTIONS RESULTING FROM OIG INVESTIGATIONS

April 1, 1998 — September 30,1998

LENDERS, SERVICERS, AND GUARANTY AGENCIES

CYBERNETICS AND SYSTEMS, INC.

CSX CORPORATION

Jacksonville, Florida

Cybernetics and Systems, Inc. (CSI), a subsidiary of CSX Corporation, pled guilty in the Middle District of Florida to a one-count criminal information charging CSI with possession of false papers with intent to defraud the United States. CSI, which was ordered to pay a $2 million criminal fine, also entered into a civil settlement in which CSI agreed to pay the Department $28 million under the False Claims Act. Both the criminal and civil settlements have been paid in full. The criminal and civil resolution of this joint ED/OIG and U.S. Postal Inspection Service investigation was the result of seven years of combined audit and investigative activity.

During the 1980's CSI, a corporation incorporated under the laws of the Commonwealth of Virginia, operated a business in Jacksonville, Florida, which serviced federally insured student loans under the Federal Family Education Loan Program, formerly known as the Guaranteed Student Loan (GSL) program. The criminal information charged that a CSI employee intentionally falsified a record concerning due diligence requirements for loan servicing. The record was used to support a claim against the Department for reinsurance under the GSL program. Although the information charged only one incident, CSI agreed that numerous instances of similar fraudulent conduct occurred during the period, resulting in the payment of numerous fraudulent claims by the federal government.

The joint audit and investigative activities involved the review of the collection histories of over 200,000 student loans. Additionally, hundreds of interviews of CSI employees from student loan collectors to upper management of the CSX Corporation were conducted. Millions of documents, including telephone records and internal and external correspondence, were also analyzed. The paper trail and interviews revealed that the volume of work at CSI, the use of overly aggressive marketing efforts, the failure to invest in updated technology, and the lack of student loan program knowledge at the management level all contributed to an environment at CSI, beginning in late 1987, that was ripe for fraud and abuse. CSI was sold in 1992.

The audit and investigative team was recognized for their hard work and achievement this period when the President's Council on Integrity and Efficiency awarded the team an Award for Excellence.

SCHOOL OWNERS, OFFICIALS AND EMPLOYEES

BREWTON-PARKER COLLEGE

Y. Lynn Holmes, president
Thomas R. Hartley, vice president of fiscal affairs
Cecelia Hightower, financial aid director
Mount Vernon, Georgia

A civil settlement was entered in the Southern District of Georgia in which Brewton-Parker College, Mount Vernon; Georgia, Y. Lynn Holmes, president; Thomas R. Hartley, vice president of fiscal affairs; and Cecelia Hightower, financial aid director, agreed that Brewton-Parker College would pay the United States $4 million. According to the terms of the agreement, $2 million was paid within 30 days of the signed agreement. It was further agreed that the remaining $2 million plus interest would be paid over a two-year period.

A four-count civil complaint filed in October 1997 in the Southern District of Georgia charged the aforementioned individuals and entity with making false claims against the United States, making false statements, breach of contract, and unjust enrichment. According to the complaint, the defendants presented 1,871 false claims to the United States and caused the United States to suffer damages of over $2.1 million in Pell Grant and Supplemental Educational Opportunity Grant (SEOG) funds. The scheme involved the drawdown of Pell and SEOG funds in the names of incarcerated students who either withdrew from school or did not re-enroll. The complaint further alleged that the funds were then disbursed to ineligible student athletes attending the school as well as to fund athletic scholarships for students who were also ineligible for SFA funds. During the investigative period, the baseball team at Brewton-Parker won the National Association of Intercollegiate Athletics championship.

As part of the settlement agreement, Holmes, Hartley and Hightower agreed to be voluntarily excluded from direct participation in the Title IV programs. (*Semiannual Report No. 36*, page 28)

DIVERS INSTITUTE OF TECHNOLOGY

John L. Ritter, president/owner
Seattle, Washington

John Ritter, president/owner of Divers Institute of Technology, a Washington (state) corporation; his wife, Doris Ritter; and the Divers Institute of Technology, Inc. (Divers), entered into plea and settlement agreements. After pleading guilty, Divers was ordered to pay a $250,000 criminal fine and was placed on five years probation. The school was also ordered to be sold to an independent party and that the proceeds of the sale be used to pay the criminal fine and to pay ED in excess of $805,000. Divers also agreed to pay a penalty up to $2.4 million, which represented three times the aggregate loss to the United States.

This joint investigation by ED/OIG and the FBI developed evidence that Divers routinely submitted false claims to the government by submitting Free Applications for Student Aid (FAFSAs) and Student Aid Reports (SARs) containing falsified income information. Over an eight-year period, Divers submitted in excess of 400 false claims to the Department.

FRANKLIN SCHOOL OF COSMETOLOGY AND HAIR DESIGN

Frank Cefaratti, president/owner

Elizabeth, New Jersey

Frank Cefaratti, owner and president of Franklin School of Cosmetology and Hair Design, Elizabeth, New Jersey, was indicted by a federal grand jury in Harrisburg, Pennsylvania. The indictment charged Cefaratti with twenty counts of mail fraud, two counts of wire fraud, one count of money laundering, one count of SFA fraud, and three counts of obstruction of justice.

Cefaratti has been accused of defrauding the Department in excess of $846,000 by participating in a scheme that involved the submission of fraudulent student loan deferments, forbearances and payments to two student loan servicers in an effort to circumvent the Department's student loan default reduction laws and regulations. The indictment alleged that Cefaratti was able to lower Franklin's cohort default rate and thereby avoid ED sanctions that could have included limitation and termination from federal student financial assistance programs. At the time, Title IV funds accounted for more than 90 percent of Franklin's revenues.

The indictment further accused Cefaratti of engaging in the falsification of various other documents in order to obtain federal student financial aid funds. Cefaratti was also charged with witness tampering for allegedly instructing a Franklin employee not to make statements to federal agents and persuading a second Franklin employee to make a false statement to federal agents. Additionally, Cefaratti has been charged with removing evidence seized pursuant to a federal search warrant from a government conference room.

The indictment is the first time a school owner has been charged with submitting fraudulent documents to manipulate the cohort default rate. The investigation is continuing.

CHARLOTTE CLINE, financial aid administrator

American Weld Testing School

Pasadena, Texas

Charlotte Cline, financial aid administrator at American Weld Testing School (AWT), Pasadena, Texas, entered a plea of guilty before United States District Court, Southern District of Texas, Houston Division, to a one-count criminal information charging misprision of a felony with an underlying felony of student loan fraud.

A joint ED/OIG-FBI investigation developed evidence that Cline became aware that the General Education Development (GED) certificates in the files of two AWT students were identical except for the students' first names. Cline knew that students were not entitled to Title IV funds without evidence that they had obtained either a valid high school diploma or GED certificate. Knowing that the GED certificates were false, Cline concealed them and did not expeditiously notify any authority of their falsity.

CRISTINO BURGOS-RODRIQUEZ, owner

Interamerican Business College

Humacao, Puerto Rico

Cristino Burgos-Rodriguez, owner of Interamerican Business College, pled guilty and admitted that he submitted two fraudulent "cash on hand" certifications on ED/PMS 272 Reports to the Department and that Pell grants in excess of $180,000 were drawn down from the Department on behalf of students who were allegedly enrolled at a closed campus.

Burgos-Rodriguez had owned and operated Interamerican Business College since 1974. In 1992, he changed the name of the school from Electronic College and Computer Programming, Inc. to Interamerican Business College, which operated a main campus in Hato Rey, Puerto Rico, and two branch campuses in Arecibo and Humacao. The investigation also disclosed that Burgos-Rodriguez failed to

refund in excess of $403,000 on behalf of students who had withdrawn or ceased attending the school. (*Semiannual Report No. 34*, page 23)

BEVERLY PURDIE, owner/president
Samverly Barber and Hairstyling College
Atlanta, Georgia

Beverly Purdie, president and owner of Samverly College, pled guilty to a one-count information charging her with SFA fraud in the Northern District of Georgia. Investigation determined that from June 1992 to April 1996, Purdie embezzled over $140,000 in ED funds from the Pell Grant program by drawing down Pell grants for students who had not completed the minimum number of hours or who had withdrawn from school.

Beverly Purdie, along with her husband, owned and operated Samverly Barber and Hairstyling College in Greenville, Mississippi from 1979 to 1986. The school participated in the Pell Grant program from 1984 to 1986. In 1986, an ED/OIG audit cited the school for disbursing Pell funds to ineligible students. Subsequently, Beverly Purdie attempted to close out the school's Pell account by providing the ED/OIG auditor with a check, which was subsequently rejected due to insufficient funds. Later that year, the school moved to Atlanta, Georgia. In 1991, Samverly College applied for and began participating in the Pell Grant program again. In 1992, a program review once again revealed that disbursements were made on behalf of ineligible students. The school was cited again in 1995. In July 1996, ED/OIG agents executed a search warrant at Samverly College.

ROSE SPIVEY TARTER, owner
TYRUS C. YOUNG, certified public accountant
Midwest Carecr College
Indianapolis, Indiana

Rose Spivey Tarter, owner of Midwest Career College, pled guilty in the Southern District of Indiana to one count of SFA fraud and was sentenced to six months home detention, followed by a period of five years probation. She was ordered to pay restitution in the amount of $132,355..

A joint investigation between ED/OIG and the FBI determined that Tarter (formerly known as Rose King) had purchased Midwest Career College in September 1995 under the corporate name Queen Vocational Training, Inc. Tarter admitted that she embezzled over $132,000 in student loan funds from October 1995 until February 1996. The loan funds consisted of first disbursements for students who never reached the 30-day mark of school attendance and second disbursements for students who dropped out before the mid-point of their school program.

Tyrus C. Young, a certified public accountant, pled guilty in the Southern District of Indiana, to one count of conspiracy. Investigation revealed that Young created false loan documents in the amount of $115,000 with Tarter in an attempt to conceal the fact that Tarter was embezzling ED funds. Young was sentenced to six months home detention and four years probation, and was fined $2,000.

DELORCE GEDRICH MURLEY, president/owner
Idea Career Training
Oak Park, Michigan

A consent judgment was filed in the Eastern District of Michigan in which Delorce Gedrich Murley, the former owner and president of Idea Career Training in Oak Park, Michigan, agreed to pay restitution in the amount of $82,335 to the Department. Investigation disclosed that Gedrich Murley failed to make Pell Grant and student loan refunds on behalf of students attending her school. Idea Career Training has since closed.

GUYLA JANE BOORMAN, co-owner

AJ's Cosmetology School

Winter Park, Florida

Guyla Jane Boorman, a co-owner of AJ's Cosmetology School, pled guilty to a one-count information in U.S. District Court, Middle District of Florida. ED/OIG investigation revealed that second disbursements of Pell grants and direct loans in excess of $50,000 were obtained on behalf of ineligible students. At the plea hearing, Boorman admitted that she instructed an employee at AJ's to submit fraudulent documentation to ED in support of Pell and direct loan disbursements.

LAURA SMITH, former financial aid director

American College for the Applied Arts

Los Angeles, California

Two indictments were returned against Laura Smith by a grand jury in U.S. District Court, Central District of California. One of the indictments charged Smith with one count of conspiracy and three counts of loan fraud. The other indictment charged Smith with two counts of bankruptcy fraud. ED/OIG agents subsequently arrested Smith.

According to the indictment, Smith, the former financial aid director at American College for the Applied Arts (ACAA), Los Angeles, CA, obtained PLUS loans totaling $39,074 for her friend, Roosevelt Lee. Lee allegedly had two children attending ACAA. Investigation determined that the two individuals, Jefferson Brown and Derrick Long, were not his sons and were not attending ACAA. All but one of the loans has defaulted.

During the investigation, information indicated Smith had debts discharged fraudulently in bankruptcy proceedings in 1996. Investigation also revealed that Smith had attempted to file bankruptcy in 1994 as well. The second indictment alleged that Smith failed to notify the court that she had earlier successfully filed for bankruptcy in 1991. Smith's actions allegedly also prevented foreclosure proceedings on her condominium.

CHARLES ROTH, executive director

Flagler Career Institute

Jacksonville, Florida

Charles Roth, former executive director of Flagler Career Institute, Jacksonville, Florida, pled guilty in United States District Court, Middle District of Florida, Jacksonville Division, to one count of making false declarations.

Flagler lost its ability to participate in the federal financial aid programs after the school's accrediting body, Accrediting Commission of Career Schools and Colleges of Technology, discovered that the school was offering two courses that were not accredited. In response, Flagler filed a lawsuit earlier this year against its accrediting body and asked a judge to issue a temporary injunction against the actions of the accrediting agency. In support of the injunction request, Roth submitted affidavits and exhibits to the court alleging that he had applied for accreditation in 1994 for each of the courses. Investigation determined that Roth had created and submitted to the court two fictitious checks, which purportedly represented the application fees. The falsified checks were written on a Flagler account that was not open at the time that the checks were allegedly mailed.

PAUL and SALVATORE SCARDINO, owners
JOSEPH ROBERTS, school chain manager
BERTHA CRAIG, school manager
MYRON PETTY, BRAD JONES, GWENDOLYN KIRK, ROSA MERCADO,
THERESA DOBYNE, LACHANDRA PARKER, VAN SANDERS,
CAROLYN BALLARD, JESSICA BUSH, and GUADALUPE IBARRA
United Academies of Cosmetology
(Mid-America and Riviera Beauty Schools)
Chicago, Illinois

Paul and Salvatore Scardino, owners of the United Academies of Cosmetology (Mid-America and Riviera Beauty Schools), Chicago, Illinois, were each sentenced to 33 months incarceration and a subsequent probation period of three years. The brothers were also ordered to pay $1,300,000 restitution to ED. They were also each fined $50,000 to pay for their incarceration. Both are permanently debarred from the SFA programs, pursuant to their plea agreements. To ensure payment of the restitution, the Scardinos agreed to sell and quit claim the deeds of properties located in Chicago, Illinois and Phoenix, Arizona to the United States .

In addition, Joseph Roberts, manager for United Academy Schools in Chicago, was sentenced to 24 months incarceration, followed by two years probation, and a fine of $10,000 for his participation in wire fraud at Riviera Beauty School and Mid-America Beauty School. Bertha Craig, a school manager, was sentenced to 18 months incarceration followed by three years of probation. Craig will be banned from federal programs for a period of ten years. Craig, who was convicted by a federal trial jury, is appealing.

Recruiters Brad Jones, Myron Petty, Theresa Dobyne, Van Sanders, Carolyn Ballard, Gwedolyn Kirk and Jessica Bush were all sentenced to a period of probation ranging from one to five years. Recruiters Jones and Bush were fined $10,000 and $5,000, respectively. Financial aid officers Rosa Mercado, LaChandra Parker and Guadalupe Ibarra were also sentenced to periods of probation for one to three years.

The sentencing and debarment of these individuals brings to a close a six year joint ED/OIG and U.S. Postal Inspection Service investigation that disclosed a wide spread pattern of fraud involving the processing applications for sham students; falsifying GEDs, high school diplomas and the results of ability-to-benefit examinations; and the creation of fictitious attendance records for students who had left the school after a minimum amount of time. The Pell Grant program was targeted for abuse after the schools lost eligibility to participate in the student loan programs in 1990 because of a high default rate. *(Semiannual Report No. 33*, page 18; *Semiannual Report No. 34*, page 32; and *Semiannual Report No. 36*, page 32)

FINANCIAL AID CONSULTANTS

SHEROLYN DENISE LARKIN
Detroit, Michigan

Sherolyn Denise Larkin entered a guilty plea to one count of mail fraud in the Eastern District of Michigan. The joint investigation by ED/OIG and the U.S. Secret Service revealed that Larkin, who charged a fee ranging from $275 to $350, helped ineligible students obtain federal Pell and SEOG grants by falsifying information on the students' financial aid forms. In pleading guilty, Larkin admitted that she also created false income tax returns that were provided to the schools for verification purposes. The investigation has revealed that Larkin's fraudulent financial aid applications caused approximately 300 ineligible students to receive $1.7 million in Pell and SEOG grants. It is anticipated that criminal and/or civil charges will be filed against these students and their parents in the coming months. *(Semiannual Report No. 36*, page 25)

ERNEST DALE BLEAM

Mulvane, Kansas

Ernest Dale Bleam, a financial aid consultant whose business card read "I start when you are told: Sorry, you won't qualify for financial aid," pled guilty to one count of SFA fraud and one count of aiding and abetting. In pleading guilty, Bleam admitted that he falsified financial aid applications and federal income tax forms for his clients whom he charged a fee of 10% for first time applicants and 5% for subsequent applications. Bleam continued to submit fraudulent applications even after ED/OIG and FBI agents had executed a search warrant. Subsequently, additional search warrants were executed. Bleam was sentenced to 21 months incarceration, two years supervised probation and ordered to pay a $5,000 fine.

Civil Actions Against Bleam's Clients

ED/OIG agents used the information seized in the first search warrant to send letters to all of Bleam's clients who received Federal Pell grants. These individuals were asked to either verify the information provided on financial aid applications or state whether they knew false information had been submitted on their behalf. The clients were offered an opportunity to sign a settlement agreement and pay back the fraudulent financial aid funds along with a fine. As of the end of this reporting period, 256 of Bleam's clients have entered into settlement agreements and have paid a total of $1,468,400.

This case received extensive media attention and the topic of consultants was featured on World News Tonight with Peter Jennings. In addition, a number of major universities in Kansas and the surrounding states have expressed their appreciation to the United States Attorney's office for the action taken and the deterrent value this case has had in the education community. *(Semiannual Report No. 36*, page 24)

FOREIGN SCHOOLS PROJECT

MOHAMMAD BILAL AFIF IBRAHIM

Universidad Catolica Madre & Maestra Pontificia

Houston, Texas

Mohammad Bilal Afif Ibrahim, a fugitive, was sentenced *in absentia* in the Southern District of Texas to 46 months incarceration and five years supervised release, and was ordered to pay $370,000 restitution, a $20,000 fine, and a $4,200 special assessment fee. Ibrahim, who was indicted and convicted of twenty counts of student loan fraud, twenty counts of mail fraud, five counts of bank fraud, and one count of criminal forfeiture, has been a fugitive since an emergency appendectomy that was conducted two days after his trial began. The joint investigation between ED/OIG and the U.S. Postal Inspection Service determined that Ibrahim had received 22 loans totaling $407,000 in the names of five different family members, from five different banks and five different guaranty agencies. Ibrahim used the funds to support a lavish lifestyle that included gambling throughout the United States. *(Semiannual Report No. 36*, page 29)

ROLLIE ROMERO-EATON

University of Kent

Boston, Massachusetts

Rollie Romero-Eaton was sentenced in US District Court, Boston, Massachusetts, to a jail term of one year and one day for defrauding the Federal Family Education Loan Program of more than $140,000. Romero-Eaton was also ordered to serve a 36 month period of probation after his incarceration is completed. While on probation, Romero-Eaton will be required to make restitution of $140,000. The Court also ordered the criminal forfeiture of computer equipment that was purchased by Romero-Eaton with the proceeds of his criminal activity.

Romero-Eaton, who was arrested by ED/OIG agents, pleaded guilty to mail fraud and other federal charges involving his fraudulent receipt of eight Federal Family Education Loans. He had obtained the loans by falsely stating that he was enrolled at the University of Kent in Canterbury, England. In executing the scheme, Romero-Eaton forged the signatures of University of Kent officials on the enrollment certification portion of the loan applications. *(Semiannual Report No. 35*, page 19)

SERGIO STOFENMACHER, former owner
IADE American Schools
Los Angeles, California

Sergio Stofenmacher, former owner of IADE American Schools,, was extradited from Colombia, South America, to Miami, Florida, to face a federal trial for conspiracy, making false statements, embezzlement, and money laundering. This is the first time anyone was extradited in the history of the ED/OIG and the first time Colombia has extradited a defendant charged with stealing from the United States Government.

Stofenmacher fled to Argentina in March 1995, following the execution of search warrants at his former schools by ED/OIG agents. He later traveled to Colombia, where the Colombian National Security Forces arrested him on an international arrest warrant. Stofenmacher had been in custody in Colombia since he was arrested in December 1997.

Between 1989 and 1995, Stofenmacher and others allegedly embezzled in excess of $1 million from the Pell Grant program by receiving funds for students who had withdrawn from or who had never attended the school. Stofenmacher was indicted in January 1997. This case was worked through the combined efforts of ED/OIG investigations and audit, the FBI and the U.S. Attorney's Office for the Central District of California. *(Semiannual Report No. 34*, pages 21-22)

STEVEN VASSELL
Ross University School of Medicine
Dominica

Steven Vassell pled guilty to charges filed in U.S. District Court, Rochester, New York, which charged one felony count of SFA fraud. He was sentenced to ten months incarceration and a period of three years of probation. Vassell admitted to submitting a fraudulent application for Federal Family Education Loan Program funds by using the identity of his former spouse. Vassell forged the school official signature on the loan application thereby fraudulently certifying that his former spouse was enrolled at Ross University School of Medicine in Dominica. Investigation revealed that Vassell had submitted several fraudulent applications between 1996 and 1998. Not only did Vassell use multiple identities on these applications, but he also claimed attendance at several different medical schools throughout the Caribbean. Vassell attempted to obtain in excess of $92,500 in FFELP funds.

ED/OIG agents arrested Vassell when he attempted to accept delivery of fraudulent loan checks totaling $37,000. To date, our investigation has prevented the disbursement of $74,000 in funds to Vassell.

GAIL ROBERSON
American University of the Caribbean
Poughkeepsie, New York

A federal grand jury in White Plains, New York indicted Gail Roberson on one count of mail fraud. The indictment alleged that Roberson submitted a fraudulent FFELP application on which she fraudulently claimed to be enrolled in medical school at the American University of the Caribbean, St. Maarten. ED/OIG investigation also developed evidence that Roberson, who has never been enrolled

as a student at the school, allegedly used several identities in applying for in excess of $80,000. Our investigation prevented the disbursement of $55,000 to Roberson.

ROBERT ANTHONY DOYLEY
ROCHELLE ANDERSON DOYLEY
Kings College
University of London Institute of Psychiatry
London, England

Robert Anthony Doyley, a Child Protective Services case worker, and his wife, Rochelle Anderson Doyley, were indicted by a federal grand jury in the Southern District of Texas, Houston, Texas, on one count of conspiracy and 10 counts of student loan fraud. Allegedly, Robert Anthony Doyley falsely certified that he was enrolled in a medical school in London, England by forging the school official's signature on 10 student loan applications. Loan funds totaling $70,500 were deposited into the Doyleys' joint checking account. At the time the investigation was initiated, the disbursement of five additional loans was cancelled.

MICHAEL ESTES MCSHEEHY
Ross University
Fort Walton Beach, Florida

Michael Estes McSheehy pled guilty to a three-count indictment charging him with student financial assistance fraud and was sentenced to 11 months incarceration. Upon completion of his jail sentence, McSheehy must complete three years of probation, pay restitution in excess of $22,000 and complete an alcohol rehabilitation program. McSheehy, who had been indicted by a federal grand jury in Rochester, New York, admitted to submitting fraudulent student loan applications for claimed attendance at Ross University. The loan applications contained false statements with regard to enrollment, identity and the nature of his previous student loan indebtedness. McSheehy obtained $61,000 in loan funds.

JACQUES METELLUS
Universidad Federico Henriquez Y Carvajal
Baltimore, Maryland

ED/OIG agents in Baltimore, Maryland arrested Jacques Metellus after a criminal complaint was issued in U.S. District Court, Rochester, New York. Allegedly, Metellus fraudulently obtained $37,000 in Federal Family Education Loan funds for purported attendance at a medical school in the Dominican Republic.

HENRY BRUTUS
Universidad Federico Henriquez Y Carvajal
El Paso, Texas

Henry Brutus, Jr. pled guilty to a one-count felony criminal information filed in U.S. District Court, Rochester, New York. Brutus admitted that he falsely claimed to be enrolled in medical school in the Dominican Republic and that he forged the signature of the medical school's director on FFELP applications. ED/OIG agents arrested Brutus when he attempted to accept delivery of fraudulent loan checks. Brutus was sentenced to six months home detention, five years probation and ordered to pay restitution of $18,500.

OTHER INVESTIGATIVE CASES

The Default Project identified students who obtained federal student financial aid while being in default on previously obtained student loans. Four such cases were recently settled in the Western District of Oklahoma, Oklahoma City, Oklahoma. These settlements resulted in recoveries totaling $51,460 plus interest and court costs. An additional case was settled in the Northern District of Indiana.

JACQUELINE J. CHEATHAM

Jacqueline J. Cheatham was charged with making false claims and common law fraud, and was ordered to repay $25,075 to the United States government.

JUDITH A. MORSE

Judith A. Morse was charged with making false claims, common law fraud, and unjust enrichment. Morse was ordered to repay $20,385 to the United States government.

DEBORAH L. HENSON

Deborah L. Henson was charged with making a false claim and was ordered to repay $5,000 to the United States government.

LAUREL F. BAIRD

Laurel F. Baird was charged with making a false claim and was ordered to repay $1,000 to the United States government.

LOUIS ENRIQUE CABAN

Louis Enrique Caban was charged with making a false claim and was ordered to pay $4,380 to the United States government.

CORINTHIAN SCHOOLS, INC, d.b.a. BRYMAN COLLEGE OF NEW ORLEANS

(formerly National Education Center)

New Orleans, Louisiana

Corinthian Schools, Inc. entered into a settlement agreement with the United States following a voluntary notification of fraudulent activities at Bryman College of New Orleans. Investigation confirmed that forged financial aid documents were submitted to the Department for processing on behalf of three students and in excess of $13,000 was received at the school for these students. As part of the settlement agreement, Corinthian Schools, Inc. agreed to pay double damages under the False Claims Act. Subsequently, a lump sum payment of $26,094 has been made.

HAROLD DONALD BURNSIDE

Cleveland, Ohio

Harold Donald Burnside entered into a consent judgement in the Northern District of Ohio. ED/OIG investigation revealed that Burnside misused his brother's Social Security number to obtain SFA funds. Burnside, who was charged with submitting false claims to the government, has agreed to make restitution totaling $5,500.

LISA M. HOLK

Conneault, Ohio

Lisa M. Holk entered into a consent judgment in the Northern District of Ohio. Holk was charged with submitting false claims to the government and was ordered to pay restitution of $6,520.

ROBERT REHM, special assistant

GORDON MCCLEER, teacher

New York City Community School Board #14

Brooklyn, New York

Robert Rehm, the former special assistant to the superintendent of the New York City Community School Board #14, and Gordon McCleer, a teacher, were arrested by ED/OIG agents after complaints were issued charging them both with embezzlement. McCleer was also charged with aiding and abetting. Both have pled guilty to the respective charges in U.S. District Court in the Eastern District of New York.

Rehm and McCleer participated in a scheme to defraud the Title I program. Specifically, funds which were earmarked for eligible employees of the Beth Rachel School for Girls, a parochial school in Brooklyn, were disbursed on behalf of no-show employees and employees who were performing proscribed functions. The investigation, which was conducted by ED/OIG, the U.S. Postal Inspection Service and the Office of the Special Commissioner for the New York City Board of Education, is continuing.

HELMY QURTOM & SAWSAN KURTOM

Beltsville, Maryland

Helmy Qurtom and his wife, Sawsan Kurtom, of Beltsville, Maryland, each pled guilty to one count of theft of government property in U.S. District Court in Greenbelt, Maryland. By using false Social Security Numbers, Helmy Qurtom fraudulently obtained Pell grants for his children who would not have other wise been eligible for the aid because of his income as a physician. This joint ED/OIG, Social Security Administration (SSA)/OIG, Immigration and Naturalization Service (INS) and State of Maryland investigation further disclosed that Sawsan Kurtom fraudulently obtained food stamps to which she was not entitled. Jointly, the couple fraudulently obtained $118,932, which they agreed to repay in full before sentencing. Valuable evidence, including large amounts of cash and jewelry, was obtained during the execution of a search warrant at the couple's residence.

TRINA THOMPSON, former bookkeeper

Northwest Inter-Tribal Education and Training Board

Seattle, Washington

Trina Thompson, former bookkeeper of the Northwest Inter-Tribal Education and Training Board (NWIT), pled guilty in U.S. District Court, Seattle, Washington, to one count of embezzlement. Thompson was sentenced to one year and one day in prison, three years supervised probation, and ordered to make restitution of $110,000.

NWIT received Rehabilitative Service Administration funds (RSA) for the education and job training of Native Americans. As the bookkeeper for NWIT, Thompson embezzled $110,000 in RSA funds by issuing NWIT checks to herself. Thompson deposited the checks into her own checking account and then made false entries into the NWIT accounting system in an attempt to conceal her wrongdoing. Additionally, she either forged signatures or requested members of NWIT's board to sign blank checks. Two members of NWIT spoke at Thompson's sentencing and requested the maximum sentence since NWIT lost their ability to receive RSA funds as a result of Thompson's fraud. Thompson used the money for gambling, drugs, travel and to aid her family.

TERESA BEARPAW
Washburn University
Topeka, Kansas

A federal grand jury in the District of Kansas indicted Teresa Bearpaw on 18 counts of SFA fraud. A joint investigation with the SSA/OIG substantiated allegations that Bearpaw fraudulently obtained approximately $48,500 in Title IV funds while attending Washburn University (WU), Topeka, KS, from 1992 to 1996. Bearpaw, who pled guilty to one count of SFA fraud, submitted applications for student aid that had a false Social Security number and did not disclose a previously defaulted loan.

MICHAEL EASTON
Houston, Texas

Michael Easton, *aka* Michael Bitgood, was charged in the Southern District of Texas (Houston) in a federal indictment with five counts of SFA fraud and fifteen counts of mail fraud. This joint ED/OIG and FBI investigation developed evidence that Easton, using the name Michael Bitgood, defaulted on a student loan after using a false Social Security Number. Subsequently, the indictment alleged that he changed his last name from Bitgood to Easton. He applied for and obtained Title IV funds by using his true SSN and without disclosing that he had previously defaulted on a student loan under a different name and false SSN. The investigation disclosed that between August 1991 and September 1997, Easton allegedly submitted eight fraudulent applications for student financial aid totaling approximately $42,000 to attend the University of Houston, Central and Downtown campuses.

GABRIEL O. WORDU and GABRIEL D. WORDU
Ft. Lauderdale, Florida

Gabriel O. Wordu and Gabriel D. Wordu were indicted by a federal grand jury in separate indictments in the Southern District of Florida, Ft. Lauderdale, Florida, on three counts of bank fraud and principals. ED/OIG investigation developed evidence that these Nigerian nationals were brothers who applied for student loans at several universities in the South Florida area using multiple fictitious names, Social Security Numbers, dates of birth, and driver license information. The indictment alleged that once the student aid checks were obtained, the Wordu brothers would then forge the endorsement of the educational institution as the co-payee on the student aid checks. Both individuals would also use their bogus driver's licenses to negotiate the student loan checks. The defendants are alleged to have unlawfully obtained in excess of $34,000. Arrest warrants have been issued for the defendants. ED/OIG is working with various other federal law enforcement agencies to locate these two fugitives.

WENDY McCOY
Phoenix, Arizona

A federal grand jury returned a four count indictment against Wendy McCoy, *aka* Wendy Miller, in the District of Arizona. The indictment alleged that McCoy used her ex-husband's Social Security Number to obtain grants and loans while she attended two colleges in Arizona. McCoy, who was charged with two counts of SFA fraud and two counts of Social Security fraud, obtained in excess of $21,000 in ED grants and loans.

DARREN CARTER
Montgomery County, Maryland

Darren V. Carter was indicted in the Circuit Court of Montgomery County, Maryland, on four counts of unlawful possession of a credit card number and two counts of theft. Investigation disclosed that Carter, a former ED contract employee, fraudulently used a Departmental IMPAC credit card to purchase a computer and computer-related equipment over the telephone from a vendor in Illinois. Carter has been terminated from his position in the Department as a photocopier.

JACOB DENEDO, member, U.S. Navy

Bethune-Cookman College

Daytona Beach, Florida

Jacob Denedo, an active duty member of the U.S. Navy, was tried and found guilty by a Special Court-Martial in Jacksonville, Florida for his role in a scheme at Bethune-Cookman College, Daytona Beach, Florida. An ongoing joint ED/OIG, U.S. Secret Service and Daytona Beach Police Department investigation revealed that Denedo forged and negotiated 19 stolen refund checks from Bethune-Cookman College. Denedo received a fee of $200 for each check. Denedo was sentenced to three months confinement, a pay-grade reduction and a bad conduct discharge from the U.S. Navy.

A second individual entered into the pre-trial diversion program in the State of Florida for his role in negotiating forged refund checks. The individual was sentenced to three years probation, 100 hours of community service and ordered to pay $8,150 in restitution.

QUEENILLA KONAH

Boston, Massachusetts

A Suffolk County, Massachusetts, grand jury returned a 28-count indictment charging Queenilla Konah with forgery, attempted larceny, filing false police reports, uttering, and fraudulent use of credit cards. Allegedly, Konah assumed the identity of another individual when she applied for SFA funds at Northeastern University in Boston. Investigation disclosed that Konah may have made similar attempts to receive federal student financial aid at Simmons College and Newbury College, also located in Boston. A search warrant executed at Konah's dormitory room at Northeastern University resulted in the seizure of evidence of other identities utilized by Konah.

JACQUELINE WARREN, administrative assistant

Office of the Secretary's Regional Representative

Chicago, Illinois

Jacqueline Warren, administrative assistant in the Office of the Secretary's Regional Representative in Chicago, was indicted in Chicago, Illinois, on nine counts of wire fraud and one count of mail fraud. The investigation developed evidence that Warren unlawfully used a Department IMPAC Visa credit card to purchase $6,791 worth of goods and services for her personal use and consumption.

The indictment also alleged that Warren fraudulently obtained credit cards and loans for her personal use from various creditors by submitting written applications with a false Social Security Number and failing to disclose that she had previously declared bankruptcy. Subsequently, it is alleged that Warren incurred unpaid debts for which she sought discharge by filing a second petition with a false Social Security number and in which she again falsely represented that she had not previously filed for bankruptcy. As a result of this petition, the bankruptcy court ordered the discharge of debts totaling approximately $16,369.

MINH TRONG HOANG

Seattle, Washington

Minh Trong Hoang, *aka* Mingo, was indicted on one count of false statements involving an application for SFA funds. This joint investigation by the IRS and ED/OIG produced evidence that Hoang submitted a falsified 1992 income-tax return, in which he falsely reported his income, to support his son's application for federal student aid. A second indictment charged Hoang with five additional counts, including conspiracy; applying for appointed counsel under the Criminal Justice Act while knowingly submitting a request containing false material; falsifying an individual income tax return; making false material declarations before a magistrate judge; and executing and attempting to execute a scheme to defraud a mortgage broker. Hoang was sentenced to 90 days in jail to be followed by 90

days of home detention and five years probation. Hoang will be required to wear an electronic monitoring device during his period of home detention.

RAFAEL RAFCA, former financial aid officer
ENRIQUE GONGORA, JORGE DIAZ, TANIA DIAZ,
GLADYS YEAR, MIRTHA CHICA DUQUE & LETICIA VALDES
Politechnical Institute of Florida
Southern Florida

Six of eight individuals have entered changes of plea in U.S. District Court, Southern District of Florida for their part in a scheme to fraudulently obtain $268,000 in PLUS loans. The mastermind of the scheme, Rafael Rafca, pled guilty to one count of conspiracy and thirteen counts of bank fraud. Rafca, a former financial aid officer at Politechnical Institute of Florida provided the school codes of at least eleven colleges and universities in the Southern Florida area to others for submission on PLUS loan applications. Rafca and the others named in the indictment used non-existent financial aid officers as certifying officials as well as false names and Social Security numbers on the loan applications.

Enrique Gongora pled guilty to one count of conspiracy and 7 counts of bank fraud. He was sentenced to three months home detention to be followed by three years of probation and ordered to make restitution of $52,000. Tania Diaz and Jorge Luis Diaz each pled guilty to one count of conspiracy. Jorge and Tania Diaz were each sentenced to five years probation and ordered to pay $44,000 in restitution.

Gladys Yera and Mirtha Chica Duque, who had both previously pled guilty, were sentenced in U.S. District Court in the Southern District of Florida. Yera, who was given credit for time served, was ordered to spend one month in jail followed by a period of house arrest for six months. Yera, who will have to wear an electronic monitoring device, was ordered to pay approximately $4.95 per day for the device. She will also serve a three year probation period and must make restitution of $64,000. Duque was sentenced to one month in jail and a probation period of three years. Duque must also pay restitution in the amount of $12,000.

After a three day trial in the Southern District of Florida, a seventh individual, Leticia Valdes, was convicted by a federal trial jury on one count of conspiracy and two counts of bank fraud for her role in the scheme. Valdes received PLUS loans totaling $8,000. She is awaiting sentencing.

One individual, Kary Silva, remains at large. ED/OIG agents have a warrant for her arrest and are currently attempting to locate her. *(Semiannual Report No. 36,* page 25)

DANIEL R. BANUELOS, certified public accountant
THOMAS LALLEY
Oglala Lakota College (OLC)
Kyle, South Dakota

Daniel R. Banuelos, a certified public accountant, pled guilty in the Western Division for the District of South Dakota to a one count information charging embezzlement from an Indian tribal organization. Banuelos was engaged by Oglala Lakota College, Kyle, South Dakota, from 1991 to 1994 to conduct the school's audits. The charge related to Banuelos' role in the conversion of federal funds for his personal use and the use of others. A joint ED/OIG/FBI/IRS/Department of the Interior OIG investigation developed evidence that from 1991 to 1994 a total of $2.6 million dollars in federal funds was embezzled from Oglala Lakota College (OLC) which included Department funds. The conspiracy involved at least five other individuals (previously reported) who caused OLC checks to be drawn and deposited into bank accounts of fictitious businesses.

Thomas P. Lalley, owner of Theodore's Bar and Grill, was charged in a two-count indictment for conspiracy to commit money laundering. Lalley allegedly conspired with officials at OLC to cash

checks for them knowing the fraudulent origin of such instruments. The indictment stated that Lalley laundered $563, 904 in illegally obtained proceeds from OLC and another $29,157 fraudulently endorsed with the payees' signatures. Lalley received 20 to 30 percent of the proceeds as a fee for negotiating, depositing and converting to cash the instruments that were presented to him by OLC officials. *(Semiannual Report No. 34,* page 22; *Semiannual Report No. 35,* pages 31 & 32; and *Semiannual Report No. 36,* pages 31 &32)

DAVID SCHRADER, owner and operator

Arizona Academy of Medical & Dental Assistants

Flagstaff, Arizona

David Schrader, owner and operator of the Arizona Academy of Medical & Dental Assistants in Flagstaff, Arizona, pled guilty in the U.S. District Court in Arizona to three counts of SFA fraud. He was sentenced to 21 months incarceration, ordered to pay $357,136 in restitution, and fined $150. Schrader was indicted in February 1997 on one count of conspiracy, three counts of mail fraud and 27 counts of SFA fraud. OIG investigation disclosed that Schrader and Geraldine Thompson, his financial aid officer, had certified loans for students at an ineligible campus, and had failed to refund loan and grant funds for students who had graduated or who did not finish the course. *(Semiannual Report No. 34,* page 23)

VICKI GOODSON, bookkeeper/secretary

Montgomery County Board of Education

Montgomery, Alabama

Vicki Goodson, a secretary at the Montgomery County Board of Education, was sentenced to serve eighteen months in federal prison and three years of probation. Goodson who had earlier pled guilty to four counts of theft of program funds, was also ordered to pay restitution totaling $321,474. Investigation disclosed that Goodson embezzled 87 vendor checks and used the funds for her own personal gain. Goodson embezzled funds from the Title I, Chapter I, Drug Free, Goals 2000 and Adult Education programs. *(Semiannual Report No. 36,* page 29)

ROBERT PRELL, **owner**

Northwest Beauty School

Baltimore, Maryland

Robert Prell, owner and operator of the Northwest Beauty School, Baltimore, Maryland, pled guilty to bribery of public officials and witnesses. Prell paid an undercover OIG agent $3,000 to reduce the number of findings in a program review audit report so that his school would remain eligible for Title IV funding. Prell was indicted and arrested in August 1997. He was sentenced to one year of probation, 200 hours of community service, and a $2,000 fine.

GEORGE I. CONROY

Newark, New Jersey

George I. Conroy pled guilty and was sentenced in U.S. District Court, Newark, New Jersey, to one year of home detention, five years probation, 500 hours community service, and restitution of $335,000. ED/OIG investigation determined that Conroy embezzled federal funds from Johnson C. Smith University (JCSU) in Charlotte, North Carolina. The scheme Conroy used against JCSU was similar to the fraud scheme that he perpetrated against the five colleges that comprised the now defunct Piedmont Independent College Association of Greensboro, North Carolina. For that scheme, Conroy was convicted in May 1996 of embezzling funds from the Title III grant program. *(Semiannual Report No. 33,* page 25)

ROBERT L. PATTERSON, U.S. Postal Service employee
Northern Indiana Student Loan Default Project
Gary, Indiana

Robert Patterson, a U.S. Postal Service employee, was sentenced in U.S. District Court to four months incarceration. Upon release from jail, Patterson was ordered to serve an additional four months home detention to be followed by a one year period of supervised probation. Patterson must also pay restitution exceeding $54,000. Patterson had previously admitted obtaining SFA loans and grants by concealing prior defaulted student loans and using his nephew's Social Security number. *(Semiannual Report No. 36*, page 30)

SHARON LOUISE ALDRIDGE, student
WILLETTE LIPSCOMB, student
Huston-Tillotson College (HTC)
Austin, Texas

Sharon Louise Aldridge, a student at Huston-Tillotson College (HTC), Austin, Texas, pled guilty to a two-count information charging her with false statements. Aldridge was sentenced to five years of probation and ordered to pay $25,000 in restitution. Willette Lipscomb, a former student at HTC, pled guilty to a one count information charging her with misprision of a felony. Lipscomb was sentenced to three years probation and order to pay $3,500 in restitution.

An OIG investigation involving Connie Anne Freeman, former HTC associate financial aid director, disclosed that Freeman conspired to fraudulently obtain SFA funds totaling $25,000 with Aldridge and $3,500 with Lipscomb. The investigation disclosed that Aldridge obtained student loan proceeds by using a fictitious name and another individual's Social Security number. Investigation also disclosed that Aldridge admitted to soliciting kickbacks from students and employees at HTC as part of a fraud ring totaling $193,717 in illegally obtained funds. *(Semiannual Report 36* pages 26 & 27)

MARY JANE SHRADER, former registrar
SHIRLEY LYBRAND, former registrar
Romar International, Inc.
Titusville, Florida

Two former registrars employed by Romar International, Inc., Titusville, Florida, pled guilty to bank fraud for their role in a scheme that falsely certified ineligible students for financial aid on student loan applications. Mary Jane Shrader admitted that she falsely certified student loan applications for four students, which resulted in the disbursement of approximately $12,000. Lybrand admitted that she falsely certified nine loan applications valued in excess of $40,000. Shrader was sentenced to one year of probation and ordered to serve twenty-five hours of community service. Shrader must also pay restitution of $1,313. Lybrand is scheduled to be sentenced during the next reporting period.

The fraud amounts attributed to Shrader and Lybrand are part of an overall bank fraud scheme valued in excess of $800,000.00. Four other former registrars have previously been sentenced for their role in this scheme. The registrars have advised that it was a common practice to make ineligible students eligible for enrollment in order to qualify for federal aid. *(Semiannual Reports No. 35*, page 22 and *Semiannual Report No. 36*, page 34*)*

GREGG M. STUM

Gregg M. Stum was sentenced in Federal District Court, Wilmington, Delaware, to two years of probation, and was ordered to pay restitution of $30,000. Stum pled guilty earlier this year to an information charging him with one count of mail fraud. A joint investigation by ED/OIG, HHS/OIG and the U.S. Postal Inspection Service disclosed that Stum had entered into contracts with and sub-

mitted identical research reports to the Department and the National Institute of Health. Stum had obtained funding for the studies from both agencies. *(Semiannual Report No. 36,* page 25)

TALMADGE GRAHAM

St. Louis, Missouri

Talmadge Graham was sentenced to sixteen months in prison, three years probation, and was ordered to pay restitution in the amount of $25,276. Graham who had earlier entered a plea of guilty to one count of a four-count indictment charging SFA fraud, had applied for approximately $90,320 in federal student loans at Webster University (WU), St. Louis, Missouri, by submitting false undergraduate transcripts using his real name and four other assumed identities. The false transcripts allowed Graham to enroll at WU and obtain graduate-student status. ED/OIG and FBI agents arrested Graham at WU in February 1998 when he attempted to receive a student loan disbursement check using one of the false identities. *(Semiannual Report No. 36,* page30)

PRISCILLA ANN HAMILTON
DEBRA BRADFORD

Los Angeles tax and loan fraud ring

Los Angeles, California

Priscilla Ann Hamilton, the former owner of Priscilla's Professional Services, was sentenced to 71 months in federal prison. Hamilton pled guilty to several tax and loan charges and was later convicted on an additional 25 Federal felonies. During the sentencing, the judge remarked that Hamilton showed "no remorse whatsoever" and that she "manipulated all those around her, including her codefendant and her own children."

Codefendant Debra Bradford, who was previously convicted of conspiracy and tax fraud, pled guilty to bank fraud in connection with filing false federal PLUS loan applications.

Bradford was scheduled to be sentenced on these charges when her attorney filed a petition for a continuance, at which time the government requested and obtained a status conference with the presiding judge. Bradford was subsequently indicted for and pled guilty to resisting a federal officer. She was sentenced to 40 months in prison to be followed by a three-year period of probation. *(Semiannual Report No.35,* pages 23-24)

ST. LOUIS COLLEGE OF PHARMACY

St. Louis, Missouri

Nine individuals fraudulently received student loans at the St. Louis College of Pharmacy even though they were not students there. This occurred when Cynthia Jackson, former Financial Aid Department Secretary, falsely certified their student loan applications. Jackson was previously charged and sentenced regarding the false certifications.

The nine individuals all signed pretrial diversion agreements acknowledging that they fraudulently received student loan funds. Total restitution ordered under the agreements was $74,354. *(Semiannual Report No. 36,* page 26)

TEE A. LEWIS and KATRINA E. WEST, former employees

Delaware State University

Dover, Delaware

Tee A. Lewis, former associate director of financial aid, and Katrina E. West, former financial aid officer at Delaware State University, each pled guilty to a one-count information. Lewis was sentenced to six months home detention to be followed by five years of probation. Lewis was ordered to wear an

electronic monitoring device during the home detention period. West was sentenced to three years probation. This joint ED/OIG and FBI investigation found that West and Lewis falsified loan applications and financial aid eligibility forms in order to obtain federally guaranteed student loans to which they were not entitled. The investigation disclosed that Lewis received at least $20,000 of ineligible loans and West received in excess of $26,000 of loan funds. Lewis and West were terminated from their jobs by the university. (*Semiannual Report No. 36*, page 26)

FOLLY KUEGAH

New York, New York

Folly Kuegah, who previously pled guilty to obtaining SFA funds under a false identity and passport fraud, was sentenced in the Southern District of New York, to three years probation and ordered to pay full restitution. Kuegah submitted the fraudulent applications while attending Technical Careers Institute. (*Semiannual Report No. 36*, page 30)

CAMILLE AYALA PITTERSON, former executive director

Virgin Islands Advocacy Agency

St. Croix, U.S. Virgin Islands

Camille Ayala Pitterson was sentenced to a one-year period of probation and ordered to make restitution of $6,888 in U.S. District Court, U.S. Virgin Islands. Pitterson, who was the executive director of the Virgin Islands Advocacy Agency, used ED and HHS funds earmarked for disabled residents on the Virgin Islands for her own use including the purchase of airline tickets for relatives and close friends. (*Semiannual Report No. 36*, page 27)

SHARON D. ARNEY, owner

Cranford College

Hutchinson, Kansas

Sharon Arney, who had previously pled guilty to five counts of SFA fraud, was sentenced in U.S. District Court, Topeka, Kansas to six months home detention to be followed by four years of probation. She was also ordered to pay a fine of $10,000 and restitution of $4,188. A joint ED/OIG and FBI investigation determined that during the 1990, 1991 and 1992 academic years, Arney failed to make refunds in excess of $146,000 on behalf of students that had ceased attending or withdrew from Cranford College. (*Semiannual Report No. 36*, page 24)

KANJADDIE BLAND

Chicago PLUS loan fraud scheme

Chicago, Illinois

Kanjaddie Bland pled guilty in the Northern District of Illinois to one count each of mail fraud and SFA fraud and was sentenced to four years probation. Bland was ordered to pay restitution of $2,885 as well. A fugitive for the last seven years, Bland was indicted in 1991 for her involvement in the Chicago PLUS loan fraud scheme. An ED/OIG investigation developed evidence that Bland fraudulently received a PLUS loan check for $2,885 in 1986.

RECOMMENDATIONS DESCRIBED IN PREVIOUS *SEMIANNUAL REPORTS* ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED

Section 5(a)(3) of the Inspector General Act requires a listing of each report resolved before the commencement of the reporting period for which management has not completed corrective action. The reports listed below are OIG internal and nationwide audit reports and management improvement reports.

REPORT NUMBER	AUDITEE/TITLE	DATE RESOLVED	TOTAL MONETARY FINDINGS	SEMIANNUAL REPORT NO.	PAGE
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION					
11-20202	CHANGES TO IMPACT AID PROGRAMS' SITE REVIEW PROCESS SHOULD IMPROVE EFFICIENCY AND ASSURE BETTER USE OF PROGRAM FUNDS	09/30/94	4,382,000	26	85
09-38259	THE DEPARTMENT SHOULD EVALUATE THE NEED FOR ANNUAL CHILD COUNTS IN THE IMPACT AID PROGRAM	09/30/97	*	31	09
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES					
03-50201	COORDINATION AND COLLABORATION WITHIN THE OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES TO BETTER SERVE CUSTOMERS AND MANAGE PROGRAMS	09/30/97	*	34	18
OFFICE OF POSTSECONDARY EDUCATION					
11-00010	OFFICE OF STUDENT FINANCIAL ASSISTANCE DID NOT ASSURE THAT ALL INSTITUTIONS SUBMITTED AUDIT REPORTS OR THAT IT RECOVERED ALL MISSPENT FUNDS	09/30/93	33,800,000	24	63
11-90040	THE INSTITUTIONAL ELIGIBILITY PROCESS DOES NOT PROVIDE ADEQUATE ASSURANCE THAT ONLY ELIGIBLE SCHOOLS PARTICIPATE IN THE TITLE IV PROGRAMS	09/30/93	482,000	22	6
92-05**	ED NEEDS TO STRENGTHEN STUDENT LOAN CURE PROCEDURES	09/30/93	154,000,000	24	12
92-10**	STRICTER STANDARDS NEEDED FOR GRANTING OF FORBEARANCES	09/30/93	*	25	3
92-13**	ED NEEDS TO CHANGE THE LEGISLATIVE DEFINITION OF LOANS IN REPAYMENT	01/31/94	*	25	5
05-20075	EFFECTIVENESS OF THE REGIONAL INSTITUTIONAL REVIEW BRANCHES' MONITORING OF INSTITUTIONS PARTICIPATING IN THE STUDENT FINANCIAL ASSISTANCE PROGRAMS	08/31/94	*	28	19
17-30302	FINANCIAL AUDIT: FEDERAL FAMILY EDUCATION LOAN PROGRAM'S FINANCIAL STATEMENTS FOR FISCAL YEARS 1993 AND 1992	10/31/94	*	29	16
11-30001	INCONSISTENT INSTITUTIONAL PELL GRANT REPORTING RESULTS IN SIGNIFICANT EXPENDITURE DISCREPANCIES	07/31/95	*	29	15
04-40100	HELPING TO ASSURE EQUALIZED EDUCATIONAL OPPORTUNITIES WITH HEA, TITLE III INSTITUTIONAL AID FUNDS - GLOBAL PERFORMANCE MEASURES NEEDED	08/31/95	*	31	11
17-30305	ANNUAL INTEREST GRANTS: IMPROVING THE PROCESS FOR PAYING THE REMAINING GRANTS	02/29/96	5,025,272	31	14
11-40001	FOLLOW-UP REVIEW ON SELECTED GATEKEEPING OPERATIONS	02/29/96	*	31	13
05-40005	ED NEEDS TO CONSIDER IMPLEMENTING CHANGES FOR MONITORING LENDERS AND SERVICERS	03/31/96	*	32	10
05-50008	EFFECTIVENESS AND EFFICIENCY OF DEBT COLLECTION SERVICE - AREAS RELATED TO INTERNAL OPERATIONS	04/30/96	*	32	12
04-38000	LESSONS LEARNED FROM RTC'S HANDLING OF FEDERAL FAMILY EDUCATION LOANS ...	08/31/96	*	32	9
04-60001	PROCESS ENHANCEMENTS IN THE HEA, TITLE III, INSTITUTIONAL AID PROGRAM WOULD INCREASE PROGRAM EFFICIENCY, DESPITE LIMITED RESOURCES	08/31/96	*	32	9

REPORT NUMBER	AUDITEE/TITLE	DATE RESOLVED	TOTAL MONETARY FINDINGS	SEMIANNUAL REPORT NO.	PAGE
06-30004	*MANAGING FOR RESULTS: REVIEW OF PERFORMANCE-BASED SYSTEMS AT SELECTED ACCREDITING AGENCIES*	*08/31/96*	*	*31*	*7*
07-48051	*CLOSED SCHOOLS: $2.4 BILLION UNAUDITED*	*06/30/96*	*	*31*	*13*
06-50010	*THE ELECTRONIC DATA EXCHANGE: A SECURITY REVIEW IS NEEDED*	*12/31/96*	*	*33*	*12*
03-60001	*REVIEW OF THE MANAGEMENT SYSTEMS AND STRUCTURE OF THE U.S. DEPARTMENT OF EDUCATION, OFFICE OF POSTSECONDARY EDUCATION, OFFICE OF STUDENT FINANCIAL ASSISTANCE PROGRAMS*	*03/31/97*	*	*33*	*29*
09-38058	*THE DEPARTMENT SHOULD CONTINUE ITS EFFORTS TO IMPROVE THE ACCURACY OF ITS STUDENT LOAN DATABASE*	*03/31/97*	*	*33*	*13*
11-50001	*ACCURACY OF STUDENT AID AWARDS CAN BE IMPROVED BY OBTAINING INCOME DATA FROM THE INTERNAL REVENUE SERVICE*	*06/30/97*	*109,000,000*	*34*	*08*
OFFICE OF THE CHIEF FINANCIAL OFFICER					
11-00333	*GREATER EMPHASIS NEEDED TO DEOBLIGATE UNEXPENDED CONTRACT FUNDS AND CLOSE OUT CONTRACTS ON TIME*	*03/31/94*	*7,500,000*	*26*	*17*
17-40302	*FINANCIAL STATEMENT AUDIT: U.S. DEPARTMENT OF EDUCATION FEDERAL FAMILY EDUCATION LOAN PROGRAM FOR THE YEARS ENDED SEPTEMBER 30, 1994 AND 1993*	*08/31/95*	*	*31*	*12*
17-48320	*FINANCIAL STATEMENT AUDIT OF THE U.S. DEPARTMENT OF EDUCATION WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM*	*09/30/95*	*	*30*	*20*
17-40303	*THE REPORT OF INDEPENDENT ACCOUNTANTS ON THE U.S. DEPARTMENT OF EDUCATION FISCAL YEAR 1995 DEPARTMENT-WIDE FINANCIAL STATEMENTS*	*03/31/97*	*	*33*	*14*

* Non-monetary findings only
** Management improvement report

ED/OIG REPORTS ON EDUCATION DEPARTMENT PROGRAMS AND ACTIVITIES

(April 1, 1998 – September 30, 1998)

Section 5(a)(6) of the Inspector General Act requires a listing of each report completed by OIG during the reporting period. A total of 21 reports were completed by ED/OIG auditors.. We also issued 17 alternative products, which include action memoranda and management reviews. All of these reports are listed below.

ACN	AUDITEE/REPORT TITLE	STATE	ISSUED	QUESTIONED COSTS (excluding unsupported)	UNSUPPORTED COSTS	BETTER USE OF FUNDS
OFFICE OF POSTSECONDARY EDUCATION						
A04-70016	REVIEW OF THE DEPARTMENT'S OVERSIGHT OF SCHOOLS PARTICIPATING IN THE WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM	DC	SEP-98	*		
A05-70015	AUDIT OF THE GUARANTOR AND LENDER OVERSIGHT SERVICE'S OVERSIGHT OF LENDERS PARTICIPATING IN THE FEDERAL FAMILY EDUCATION LOAN PROGRAM	DC	SEP-98	*		
A05-80007	THE DEPARTMENT OF EDUCATION HAS AN OPPORTUNITY TO IMPROVE ITS MANAGEMENT OF THE DEFAULT AVERSION PROGRAM	WI	SEP-98	*		
A05-80011	INSTITUTIONAL PARTICIPATION AND OVERSIGHT SERVICE HAS OPPORTUNITIES TO IMPROVE THE RECERTIFICATION PROCESS	DC	AUG-98	*		
A05-80024**	REVIEW OF GREAT LAKES' YEAR 2000 READINESS PLANS	WI	SEP-98	*		
A05-80026**	REVIEW OF USA GROUP'S YEAR 2000 READINESS PLANS	IN	SEP-98	*		
A06-70001	NSLDS CAN BE ENHANCED IF LOAN PRINCIPAL AND INTEREST BALANCES AND STATUSES ARE UPDATED WITH LENDER DATA	DC	SEP-98	*		
A06-70004	APPLICANTS WITH DEFAULTED STUDENT LOANS CONTINUE TO RECEIVE FINANCIAL AID	DC	JUN-98	*		
A06-70009	PROFESSIONAL JUDGMENT AT THE UNIVERSITY OF COLORADO	CO	JUL-98	15,082		
A07-70002	INCOME CONTINGENT REPAYMENT: COST ATTRIBUTION AND BORROWER STUDIES NECESSARY TO MEET OBJECTIVES OF FEDERAL FINANCIAL REPORTING	MO	JUN-98	*		
A07-80005	DONNELLY COLLEGE, STRENGTHENING INSTITUTIONS PROGRAM AUDIT PROPOSAL DATED FEBRUARY 20, 1998	KS	JUL-98	*		
A09-70003	R. GONZALEZ MANAGEMENT, INC.'S PROCESSING OF STUDENT FINANCIAL ASSISTANCE TRANSACTIONS AND REPORTS FOR VOCATIONAL SCHOOLS	CA	APR-98	*		

ACN	AUDITEE/REPORT TITLE	STATE	ISSUED	QUESTIONED COSTS (excluding unsupported)	UNSUPPORTED COSTS	BETTER USE OF FUNDS
OFFICE OF POSTSECONDARY EDUCATION - (continued)						
SFA 98-08	*CAPITAL CITY TRADE AND TECHNICAL SCHOOL AUSTIN, TEXAS COMPLIANCE WITH 85 PERCENT RULE*	*TX*	*SEP-98*	*		
SYS 98-05	*DEVELOPMENT OF STUDENT IDENTITY VALIDATIONPROCESS TO BE USED WITH ELECTRONIC FAFSA AND FAFSA ON THE WEB - OIG PERSPECTIVE*	*DC*	*JUL-98*	*		
A09-70015	*ASSOCIATED TECHNICAL COLLEGE (ATC) ELIGIBILITY OF INSTITUTIONS TO TO PARTICIPATE IN TITLE IV PROGRAMS AND OTHER ISSUES*	*CA*	*SEP-98*	*8,600,000*		
SFA 98-07	*UNIVERSITY OF PHOENIX ELIGIBILITY AS A PROPRIETARY INSTITUTION*	*AZ*	*JUN-98*	*		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION						
A04-70012	*FOLLOWING TITLE I, PART A AND SECONDARY EDUCATION SCHOOL VOCATIONAL EDUCATION PROGRAM DOLLARS TO THE SCHOOLS IN 36 LEAs VISITED*	*DC*	*JUN-98*	*		
S&L 98-05	*CHARTER SCHOOLS ACCOUNTABILITY FOR FEDERAL EDUCATION REQUIREMENTS*	*MI*	*SEP-98*	*		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES						
A01-60003	*AUDIT OF THE MASSACHUSETTS REHABILITATION COMMISSION'S PROVISION OF TRAINING SERVICES AND CLIENT MONITORING FOR THE PERIOD OCTOBER 1, 1994 THROUGH SEPTEMBER 30, 1995*	*MA*	*JUN-98*	*		
OFFICE OF VOCATIONAL & ADULT EDUCATION						
A07-70004	*STATE OF NEW MEXICO: SUSTAINABILITY OF THE SCHOOL-TO-WORK OPPORTUNITIES*	*NM*	*MAY-98*	*		
S&L 98-03	*REGULATIONS OF THE IDENTIFICATION OF LOCAL RECEIPIENT ADMINISTRATION COSTS COVERED BY BASIC VOCATIONAL EDUCATIONAL FUNDS*	*DC*	*APR-98*	*		
OFFICE OF EDUCATION RESEARCH & IMPROVEMENT						
A03-70007	*APPALACHIA EDUCATIONAL LABORATORY, INC.'S ADMINISTRATION OF THE REGIONAL EDUCATIONAL LABORATORY CONTRACTS*	*WM*	*JUN-98*	*9,569*		
OFFICE OF CHIEF FINANCIAL OFFICER						
A07-80007	*RATHEON E-SYSTEMS DIRECT LOAN SERVICING CONTRACT CLOSE-OUT PROPOSAL DATED FEBRUARY 20, 1998*	*VA*	*JUL-98*	*923,694*	*1,858,524*	
A11-80013	*REVIEW OF GAPS SECURITY*	*DC*	*SEP-98*	*		
A17-70002	*U.S. DEPARTMENT OF EDUCATION'S FISCAL YEAR 1997 FINANCIAL STATEMENTS AND ACCOMPANYING NOTES*	*DC*	*JUN-98*	*		

ACN	AUDITEE/REPORT TITLE	STATE	ISSUED	QUESTIONED COSTS (excluding unsupported)	UNSUPPORTED COSTS	BETTER USE OF FUNDS
OFFICE OF CHIEF FINANCIAL OFFICER - (continued)						
*A17-80005***	*SURVEY OF ON-SITE VISITS AND TELEPHONE CALLS TO GAPS USERS DURING THE WEEK OF JULY 27, 1998*	*DC*	*AUG-98*	*		
L53-80010	*FOIA OPERATIONS*	*DC*	*JUN-98*	*		
L53-80003	*INTERNATIONAL MERCHANT PURCHASE AUTHORIZATION CARD*	*DC*	*SEP-98*	*		
S&L 98-04	*OVERSIGHT OF BUILDINGS ACQUIRED FOR EDUCATIONAL RESEARCH WITH FEDERAL FUNDS*	*CA*	*MAY-98*	*		
SYS 98-01	*EDCAPS SECURITY ISSUES*	*DC*	*MAY-98*	*		
SYS 98-02	*PHYSICAL SAFEGUARDS OVER REFUND CHECKS*	*DC*	*JUN-98*	*		
SYS 98-03	*SERIOUS SECURITY EXPOSURE OVER GAPS USER IDS AND PASSWORDS*	*DC*	*JUN-98*	*		
SYS 98-04	*AN ASSESSMENT OF USERS' PERSPECTIVES ON GAPS*	*DC*	*JUL-98*	*		
SYS 98-06	*NEED FOR REINSTATEMENT OF ANNUAL EXPENDITURE CERTIFICATION REQUIREMENTS FOR GAPS INITIATED FUNDING REQUESTS*	*DC*	*SEP-98*	*		
SYS 98-07	*GAPS SECURITY ISSUES REQUIRING IMMEDIATE ATTENTION*	*DC*	*SEP-98*	*		
SYS 98-08	*SECURITY SCREENING VIOLATIONS RELATED TO OCF/CIO STAFF AND CONTRACTORS*	*DC*	*SEP-09*	*		
OFFICE OF THE DEPUTY SECRETARY						
L53-70006	*ED'S MANAGEMENT OF ITS COMMON SUPPORT EXPENSE FUND*	*DC*	*JUL-98*	*		
A17-70007	*MOVING TOWARDS A RESULTS-ORIENTED ORGANIZATION: A REPORT ON ED'S IMPLEMENTATION OF THE RESULTS ACT*	*DC*	*SEP-98*	*		

* Non-monetary findings only
** Information report
A - Audit
L - Management review
SFA - Student financial assistance action memo
S&L - State and local action memo
SYS - Systems action memo

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INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS[1]

		NUMBER	QUESTIONED	UNSUPPORTED[2]
A.	For which no management decision has been made by the commencement of the reporting period (as adjusted)	30	$ 112,883,063	$ 23,111,892
B.	Which were issued during the reporting period	4	11,406,869	1,858,524
	Subtotals (A + B)	34	$ 124,289,932	$ 24,970,416
C.	For which a management decision was made during the reporting period	6	$ 16,863,187	$ 7,476,091
	(i) Dollar value of disallowed costs		10,677,664	7,460,558
	(ii) Dollar value of costs not disallowed		6,185,523	15,533
D.	For which no management decision has been made by the end of the reporting period	28	$ 107,426,745	$ 17,494,325
E.	For which no management decision was made within six months of issuance	17	$ 64,877,158	$ 11,870,503

[1] *None of the audits reported in this table was performed by the Defense Contract Audit Agency.*

[2] *Included in questioned costs.*

INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS FOR BETTER USE OF FUNDS[1]

	NUMBER	DOLLAR VALUE
A. For which no management decision has been made by the commencement of the reporting period (as adjusted)	5	$ 19,006,552
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	6	$ 19,006,552
C. For which a management decision was made during the reporting period	1	815,000
(i) Dollar value of recommendations that were agreed to by management		0
(ii) Dollar value of recommendations that were not agreed to by management		815,000
D. For which no management decision has been made by the end of the reporting period	4	$ 18,191,552
E. For which no management decision was made within six months of issuance	4	$ 18,191,552

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

UNRESOLVED REPORTS ISSUED PRIOR TO APRIL 1, 1998

Section 5(a)(10) of the Inspector General Act requires a listing of each report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.

REPORT NUMBER	AUDITEE/TITLE	ST	DATE ISSUED	TOTAL MONETARY FINDINGS	REASONS OVERDUE	PROJECTED MANAGEMENT DECISION	SEMIANNUAL REPORT NO.	PAGE NO.
09-10007	WESTERN TRUCK SCHOOL	CA	09/10/92	8,834,503	01	***	25	78
07-23545	MISSOURI STATEWIDE	MO	04/01/93	1,048,768	01	***	**	
09-10005	CALIFORNIA STUDENT AID COMMISSION	CA	09/10/93	41,100,000	01	***	27	17
09-33114	STATE OF CALIFORNIA	CA	12/24/93	4,191,032	01	***	28	18
07-33123	MISSOURI STATEWIDE	MO	03/07/94	187,530	01	***	**	
05-30010	NORTHSTAR GUARANTEE INCORPORATED	MN	08/16/94	619,287	01	12/31/98	29	31
04-43134	FLORIDA STATEWIDE	FL	12/05/94	615,996	***			
02-56113	VIRGIN ISLANDS DEPARTMENT OF EDUCATION	VI	02/17/95	10,375,000	05	***	30	17
05-40007	REPORT ON THE TRANSITIONAL GUARANTY AGENCY'S ROLE IN GUARANTY AGENCY TRANSITION	MN	06/02/95	*	***		**	
04-53670	FLORIDA STATEWIDE	FL	10/04/95	2,855,402	05	***		
03-60006	REVIEW OF THE COOPERATIVE AGREEMENT FOR THE NATIONAL CENTER FOR ADULT LITERACY AWARDED TO THE UNIVERSITY OF PENNSYLVANIA FOR THE PERIOD NOVEMBER 1, 1992 THROUGH MARCH 31, 1996	PA	01/28/97	*	01	11/24/98	34	19
04-60147	REVIEW OF SELECTED ASPECTS OF THE KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY S ADMINISTRATION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM	KY	02/18/97	1,263,251	01	12/31/98	34	9
04-60152	REVIEW OF MONITORING CONTROLS USED TO ENSURE FULFILLMENT OF TITLE VII BILINGUAL EDUCATION GRANT PROGRAM OBJECTIVES	DC	06/30/97	*	***		35	17
06-70003	PROFESSIONAL JUDGEMENT AT ST. LOUIS UNIVERSITY	MO	07/30/97	2,599,709	01	***	35	14
06-60004	FINANCIAL AID ADMINISTRATORS USE OF PROFESSIONAL JUDGEMENT	DC	07/31/97	*	***		35	13
17-60002	U.S. DEPARTMENT OF EDUCATION RECOMMENDATIONS TO IMPROVE MANAGEMENT CONTROLS AND OPERATIONS RESULTING FROM MATTERS NOTED DURING OUR FISCAL YEAR 1996 FINANCIAL STATEMENT AUDIT	DC	08/05/97	*	***		35	19
04-70001	STATE AND LOCAL EDUCATION AGENCIES NEED MORE TECHNICAL ASSISTANCE TO TAKE FULL ADVANTAGE OF FLEXIBILITY PROVISIONS OF TITLE XIV OF THE IMPROVING AMERICAN S SCHOOLS ACT	DC	08/20/97	*	05	***	35	17
06-60006	ELIMINATING ADVANCE FUNDING WOULD ENHANCE THE INTEGRITY OF THE FEDERAL PELL GRANT PROGRAMS	DC	08/28/97	*	***		35	13
01-60008	THE MASSACHUSETTS CORPORATION FOR EDUCATIONAL TELECOMMUNICATIONS MUST BE A RESTRICTED INDIRECT COST RATE FOR CHARGING INDIRECT COSTS TO FEDERAL GRANTS	MA	09/30/97	1,027,690	01	10/31/98	35	16

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REPORT NUMBER	AUDITEE/TITLE	ST	DATE ISSUED	TOTAL MONETARY FINDINGS	REASONS OVERDUE	PROJECTED MANAGEMENT DECISION	SEMIANNUAL REPORT NO.	PAGE NO.
03-60009	ADMINISTRATION OF THE WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM BY SCHOOLS	DC	10/15/97	*	***		36	12
05-70004	STRATEGIC PLANNING AND PERFORMANCE MEASUREMENT FOR GUARANTOR AND LENDER OVERSIGHT SERVICE ACTIVITIES CAN HELP FOSTER ACHIEVEMENT OF AN EFFICIENT AND EFFECTIVE FEDERAL FAMILY EDUCATION LOAN PROGRAM	DC	11/12/97	*	01	12/31/98	36	16
02-50200	THE PUERTO RICO DEPARTMENT OF EDUCATION MUST INSTITUTE A TIME DISTRIBUTION SYSTEM	PR	11/14/97	*	***		36	13
05-70017	REVIEW OF INDIRECT COSTS CLAIMED OHIO - REHABILITATION SERVICES COMMISSION FISCAL YEAR 1993 AND 1994	OH	11/21/97	538,210	***		36	16
03-70001	AUDIT OF THE DISCTRICT OF COLUMBIA PUBLIC SCHOOLS' ADMINISTRATION	DC	01/23/98	210,651	05	***	36	15
06-60010	REVIEW OF CHARGES FOR UNEMPLOYMENT COMPENSATION INSURANCE	LA	01/29/98	2,265,212	05	***	36	18
04-70015	REVIEW OF COSTS INCURRED BY THE UNIVERSITY OF NORTH CAROLINA, GREENSBORO, AND THE SOUTHEASTERN REGIONAL VISION FOR EDUCATION UNDER THE U.S. DEPARTMENT OF EDUCATION'S REGIONAL EDUCATIONAL LABORATORIES CONTRACT	NC	02/25/98	2,300,000	***		36	15
06-70005	PROFESSIONAL JUDGEMENT AT YALE UNIVERSITY	CT	03/13/98	5,469	01	***	36	18
05-80005	CENTRAL STATE UNIVERSITY SUPPORT SERVICES PROGRAM	OH	03/16/98	*	***		36	17
09-60009	WESTED'S ADMINISTRATION OF THE REGIONAL EDUCATIONAL LABORATORY CONTRACTS	CA	03/31/98	3,031,000	01	10/30/98	36	19
11-70007	THE STATUS OF EDUCATION'S IMPLEMENTATION OF THE CLINGER-COHEN ACT	DC	03/31/98		***		36	19
11-70011	THE STATUS OF THE U.S. DEPARTMENT OF EDUCATION'S READINESS FOR YEAR 2000	DC	03/31/98	*	***		36	20

NOTES

* Non-monetary findings only
** Not individually written up
*** Information not provided by P.C.

REASON CODES FOR REPORTS OVER SIX MONTHS OLD

01 - Administrative delays
02 - Delay in receiving AUDITEE comments or additional information from AUDITEE
03 - Delay in receiving additional information from non-Federal auditor.
04 - Lack of staff
05 - Cooperative Audit Resolution and Oversight Initiative (CARO) pilot State

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STATISTICAL PROFILE

APRIL 1, 1998 — SEPTEMBER 30, 1998

	Six-Month Period Ending 9/30/98	Fiscal Year Ending 9/30/98
OIG AUDIT REPORTS ISSUED	21	38
- Questioned Costs	$ 9,548,345	$ 15,147,397
- Unsupported Costs	$ 1,858,524	$ 1,864,004
- Recommendations for Better Use of Funds	$ 0	$ 2,900,000
OIG AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS	13	26
- Questioned Costs Sustained	$ 3,217,106	$ 6,963,379
- Unsupported Costs Sustained	7,460,558	$ 9,638,435
- Additional Disallowances Identified by Program Managers	$ 0	$ 108,640
- Management Commitment to Better Use of Funds	$ 0	$ 7,000,000
INVESTIGATIVE CASE ACTIVITY		
- Cases Opened	150	341
- Cases Closed	188	462
- Cases Active at End of Period	299	299
- Prosecurorial Decisions	67	98
- Accepted	471	63
- Declined	202	35
INVESTIGATION RESULTS		
- Indictments/Informations	39[3]	72
- Convictions/Pleas	58[4]	86
- Fines Ordered	$ 2,412,750	$ 2,414,075
- Restitutions Ordered	$ 5,429,914	$ 10,106,977
- Restitution Payments Collected	$ 29,070,525	$ 29,771,224
- Civil Settlements (number)	77[5]	$ 200
- Civil Settlements	$ 34,800,084[6]	$ 35,687,003
- Civil Judgments	$ 250,916[7]	$ 2,266,858

[1]Includes 6 actions not reported in our last *Semiannual Report*.
[2]Includes 3 actions not reported in our last *Semiannual Report*.
[3]Includes one action not reported in our last *Semiannual Report*.
[4]Includes 3 actions not reported in our last *Semiannual Report*.
[5]Includes15 actions nor reported in our last *Semiannual Report*.
[6]Includes $98,102 not reported in our last *Semiannual Report*.
[7]Includes $118,741 not reported in our last *Semiannual Report*.

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___A04-70016	___A07-70004	___L53-80003	___SYS 98-04
___A05-70015	___A07-80005		___SYS 98-05
___A05-80007	___A07-80007	___SFA 98-07	___SYS 98-06
___A05-80011	___A09-70003	___SFA 98-08	___SYS 98-07
___A05-80024	___A09-70015	___S&L 98-03	___SYS 98-08
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