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**UNITED STATES DEPARTMENT OF EDUCATION**  
OFFICE OF INSPECTOR GENERAL

JUL 28 2014

RE: FOIA Request 14-01630-F

This is in response to your June 1, 2014, Freedom of Information Act (FOIA) Freedom of Information Act (FOIA), request for a copy of Department of Education OIG Weekly Activity Reports for the time period January 1, 2011 through the present.

Enclosed you will find 208 pages of weekly reports responsive to your request. We have redacted personal identifying information pursuant to Exemptions (b)(6) and (b)(7)(C) of FOIA. Exemptions (b)(6) and (b)(7)(C) protect personal privacy interests. The identifying information that we redacted is not available through a search of the web or online case database.

We are requesting payment in the amount of \$21.60. Copying cost amounts to \$21.60 for a total of 208 pages @ \$.20 per page with 100 pages free. Your payment must be in the form of a personal check or bank draft drawn on a bank in the United States, or a postal money order made payable to the U.S. Department of Education. This charge is in accordance with the Department's FOIA regulation 34 C.F.R., Part 5, Subpart D.

Please send your payment to Ms. Chaun Eason, Office of Inspector General, U.S. Department of Education, 400 Maryland Avenue, S.W., Washington, D.C. 20202-1500. Should you fail to pay the above fee in a timely manner (within 30 days after the date of this letter), any subsequent FOIA requests from you will not be processed until all arrears are paid in full, including interest.

If you are not satisfied with my action on this request you may file an administrative appeal by writing within 35 days to the:

Inspector General  
U.S. Department of Education  
400 Maryland Avenue, S.W.  
ATTN: FOIA Appeal  
Washington, DC 20202-1500

A copy of your initial request, a copy of this letter and your statement of circumstances, reasons, and arguments should accompany your appeal letter.

If you have any questions concerning this response, please contact Ms. Chaun Eason, our FOIA and Privacy Act Coordinator, at (202) 245-7001.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marta Erceg', with a stylized, cursive script.

Marta Erceg  
Counsel to the Inspector General

cc: Department FOIA Office

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending January 7, 2011**

Significant Events:

- Release of final inspection report, “Review of the Department of Education’s Outreach Activities Related to the Student Aid and Fiscal Responsibility Act of 2009 for Compliance with Restrictions on Use of Appropriated Funds for Lobbying.”  
In response to a Congressional request, we reviewed whether Department officials had engaged in improper lobbying with respect to the Student Aid and Fiscal Responsibility Act of 2009. We determined that based on guidance from the Department of Justice and the Government Accountability Office, correspondence and statements by Department officials that we reviewed did not violate the prohibitions on the use of funds for lobbying contained in Section 1913 of the Omnibus Appropriations Act of 2009. In response to our report, the Department stated that it was encouraged that we found no violations of the applicable prohibitions against lobbying and it committed to upholding the highest standards with respect to lobbying prohibitions and the proper use of appropriated funds. The Department will be incorporating an analysis of our report into future training for key Department employees. This report was issued on December 29, 2010.
- Individual sentenced for role in financial aid fraud recruiter scheme.  
Cory Alan Bailey was sentenced in the Northern District of Iowa to 36 months incarceration, 3 years supervised release, and was ordered to pay a \$100 special assessment and \$138,920 in restitution to Kirkwood Community College and the Department; \$5,854 and \$133,066, respectively. Our joint investigation with the Postal Inspection Service revealed that Bailey created e-mail accounts for individuals he recruited for classes that they never attended and used the e-mail accounts to enroll the recruits and apply for Federal financial aid. He directed the loan checks to post office boxes under his control.
- Chief of American Samoa school bus division pleads guilty in fraud case.  
Gustav Nauer pled guilty to conspiring to commit bribery against a program receiving Federal funds. Our investigation with the Department of Interior Office of Inspector General and the Federal Bureau of Investigation (FBI) revealed that between 2002 and 2006, Nauer authorized the American Samoan government to purchase “phantom” bus parts at inflated costs from another co-conspirator. The bus parts were never delivered or were ordered in excess of the parts actually needed for the buses owned by the American Samoa Department of Education. In exchange, Nauer and co-conspirators accepted bribes of approximately \$300,000.
- Individuals plead guilty in financial aid conspiracy.  
Marcus K. Byrom pled guilty to conspiracy, education loan fraud, and mail fraud and Wilford L. Swint pled guilty to conspiracy and education loan fraud in U.S. District Court, Middle District of Alabama. Byrom and Swint conspired with other individuals to enroll ineligible individuals into graduate school at several universities in the state of Alabama, and apply for financial aid by submitting fraudulent Free Applications for Federal Student Aid. In some instances, a fraudulent Tuskegee University transcript was used in the student financial aid scheme causing student loans to be made to ineligible individuals. The aggregate amount of the fraud, including the instances involving the fraudulent transcript, exceeded \$250,000.
- Former athletic equipment manager pleads guilty.  
Robert Firestone, former athletic equipment manager of Elizabeth Public Schools (EPS), pled guilty in U.S. District Court, District of New Jersey, to conspiracy to commit mail fraud. Our

investigation with the FBI revealed that Firestone approved fraudulent invoices submitted to EPS by Circle Systems Group, now known as Schutt Sports. These fraudulent invoices created credits that Firestone used to pay for personal electronic items and merchandise.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending January 28, 2011**

Significant Events:

- Release of final audit report, "Puerto Rico Department of Education's Award and Administration of Personal Services Contracts."  
The objectives of the audit were to determine whether the Puerto Rico Department of Education (PRDE) followed State and Federal laws in awarding personal services contracts (PSCs) and in ensuring that those services were allowable and adequately supported during the period of August 29, 2005, through June 30, 2009. PRDE did not provide adequate support for \$147,652 of the \$459,609 expended for services under the 61 PSCs we reviewed and did not provide us contracts and supporting documentation for 8 PSCs, which represented \$27,716 of the \$147,652 inadequately supported. As such, we could not determine whether PRDE complied with State and Federal laws in awarding those contracts nor could we determine that the unsupported services were allowable. In our review of the remaining 53 PSCs, we identified an additional \$17,262 in questioned costs. In addition, PRDE failed to provide reliable expenditure data that reconciled with payment data for \$161,527,366 in payments made during calendar years 2006 through 2008, resulting in a discrepancy of \$15 million. PRDE also did not maintain a registry of PSCs corresponding to \$159,474,554 paid through its paper-based payments system. As a result, we could not validate the number of awarded PSCs associated with the total payments to reconcile the expenditure data. Based on the results of our review, we consider PSCs a high-risk contracting vehicle. In response to our draft audit report, PRDE disagreed with two findings and related recommendations but concurred with the third finding and its related recommendations. PRDE stated that it recently implemented a new policy and process for awarding PSCs that strengthen internal controls over PSCs and ensure that PSCs are awarded in compliance with Federal and State laws.
- School owners sentenced for education fraud in Puerto Rico.  
Irma Valentin, Angel Abreu, and Carlos Abreu, principals of Instituto Irma Valentin (IIV), a cosmetology school in Puerto Rico, were ordered to pay a \$500 fine for a previous guilty plea to conspiracy to commit student financial aid fraud and submit false statements. On January 19, 2011, Irma Valentin, Angel Abreu and Carlos Abreu entered guilty pleas in U.S. District Court, District of Puerto Rico, for Federal student assistance fraud. Our investigation with the Federal Bureau of Investigation (FBI) revealed that from January 2005 to August 2006, Irma Valentin, Angel Abreu, and Carlos Abreu along with other IIV officials falsified student records to avoid making Federal Pell Grant refunds to the Department. ED-OIG investigation prevented the disbursement of over \$340,000 in Federal Pell Grant funds.
- Texas School District superintendent, three school board trustees, and three local business owners sentenced.  
In U.S. District Court, Southern District of Texas, seven defendants were sentenced for their roles in a bribery scheme involving the Pharr-San Juan-Alamo Independent School District (PSJA-ISD). Our joint investigation with the FBI and Internal Revenue Service-Criminal Investigation Division revealed that the defendants received bribes from various contractors in exchange for using their official capacity as elected trustees at PSJA-ISD to affect the awarding

of district construction contracts. Arturo Guajardo, former Superintendent of PSJA-ISD, was sentenced to 3 years probation with 6 months of house arrest and was ordered to pay a \$5,000 fine. Raul Navarro, former PSJA-ISD school board trustee, was sentenced to 2 years in prison and 2 years probation. Rogelio Rodriguez, former PSJA-ISD school board trustee, was sentenced to 3 years and 1 month in prison and 3 years probation. Evangelina De Leon, former PSJA-ISD school board trustee, was sentenced to 3 years probation and 4 months of house arrest. George Hernandez, former PSJA-ISB contractor, was sentenced to 5 months in prison, 5 months of house arrest, 3 years probation and was ordered to pay a \$3,000 fine. Arnulfo Olivarez, former PSJA-ISB contractor, was sentenced to 4 years probation and was ordered to pay a \$25,000 fine. Ramiro Guzman, former PSJA-ISB contractor, was sentenced to 4 years of probation and 8 months of house arrest.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending January 14, 2011**

Significant Events:

- Former clerk of Montgomery County, Virginia school board sentenced.  
In U.S. District Court, Western District of Virginia, Anita Price Johnston was sentenced to 15 months in prison and 3 years supervised release and was ordered to pay \$136,824.13 in restitution for mail fraud and a \$100 special assessment. Johnston's sentencing was the result of our joint investigation with Postal Inspection Service and the Christiansburg, Virginia Police Department, in which Johnston admitted transferring over \$120,000 in checks and money orders belonging to the Montgomery County School Board and placing them into her personal checking account.

*Contact: Chaun Eason (202) 245-7001*



**OFFICE OF INSPECTOR GENERAL**  
**For the week ending February 4, 2011**

Significant Events:

- Release of final audit report, “Wells Fargo Bank, National Association’s (Wells Fargo) Management of Collection Account Funds and Oversight Activities under the Ensuring Continued Access to Student Loans Act (ECASLA) Loan Participation Purchase (LPP) Program.”  
We determined that Wells Fargo had controls to reasonably ensure that its management of collection account funds complied with the terms and conditions of the Master Participation Agreement (MPA) and applicable Departmental guidance. Specifically, Wells Fargo (1) established a collection account for each sponsor to hold all collections related to the loans subject to the 2008-2009 LPP Program for the Department as holder of participation interests; (2) invested collection account funds in permitted investments; and (3) distributed the funds on deposit in the collection accounts in compliance with Sections 11(b) and 11(d) of the MPA. However, we found that Wells Fargo did not sufficiently monitor and provide oversight of its sponsors and servicers and did not have sufficient policies and procedures to ensure consistent monitoring and oversight of its sponsors and servicers. As a result, Wells Fargo had not consistently managed and documented its monitoring efforts and had not demonstrated sufficient oversight related to the performance of its sponsors and servicers. We recommended that the Department hold Wells Fargo responsible for any liabilities arising from the noncompliance described in the findings. Wells Fargo did not concur with our finding and recommendation. We issued this report on February 3, 2011.
- Release of final audit report, “Kiryas Joel UFSD Title I, Part A of the Elementary and Secondary Education Act and Individuals with Disabilities Education Act Part B Expenditures.”  
We found that Kiryas Joel school district’s Title I and IDEA expenditures were allowable and allocable in accordance with applicable laws and regulations. However, we also found that Kiryas Joel used Title I funds to supplant non-Federal funds for lease payments related to its public school building and that it could not provide adequate documentation for salary expenditures charged to Title I for its after-school program. Kiryas Joel generally concurred with the findings. We issued this report on February 2, 2011.
- Remaining fugitive pleads guilty to identity fraud in Puerto Rico.  
Orlando Negrón Colón pled guilty in U.S. District Court, District of Puerto Rico to identity theft and social security fraud. Negrón Colón was among eight individuals indicted on March 30, 2009, on charges of identity theft, aggravated identity theft, and social security fraud. Our joint investigation with the Federal Bureau of Investigation, Immigration Customs Enforcement, Social Security Administration-OIG, United States Secret Service, and Puerto Rico Police Department revealed that these individuals allegedly targeted approximately 50 public schools in Puerto Rico in order to steal and traffic birth certificates and social security cards belonging to public school children and adults.

- Release of final audit reports, “OIG’s Independent Report on the Department’s Detailed Accounting of Fiscal Year 2010 Drug Control Funds and “OIG’s Independent Report on the Department’s Performance Summary Report for Fiscal Year 2010.”

The purpose of our review was to authenticate the Department’s accounting of fiscal year 2010 drug control funds by expressing a conclusion about the reliability of each assertion made in the Department’s accounting report and performance report. Based upon our review, nothing came to our attention that caused us to believe that management’s assertions contained in the Department’s detailed accounting and performance summary reports are not fairly stated in all material respects. The Department’s fiscal year 2010 accounting report, performance report and the accompanying OIG authentications are required to be submitted to the Office of National Drug Control Policy by February 1, 2011. We issued these reports on January 31, 2011.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending February 11, 2011**

Significant Events:

- Texas school board trustee and school district contractors sentenced.  
In U.S. District Court, Southern District of Texas, three defendants were sentenced for their roles in a bribery scheme involving the Pharr-San Juan-Alamo Independent School District (PSJA-ISD). Our joint investigation with the Federal Bureau of Investigation (FBI) and Internal Revenue Service-Criminal Investigation Division (IRS-CID) revealed that the defendants received bribes from various contractors in exchange for using their official capacity as elected trustees at PSJA-ISD to affect the awarding of district construction contracts. Guadalupe Santa Maria, former PSJA-ISD school board trustee, was sentenced to 3 months home confinement and 4 years probation. Steven Sambrano, former PSJA-ISD contractor, was sentenced to 8 months home confinement, 4 years probation and was ordered to pay a \$25,000 fine. Alonso Cardenas, former PSJA-ISD contractor, was sentenced to 3 years probation.
- Convicted sex offender pleads guilty in Federal financial aid fraud scheme.  
David Copeland-Jackson pled guilty to mail fraud. Our joint investigation with the FBI and the Postal Inspection Service revealed that from June 23, 2005, through May 1, 2009, Copeland-Jackson applied for and received financial aid in the name of three family members and five Ohio prison inmates. When Copeland-Jackson was imprisoned for his sex offense, he assisted inmates with legal filings and other administrative issues and then stole their identities to attend numerous online universities. Copeland-Jackson accepted refund checks and completed course work for eight different individuals over a four year period, causing the Department to disburse over \$62,000 of fraudulently obtained Federal student aid funds.
- Maine migrant advocate sentenced on Federal financial aid, social security, transporting illegal aliens, and tax evasion charges.  
Benjamin Guiliani, Sr., owner of a contract labor services company, was sentenced in U.S. District Court, District of Maine, to 19 months imprisonment, 3 years supervised release and was ordered to pay \$230,592.61 in restitution, \$214,000 to the Internal Revenue Service, nearly \$15,000 to the Department, and \$1,500 to the Maine Department of Education. At his plea hearing, Guiliani admitted that he provided labor workers that were not properly authorized to work in the United States and transported illegal aliens from 2004 through 2006. Guiliani had personal income totaling almost \$500,000 but never filed personal income tax returns and submitted false tax returns to his son's school in order to receive Federal and state student financial assistance. This was a joint investigation with the IRS-CID, Social Security Administration-Office of the Inspector General, and Immigration and Customs Enforcement.
- Individual pleads guilty for her role in a conspiracy to steal funds from a New Jersey university.  
Kimberly Jackson pled guilty to an Information in U.S. District Court, District of New Jersey, charging her with conspiring to steal money from New Jersey City University (NJCU). Our joint investigation with IRS-CID revealed that Jackson admitted to working with Alex Moody, husband to Shaunette Moody, Office Manager of the Student Government Organization (SGO) of NJCU, to endorse unauthorized checks provided to her by the Moodys. From May 2007 through June 2010, Jackson negotiated 18 checks for approximately \$36,201 and gave these funds to Alex Moody, who provided Jackson with a percentage of proceeds. The Moodys

previously pleaded guilty to their roles in the scheme which netted them over \$500,000 in NJCU SGO funds.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending February 18, 2011**

Significant Events:

- Release of final audit report, "Oklahoma's: Use of Funds and Data Quality for Selected ARRA Programs."

We determined that the Governor's Office, Oklahoma Office of State Finance (OSF), and the Oklahoma State Department of Education (OSDE) have not demonstrated that all Recovery Act funds were expended in accordance with applicable laws, regulations, and guidance. We identified \$16 million in State Fiscal Stabilization Fund Government Services Funds, for which OSF was unable to account for how the funds were expended. OSDE and OSF did not follow applicable cash management regulations to ensure subrecipients did not receive funds in advance of need. OSDE and OSF also did not ensure that data reported were accurate, reliable, and complete. OSF's comments and additional documentation provided by OSDE in response to the draft report did not cause us to change our overall findings and recommendations. We issued this report on February 18, 2011.

- Former vice president of defunct for profit Crown College sentenced.

Sheila Mullineaux was sentenced in U.S. District Court, Western District of Washington, to 120 days home confinement, 36 months probation, 120 hours of community service, a \$200 assessment, and was ordered to pay \$21,000 in restitution for her part in an education mail fraud scheme. Mullineaux, Crown College's former vice president and director of operations, along with three other employees, illegally obtained approximately \$65,750 in Pell grant and Federal Family Education Loan funds by enrolling and not actually attending classes. As part of the scheme, Mullineaux intended to have her loans discharged after the school closed. Mullineaux is the first of four defendants to be sentenced.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending March 4, 2011**

Significant Events:

- Release of final audit report, “Educational Credit Management Corporation’s 2006 Agreement with the United States Department of Education.”  
We determined that Educational Credit Management Corporation (ECMC), a guaranty agency participating in the Federal Family Education Loan Program, generally complied with provisions of its agreement with the Department that pertained to ECMC’s Federal Services Bureau’s (FSB) return of funds to the Department and ECMC’s deposit of interest accrued on accounts repurchased by lenders (“repurchase interest allocation”) into its Federal fund. However, we identified two instances of non-compliance related to FSB’s revenues and expenses: (1) ECMC used FSB revenue to support activities that the agreement did not allow and (2) ECMC’s cost allocation plan did not fully explain allocation of costs and ECMC did not provide an annual cost allocation report to the Department. ECMC agreed to implement all our recommendations but disagreed with some of the statements that we made in one of our findings. We issued the final audit report on March 3, 2011.
- Former not-for-profit executive director sentenced.  
Thomas Schroeder, former Executive Director of the National Center on Public Education and Prevention, was sentenced in U.S. District Court, Western District of Kentucky to 46 months in prison as a result of his conviction on conspiracy to evade paying Federal income taxes. Our joint investigation with U.S. Secret Service, Internal Revenue Service-Criminal Investigation Division, Postal Inspection Service, and University of Louisville Police Department revealed that Schroeder assisted a University of Louisville official embezzle \$510,000 from Department grants earmarked for the University of Louisville.
- Former school admissions officer sentenced for Federal student aid fraud.  
Ricardo Pradel, former admissions officer at American Institute in Lauderdale Lakes, Florida, was sentenced in U.S District Court, Southern District of Florida, to 3 years probation, 250 hours community service, and was ordered to pay \$156,000 in connection with his guilty plea to Federal student aid fraud. Our investigation with the Federal Bureau of Investigation revealed that Pradel used fraudulent high school diplomas and General Equivalency Diplomas to enroll ineligible students for classes at American Institute.
- Leader of financial aid fraud ring pleads guilty.  
Nakesha Sharrieff and Asiya Hanifah Kahan pled guilty to conspiracy to commit Federal financial aid fraud and aggravated identity theft in U.S. District Court, Eastern District of California. Our investigation with the Los Rios Community College Police Department revealed that Sharrieff, who was the ring leader, enlisted Jewel Minor, Tasha Kelly, and Teaona Williams to recruit straw students who provided Sharrieff with their personal information and half of any financial aid proceeds. These straw students did not intend to attend school. Sharrieff applied for and received in excess of \$200,000 in Federal student aid.

- Former university professor and information technology director indicted.  
Parviz Sharifrazi, former associate professor, and Scott Woodall, former information technology director, Southern University (SU), Baton Rouge, LA, were indicted for mail fraud, money laundering, and theft from an organization receiving Federal program funds in U.S. District Court, Middle District of Louisiana. Sharifrazi and Woodall allegedly formed Nova Systems (NS) and Exterra Technologies (ET) as shell companies to obtain \$157,366 in Federal and state education funds from SU. Woodall allegedly initiated purchase requisitions for computer equipment with fraudulent quotes and submitted invoices from NS and ET to SU for payment and Sharifrazi used a forwarding agency to personally receive SU correspondence and checks. Woodall and Sharifrazi received checks from SU payable to NS and ET with Department Title III funds and Department of Defense and National Aeronautics and Space Administration grant funds.
- Former assistant director of financial aid indicted for student aid fraud.  
Frances Stuckman, former University of Florida assistant director of financial aid, was indicted in U.S. District Court, Northern District of Florida, on Federal student aid fraud. Stuckman allegedly falsified verification income documents in an attempt to obtain additional Federal financial aid for her daughter to attend Sante Fe College.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending March 11, 2011**

Significant Events:

- College vice president pleads guilty to embezzling \$850,000.  
Marie Thornton, the former vice president of finance at Iona College (Iona), pled guilty to theft of college funds in U.S. District Court, Southern District of New York. From 1999 to May 2009, Thornton embezzled in excess of \$850,000 from Iona by submitting false vendor invoices and credit card bills for personal expenses that were reimbursed by the school.
- Former Florida school board administrator pleads guilty to conspiracy to commit bribery.  
Robert L. Williams, a former Polk County school district assistant superintendent, pled guilty to conspiracy to commit bribery in U.S. District Court, Middle District of Florida. Our joint investigation with the Federal Bureau of Investigation (FBI) and the Florida Department of Law Enforcement revealed that Williams used his position to obtain free home restorations and repairs, hunting and fishing trips, and a Beretta shotgun from M.M. Parrish Construction Company and Lloyd Whann, its executive president.
- Identity theft ring members indicted.  
In U.S. District Court, Eastern District of Pennsylvania, Aquil Walker, Aquilla Walker, Tonette Moore, Rahtisha Green, William Cooley, and Antino Crowley were charged with wire fraud, aggravated identity theft, and aiding and abetting. Our investigation with the FBI revealed that ringleader Aquil Walker and his co-conspirators allegedly engaged in a scheme to defraud educational loan lenders of more than \$264,000 by submitting false certifications of employment, educational enrollments, and stolen identities.
- Investment firm executive settles Federal administrative fraud suit.  
Eric M. Westbury, Sr., settled a Federal administrative fraud claim brought by the Securities and Exchange Commission (SEC) as a result of our investigation jointly conducted with the Securities and Exchange Commission Office of Enforcement. In 2006, the District of Columbia invested over \$21 million earmarked for charter schools into Westbury's financial management firm. A portion of the funds was lost in financial investments made by Westbury in other companies he owned, which were financially unstable. In the settlement, Westbury agreed to pay a penalty of \$130,000 for violating SEC rules that required investment companies to disclose all material facts related to financial conditions and operations of a company's investments.
- Former University of California accountant charged with theft and fraud.  
Marlon Tandico, former accountant at University of California-San Francisco Medical Center, was charged with theft of Government property and Federal financial aid fraud in U.S. District Court, Northern District of California. Tandico allegedly used the identities of family and friends to obtain over \$95,000 in Federal PLUS loans for at least two of his children to attend Notre Dame de Namur University and San Jose State University, both in California.
- Western Pennsylvania man enters guilty plea.  
Jonathan Ackerman pled guilty in U.S. District Court, Northern District of West Virginia, to aggravated identity theft and mail fraud. Our joint investigation with the Postal Inspection Service, West Virginia State Police, and the Pennsylvania Higher Education Assistance Agency determined that Ackerman used the identity of two women, without their knowledge, to obtain money and other goods for his personal benefit. In Pennsylvania, while receiving Federal financial aid to attend Edinboro University, he used the identity of his girlfriend's sister to obtain



\$120,000 in private student loans. Ackerman then moved to West Virginia, where he used the identity of another woman to obtain credit cards that he used to purchase over \$30,000 in goods and services.

- New Jersey woman arrested for fraud.

Tomica Cooper, a New Jersey resident, was arrested on charges of education fraud, fraudulent use of a social security number, and bankruptcy fraud. Our joint investigation with the Social Security Administration Office of Inspector General revealed that on several occasions Cooper allegedly applied for new social security numbers for daughters who do not exist, transferred her student loan balances using the false social security numbers, continued to obtain Federal student aid at Thomas Edison State College, and submitted at least 14 fraudulent bankruptcy petitions using various names and social security numbers in an attempt to discharge \$109,308 in personal debt.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending March 18, 2011**

*Significant Events:*

- Release of final alert memorandum, “Insufficient Controls for the Puerto Rico Department of Education’s Use of Education Funds for Personal Services Contracts.”  
Based on the results of our investigation and audit work regarding the Puerto Rico Department of Education’s (PRDE) use of personal services contracts (PSC), we recommended that the Department 1) require PRDE to demonstrate that it has implemented sufficient controls over PSC to ensure that Department funds are safeguarded and prohibit PRDE’s use of Department funds for PSC until PRDE so demonstrates, and 2) closely monitor PRDE’s implementation of internal controls over PSC. In its response, the Department stated that it initiated corrective actions to address our first recommendation and agreed to implement our second recommendation. We issued the final alert memorandum on March 18, 2011.
- Sacramento man sentenced for participation in Federal student loan fraud ring.  
Thomas Keys was sentenced in U.S. District Court, Eastern District of California, to 3 months of house arrest, 5 years probation, and was ordered to pay \$27,471.70 in restitution to the Department. Our investigation with the Los Rios Community College District Police revealed that Keys, along with numerous others, acted as straw students and provided personal identification information to ringleader Nakesha Sharrieff and others in exchange for a percentage of the financial aid money obtained in their names. Keys obtained financial aid to attend classes at American River College, but did not attend any classes. The ringleader received in excess of \$200,000 in Federal student aid in this scheme.
- Financial aid officer sentenced for education fraud in Puerto Rico.  
Nowlin Martinez-Contes, financial aid officer at Instituto Irma Valentin, was sentenced in U.S. District Court, District of Puerto Rico, for Federal student aid fraud and was ordered to pay a \$50 fine. Our investigation with the Federal Bureau of Investigation revealed that from January 2005 to August 2006, Martinez-Contes and other officials falsified student records to avoid making Federal Pell Grant refunds to the Department.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending March 25, 2011**

Significant Events:

- Issuance of peer review report for the audit organization of Tennessee Valley Authority Office of Inspector General's audit unit.  
We determined that the system of quality control for the Tennessee Valley Authority Office of Inspector General's (TVA OIG) audit unit was suitably designed and provided TVA OIG with reasonable assurance that its audits are performed and reported in conformity with applicable professional standards in all material respects. We performed the peer review at the request of the Council of the Inspectors General on Integrity and Efficiency's Audit Committee and OIG staff from NASA, Export-Import Bank, and National Science Foundation assisted with our field visit to TVA OIG. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail, and TVA OIG received a peer review rating of pass. We issued the final report and a letter of comment on March 21, 2011.
- Two identity theft ring members plead guilty.  
In U.S. District Court, Eastern District of Pennsylvania, Aquilla Walker and Tonette Moore pled guilty to wire fraud and aggravated identity theft. Our joint investigation with the Federal Bureau of Investigation revealed that Walker, Moore, and four others allegedly defrauded various lenders of more than \$264,000 when they submitted false certifications of employment, educational enrollments, and stolen identities.
- Former financial aid specialist and accomplice indicted for financial aid fraud.  
In U.S. District Court, Central District of California, Millicent Mona Cook, former Compton Community College (CCC) financial aid specialist, and Gwendolyn Renae Harris were indicted for theft of student aid funds. Our investigation alleges that Cook and Harris enrolled individuals at CCC in exchange for receiving a portion of financial aid funds, which included approximately \$56,000 in Pell Grant funds.
- Department employee sentenced for exceeding authorized access to NSLDS.  
In U.S. District Court, Northern District of Illinois, an employee in Federal Student Aid was sentenced to one year probation and was ordered to pay a \$500 fine for unauthorized computer access. During her guilty plea in December 2010, the FSA employee admitted that between April 2006 and May 2009, she logged into NSLDS repeatedly to search for and view the confidential student loan records of several hundred people, including musicians, actors, family members, and friends. The employee admitted she had no official Government reason to access or view these student loan records applications and her sole reason for doing so was idle curiosity.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending April 1, 2011**

Significant Events:

- Release of final inspection report, “Review of Federal Student Aid’s Monitoring of Financial Responsibility.”

Our inspection found that FSA did not enforce the requirements for educational institutions’ timely submission of financial statement and compliance audits required by the HEA and implementing regulations for institutions participating in Federal student aid programs; Our findings showed that: (1) FSA’s current procedures do not define when an institution’s failure to submit its annual financial statement and compliance audit would result in a determination that the institution is not financially responsible and (2) before implementing its current procedures, FSA did not enforce the financial responsibility requirement that institutions must submit letters of credit in order to continue participation after being cited for untimely audit submissions. We recommended that FSA (1) establish a reasonable timeframe in FSA’s policies and procedures to address untimely financial statement and compliance audits and (2) cite institutions for late submission of audits and enforce the financial responsibility requirements that institutions must post letters of credit in order to continue participation when their submissions are not timely. FSA did not disagree with our findings and concurred with our recommendations. We issued this report on March 28, 2011.

- Former university president indicted for embezzling \$1.5 Million.

In U.S. District Court, Western District of Missouri, Karen L. Pletz, former president and CEO of Kansas City University of Medicine and Biosciences, was indicted for embezzling more than \$1.5 million from the university, money laundering, attempting to interfere with the administration of internal revenue, and making false statements on tax returns. The indictment contains a forfeiture allegation that would require Pletz to forfeit to the Government any property derived from the proceeds of the alleged offenses, including a 2002 Lexus convertible, \$39,337 from her bank account, a \$830,000 money judgment she received, and her condominium. Our joint investigation with Internal Revenue Service, Criminal Investigation Division (IRS-CID) and the Federal Bureau of Investigation found that Pletz allegedly directed unauthorized compensation to herself, submitted fraudulent vouchers for personal travel and expenditures she claimed were for business purposes, and filed tax returns in which she falsely claimed deductions for charitable contributions she did not make.

- Charles County Maryland Title I coordinator charged in theft scheme.

Rhayda Barnes-Thomas was charged with theft concerning a Federal Government program and making false statements in U.S. District Court, District of Maryland. Our joint investigation with the Charles County Sheriff’s Office revealed that Barnes-Thomas allegedly used Title I grant funds to purchase over \$100,000 in computers, video game consoles, iPods, iPads, and televisions for personal use or as gifts for relatives and friends false statements and falsified supporting documents to law enforcement officials.

- Individual sentenced for mail fraud and identity theft.

John Woodard was sentenced in U.S. District Court, Northern District of Illinois, to 41 months incarceration, 36 months supervised release, and was ordered to pay \$146,493.71 in restitution to the Department for his previous guilty plea to mail fraud and aggravated identity theft. Our joint investigation with the Department of State’s Diplomatic Security Service revealed that Woodard

used the names and identifiers of individuals to apply for Federal and private student loans through Troy University. As part of his fraud scheme, Woodard created several fraudulent birth certificates, passports, and driver's licenses.

- Indiana businessman sentenced.

James Simon was sentenced in U.S. District Court, Northern District of Indiana, to 72 months incarceration, 3 years supervised release, and was ordered to pay \$1,053,572.04 in restitution, including specifically, \$48,070.35 to the Department, \$886,901.69 to the Internal Revenue Service (IRS), \$17,000 to the Canterbury School, and \$101,600 to Culver Academies. Our joint investigation with the IRS determined that from 2004 to 2007, Simon applied for private and Federal financial aid for his family members using false information on financial aid applications and failed to report over \$1.7 million income from five businesses. As a result, Simon's family received more than \$139,000 in Federal and private financial aid.

- Rochester resident sentenced on charges of identity theft and bank fraud.

In U.S. District Court, Western District of New York, Wynette Vickers was sentenced to 75 months incarceration, 6 years supervised release, and was ordered to pay \$149,837 in restitution (\$4,731 to the Department and \$145,106 to various financial institutions) for her guilty plea of bank fraud and aggravated identity theft. Vickers fraudulently received Title IV funds by making false statements on her FAFSA and she and a co-conspirator stole the identities of several individuals and obtained credit cards in their names to illegally purchase merchandise totaling over \$300,000.

- Jersey City man pleads guilty.

Curtis Shearer pled guilty in U.S District Court, District of New Jersey, to an information charging him with conspiring to steal money from New Jersey City University (NJCU). Our joint investigation with IRS CID revealed that Shearer conspired with co-workers in negotiating approximately \$59,276 in checks for gambling excursions and other personal items. Shearer and his co-conspirators netted over \$500,000 in NJCU Student Government funds.

- California woman arraigned on grand theft charges.

Alice Mae Swiderski was arraigned in the Superior Court, County of San Diego, California, for grand theft. Our investigation revealed that from 2003 to 2010, Swiderski allegedly submitted false marital and income information on FAFSA records to obtain in excess of \$116,000 in Federal, State, and institutional financial aid, for which neither she nor her children were eligible.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending April 8, 2011**

*Significant Events:*

- Former Texas school district superintendent sentenced for corruption charges.  
Aaron Luis Gonzalez, former Superintendent for the Edcouch Elsa Independent School District (EE-ISD), Edcouch, Texas was sentenced to time served in custody, two years probation, and was ordered to pay a \$100 special assessment. Gonzalez previously pled guilty to extortion under color of official right (Hobbs Act violation). Our joint investigation with the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation Division revealed from 2000 to 2004, Gonzalez received bribes from various contractors in exchange for using his position as an elected trustee at EE-ISD to affect the awarding of district construction contracts.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending April 15, 2011**

Significant Events:

- Release of final audit report, “Louisiana: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs.”  
Our review of four Local Educational Agencies (LEAs) in Louisiana found that the LEAs generally used Recovery funds in accordance with applicable laws, regulations, and guidance. However, we identified \$179,757 in unsupported payroll expenses with one LEA and more than \$29,000 in unallowable expenses with another LEA. There also were errors in the Louisiana Department of Education’s (LDE)’s reports to FederalReporting.gov for three of the LEAs because the LEAs understated expenses and incorrectly reported jobs saved or created. LDE did not verify the LEAs’ information and did not report errors that it identified after submitting the reports. LDE described corrective actions it has implemented or will implement. We issued this report on April 11, 2011.
- Civil complaint filed against former school owner.  
A False Claims Act complaint was filed in U.S. District Court, Eastern District of Oklahoma, against Shirley Z. Smith, a former cosmetology school owner. The complaint alleges that Smith relocated two campuses from Oklahoma to Texas and Arkansas without notifying the Department. Smith allegedly used the school codes of the Oklahoma campuses to make it appear as though students in Texas and Arkansas were attending the schools in Oklahoma. The complaint seeks (1) treble damages of \$1,436,193 and (2) other civil penalties totaling not less than \$429,000 and not more than \$858,000.
- CPA arrested and enters into a deferred prosecution agreement for making false statements to OIG auditors.  
Harvey Glick, a certified public accountant who audits schools that participate in the Title IV programs, was arrested and entered into a deferred prosecution agreement pursuant to a criminal complaint filed in the U.S. District Court, Southern District of New York. Glick allegedly produced or presented forged documents to ED-OIG auditors and falsely stated that he had temporary permits and a license to practice accounting in Texas during the period of April 1, 2006, to March 31, 2008.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending April 22, 2011**

Significant Events:

- Release of final audit report, “South Carolina: Use of Funds and Data Quality for Select American Recovery and Reinvestment Act Programs.”  
We found that Recovery funds were generally used in accordance with applicable laws, regulations, and guidance at the entities reviewed; however, we identified internal control weaknesses related to cash management and contract procurement. Specifically, we found that the South Carolina Department of Education (SCDOE) did not 1) assess cash needs of subgrantees prior to advancing Title I Recovery funds, 2) did not monitor spending to determine whether the advanced funds were spent in a timely manner, and 3) did not have policies and procedures to remit interest earned on Federal cash advances to the Department. As a result of our work, SCDOE suspended the practice of issuing cash advances for Federal funds. We recommended that SCDOE 1) identify subgrantees with existing advance balances and ensure that subgrantees minimize the time between transfer of funds and disbursement and 2) determine whether interest was earned on Title I Recovery advances given to the remaining 19 school districts, obtain any interest earned from those school districts, and remit that to the Department. We also found that two local education agencies did not have documentation available to support that Recovery Act funded contracts were awarded and administered in accordance with district, State, and/or Federal procurement regulations. SCDOE concurred with all findings and recommendations. We issued this report on April 20, 2011.
- Release of final audit report, “Milwaukee Public Schools: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs.”  
We determined that Milwaukee Public Schools (MPS) generally used Recovery funds in accordance with applicable laws, regulations, and guidance, and MPS’s reported jobs and subaward data were accurate and complied with Recovery Act reporting requirements. However, MPS did not properly track State Fiscal Stabilization Fund, Education Stabilization and Government Services, as required by the Department’s guidance. We also determined that MPS needs to improve its internal controls over Federal funds, including Recovery Act funds. We found that MPS 1) did not follow its own procedures for obtaining semiannual employee certifications, pre-approving journal entries, and tracking its computer equipment, 2) had policies and procedures that were inadequate to ensure the proper segregation of duties in the accounts payable department, and 3) did not require that information technology passwords be changed periodically. We recommended that the Department require Wisconsin’s Department of Public Instruction (DPI) and the Governor’s Office to take corrective actions to address the weaknesses and deficiencies identified. DPI and the Governor’s Office did not fully agree or disagree with our findings and recommendations. We issued this report on April 21, 2011.
- Charter school representatives charged in a twenty-seven count indictment.  
On April 12, 2011, a Federal Grand Jury in the Eastern District of Pennsylvania charged Hugh Clark and Ina Walker in a twenty-seven count indictment which included wire fraud, conspiracy, theft from a Federally funded program, and aiding and abetting. A joint investigation by ED-OIG and the Federal Bureau of Investigation revealed that Clark, former Chairman of the Board



for New Media Technology Charter School (NMTCS), and Walker, former CEO at NMTCS, allegedly fraudulently used approximately \$522,000 of NMTCS funds for the benefit of a non-profit private school they controlled and for their personal business ventures and personal expenses.

- Atlanta man sentenced for role in fraud schemes.

Gerald Brown was sentenced in U.S. District Court, Middle District of Pennsylvania, to 18 months incarceration, 3 years supervised release, and was ordered to pay \$266,369 in restitution to Sallie Mae and several other lending institutions for his guilty plea to making false statements. Our joint investigation with the Pennsylvania Higher Education Assistance Agency revealed that Brown submitted false enrollment and income documents to obtain Federal and private financial aid and forged his aunt's name as a cosigner on loan applications.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending April 29, 2011**

Significant Events:

- Release of final audit report, “California: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs.”

We found that the three local educational agencies (LEAs) we reviewed generally used funds provided under the three Recovery Act grants included in our review in accordance with applicable laws, regulations, and guidance. However, we did identify instances of noncompliance with applicable Federal requirements resulting in two LEAs improperly charging a total of about \$23,000 to the Title I, Part A Recovery Act grant for unallowable personnel and entertainment costs. We also found that California Department of Education (California Education) and the selected LEAs’ Section 1512 reporting processes provided reasonable assurance that all but one of the reported data elements we reviewed were generally accurate, reliable, complete, and in accordance with reporting requirements for the period ending December 31, 2009. However, we did identify significant data quality issues related to the reported number of jobs created or retained using Recovery Act funds. As a result, the reported jobs data were not reliable and did not accurately portray the jobs impact of the Recovery Act funds allocated to LEAs in California. We recommended that the Department require California Education and the California State Governor’s Office of Planning and Research (Planning and Research) to take specified steps to strengthen or establish controls in the use and data quality of Recovery Act funds. California Education or Planning and Research described corrective actions it was taking to resolve the findings, comply with the requirements of the Recovery Act, and/or improve operations. We issued this report on April 28, 2011.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending May 6, 2011**

Significant Events:

- Release of final audit report, “Camden City Public School District’s Administration of its Supplemental Educational Services Program.”  
We determined that Camden City Public School District’s Supplemental Educational Services (SES) expenditures, funded through the Elementary and Secondary Education Act, were not always spent in accordance with applicable laws and regulations. We found that Camden overpaid seven SES providers \$392,323 in excess of rates approved by the New Jersey Department of Education (NJDOE), NJDOE did not have adequate procedures for informing school districts that SES providers had been removed from its approved provider list, and NJDOE’s monitoring process was ineffective to ensure payments to SES providers were allowable. NJDOE concurred with our recommendations except for two; we did not change our recommendations. We issued this report on May 4, 2011.
- Beauty school owner and six other employees arrested for fraud.  
In U.S. District Court, Southern District of New York, Siu Ping Yuen, owner and director of USA Beauty School International (USAB), Yuen’s son, Dominick Yuen Bonomolo Jr., USAB financial aid administrator, and Mei Tam Chun were charged with education program fraud, and Kerry Huang, Qui Ying Mei, Awilda Meneses, and Wei Ming Chen were charged with conspiracy to commit education program fraud. Our joint investigation with the Department of Labor OIG revealed that these seven individuals allegedly engaged in a scheme to obtain Federal student aid for individuals who were not eligible by falsifying applications and supporting documentation, including attendance records and Chinese high school diplomas. To date, USAB has received over \$4.1 million in Pell grants of which \$71,500 were Recovery funds.
- Three sentenced for stealing funds from a New Jersey university student government organization.  
In U.S. District Court, District of New Jersey, Shaunette Moody, the former office manager for the New Jersey City University (NJCU) Student Government Organization (SGO) was sentenced to 18 months in prison, 2 years supervised release, and was ordered to pay \$516,106 in restitution. Her husband, Alexander Moody, was sentenced to 72 months in prison, 3 years supervised release, and was ordered to pay \$516,106 in restitution. Co-conspirator Kimberly Jackson was sentenced to 3 years probation and was ordered to pay \$34,315 in restitution. Alexander Moody organized a criminal scheme to exploit Shaunette Moody’s position as the SGO office manager to steal funds from NJCU by stealing and cashing approximately 275 unauthorized checks drawn on the SGO bank account. The Moodys falsified documents, transferred funds among SGO financial accounts, and obtained fraudulent audits of the SGO’s finances. The stolen money was used to purchase goods and services for the co-conspirators’ benefit, including entertainment and gambling in Atlantic City.

- Individual charged in district court in Maine.  
Besouro Abdul Zagon was arrested pursuant to a criminal complaint filed in U.S District Court, District of Maine. Our joint investigation with Diplomatic Security Service, U.S. Department of Health and Human Services OIG, Immigration and Customs Enforcement (ICE), Social Security Administration OIG (SSA OIG), U.S. Department of Agriculture OIG, and the Federal Bureau of Investigation (FBI) found that Zagon, a citizen of Antigua, allegedly assumed the identity of a U.S. citizen and obtained housing benefits, Federal student assistance, health care benefits, food stamps, and a fraudulent passport. Zagon and his family allegedly received over \$250,000 in benefits to which they were not entitled.
- Remaining fugitive sentenced in identity fraud scheme.  
Orlando Negrón Colón was sentenced in U.S. District Court, District of Puerto Rico, to 33 months in prison and 3 years probation for his previous guilty plea to identity theft and social security fraud. Our joint investigation with the FBI, ICE, SSA OIG, U.S. Secret Service, and the Puerto Rico Police Department revealed that Negrón Colón and seven other individuals targeted approximately fifty public schools in Puerto Rico in order to steal and traffic birth certificates and social security cards belonging to public school children and adults.
- Former school admissions representative pleads guilty to fraud.  
Zomara Wilson, a former admissions representative for Anthem Institute (Anthem), pled guilty to Federal student assistance fraud in U.S. District Court, Southern District of New York. While Wilson was employed at Anthem, she allegedly created and altered several general educational development certificates and high school diplomas for students who did not meet standard eligibility criteria. As a result, Federal financial aid in excess of \$70,000 was disbursed on behalf of ineligible students.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending May 13, 2011**

Significant Events:

- Two former executives of sports equipment company charged with fraud on schools.  
In U.S. District Court, District of New Jersey, Alan Abeshaus, former CEO of Circle System Group (CSG), was indicted for conspiracy to commit mail and wire fraud and Mitchell Kurlander, former CFO of CSG, was indicted for mail and wire fraud and conspiracy to commit the same. Kurlander and Abeshaus were required to forfeit physical property valued to be at least the amount of money representing proceeds derived from the commission of the alleged conspiracy. Our joint investigation with the Federal Bureau of Investigation (FBI) revealed that Abeshaus and Kurlander allegedly submitted fake quotes to over 100 schools in 12 states, inflated invoices to schools, and kept duplicate payments of over \$970,000. These actions allegedly allowed CSG to recoup the cost of gifts and kickbacks made to schools and school officials, recoup “shortages” that resulted when CSG agreed to charge a price lower than CSG’s cost or desired profit margin, and provided funds to school officials to use for personal items such as flat screen televisions and golf outings.
- Former Pennsylvania school district superintendent pleads guilty to program fraud.  
Dr. Dennis Bruno, former superintendent of the Glendale School District, pled guilty to education program fraud in U.S. District Court, Western District of Pennsylvania. As a result of our joint investigation with the Pennsylvania Auditor General, Office of Special Investigations, FBI, and the Federal Communications Commission OIG, Bruno agreed in the plea agreement that he conspired with others to obtain E-Rate program funding (discounts that schools and libraries receive for the acquisition of telecommunication services) that was misapplied in the amount of \$414,421.
- Vocational rehabilitation grant director and seven individuals indicted for conspiracy and theft.  
In U.S. District Court, District of North Dakota, Martina Kazena, William Kazena, Tanya Jetty, Raymond Jetty III, Sheala Jetty, Lorna Walking Eagle, Bruce Walking Eagle, and Rochelle Walking Eagle were indicted on charges of embezzlement and theft from Indian tribal organizations, conspiracy to defraud, and aiding and abetting. Our joint investigation with the FBI revealed that as project director of a vocational rehabilitation services grant, Martina Kazena and her co-conspirators allegedly misapplied over \$80,000 of an American Indians with Disabilities grant by approving fraudulent expenditures for family members and friends such as household goods and appliances, groceries, car repairs, and utility payments.
- Fraud ring participant sentenced in education fraud recruitment scheme.  
In U.S. District Court, Northern District of Iowa, Michael Cortez was sentenced to 51 months incarceration, 3 years supervised release, ordered to participate in a vocational training program while incarcerated, and was ordered to pay \$271,004 in restitution. Our joint investigation with the Postal Inspection Service revealed that Cortez participated in a scheme to obtain identifying information from students, fraudulently apply for student loans using the identifying information, and arrange for the students’ Federal loan proceeds checks to be delivered to post office boxes under his control. When the checks arrived, Cortez would contact the students to cash the checks, keep a substantial portion of the proceeds, and give a portion to the students.

- Release of final audit report, “Sallie Mae, Inc.’s Compliance with Selected Requirements of the Loan Participation Purchase Program Authorized by the Ensuring Continued Access to Student Loans Act of 2008.”

We determined that Sallie Mae, Inc., as a servicer of loans in which the Department purchased participation interests from lenders or holders of loans (“sponsors”), complied with Eligible Servicing Agreements (ESAs), however did not comply with all the terms of the ESAs and the Custodian Agreement with custodian Wells Fargo and sponsor SLM Education Credit Finance Corporation (SLM ECFC). Sallie Mae’s noncompliance resulted from it servicing nearly 29,000 ineligible loans participated by SLM ECFC with an outstanding principal balance of over \$96 million. The loans were ineligible because the Department had previously purchased a participation interest in them. As a result, SLM ECFC received the financial benefit of having a reliable source of funds, to which it was not entitled, to make these loan commitments twice. Sallie Mae did not concur with our finding and recommendations. We issued this final report on May 13, 2011.

- Release of final audit report, “Utah: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs.”

Our audit found that the Utah Housing Corporation and the University of Utah, which received Recovery Act State Fiscal Stabilization Funds from the Governor’s Office of Planning and Budget (Planning and Budget), made improper charges totaling more than \$65,000. Utah Housing also did not remit interest earned on funds. At the Nebo School District, we identified more than \$1.3 million in improper Title I Part A (Title I) and Individuals with Disabilities Education Act Part B (IDEA) charges as well as significant internal control weaknesses. Additionally, neither Nebo nor the other LEA we reviewed, Granite School District, maintained sufficient documentation to support personnel costs charged to the Title I and IDEA grants. We concluded that the recipients reported accurate and complete data for only one of four required elements—the amount of funds received. We identified data quality issues related to the estimated number of jobs, vendor information, and amount of funds spent, as well as inadequate controls over reporting. We determined that this data, reported on Recovery.gov for the reporting period ending December 31, 2009, was not reliable. Utah State Office of Education (Utah Education) also improperly included Federal expenditures and certain inappropriate State and local expenditures in its Title I school-by-school per-pupil expenditures report submitted to the Department. As a result, the report did not accurately portray State and local expenditures at the school level and cannot be relied upon by the Department. In response to our report, Utah Education and Utah Housing informed us that that they had implemented corrective actions for most of the recommendations. We issued this final report on May 13, 2011.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending May 20, 2011**

Significant Events:

- Former school district board member sentenced.  
Anthony Spinozza, former Hanover Area school district board member, was sentenced in U.S. District Court, Middle District of Pennsylvania, to two years probation and was ordered to pay a \$2,000 fine and a \$100 special assessment. Spinozza previously pled guilty to fraud as a result of our joint investigation with the Federal Bureau of Investigation and the Internal Revenue Service-Criminal Investigation Division that revealed that Spinozza accepted a cash gratuity of at least \$5,000 from a contractor as payment for his support in facilitating a contract awarded by the Hanover Area school district.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending May 27, 2011**

Significant Events:

- Contractor pays \$1.4 million to resolve false claims allegations.  
Educational Testing Service (ETS), a Department contractor, agreed with the U.S. Attorney's Office, District of New Jersey, to pay a \$1,400,000 settlement, to resolve allegations that it improperly billed the Department. The settlement results from an OIG investigation which determined that from 1999 to 2008, ETS improperly billed the Department for unfunded post-retirement medical benefits. An OIG audit identified that ETS stopped funding its post-retirement medical benefits account in 1999, but continued to bill for it until 2008. In addition to the settlement, ETS reimbursed the Department \$2,715, 917 plus interest, for unallowable post-retirement medical benefits. As a result of OIG's combined audit and investigative efforts, ETS has returned a total of \$4,597,458 to the Department and another \$160,877 to other Federal agencies that were similarly billed.
  
- Identity theft ring members plead guilty.  
Rahtisha Green and Antino Crowley pled guilty in U.S. District Court, Eastern District of Pennsylvania, to wire fraud. Our joint investigation with the Federal Bureau of Investigation revealed that Green, Crowley, and four others allegedly engaged in a scheme to defraud various educational loan lenders of more than \$264,000 by submitting false certifications of employment, educational enrollments, and stolen identities. Green and Crowley are the third and fourth members of the ring to plead guilty.

*Contact: Chaun Eason (202) 245-7001*



**OFFICE OF INSPECTOR GENERAL**  
**For the week ending June 3, 2011**

Significant Events:

- Release of final audit report, “Department’s Processes for Validating the EDUCATE Contractor’s Performance.”

Our audit found that the Department’s validation processes for the EDUCATE contractor’s performance do not provide independent assurance of performance or the quality of data being relied upon to assess performance; the Department has not always assigned qualified personnel to validate contractor’s Service Level Agreement (SLA) performance data; it does not always use independent, accurate, or complete data to validate the contractor’s chargeback reports, provides limited time for review of these reports, and duplicates effort during this validation process; and that the current SLA framework is ineffective in encouraging the EDUCATE contractor to improve performance. As a result, the Department does not have assurance that the EDUCATE contractor is performing as required, will improve performance when necessary, and is being paid appropriately for the level of service provided. The Department concurred with most of the recommendations. As a result of the Department’s comments, we modified two of our recommendations. We issued this report on May 31, 2011.

- Five former Louisiana school district employees charged in embezzlement scheme.

In U.S. District Court, Eastern District of Louisiana, Kimberly Williams, Geselle Savoy, Amanda Jackson, Danay Jackson, and Tracy Walker, former employees of Jefferson Parish Public School System (JPPSS), were charged with conspiring to commit Federal program fraud and misprision of a felony. Our investigation disclosed that Savoy and Williams allegedly falsified time and attendance forms in order to illegally obtain supplemental pay and stipends for themselves and others. The alleged fraudulent documentation generated approximately \$132,000 in checks to these individuals from JPSS for purported testing and tutoring of JPSS students, which did not occur and which these individuals were not qualified to perform.

- Ring leader of fraud ring sentenced and co-defendant pleads guilty.

In U.S. District Court, Eastern District of California, Nakesha Sharrieff was sentenced to 70 months incarceration and was ordered to pay \$234,515 as a result of her guilty plea to conspiracy to commit Federal financial aid fraud and aggravated identity theft and Tasha Kelly plead guilty to conspiracy to commit Federal financial aid fraud. Sharrieff enlisted Kelly as well as co-defendants Jewel Minor and Teaona Williams to recruit straw students. The straw students provided Sharrieff with their personal information to receive financial aid proceeds with the understanding that they would not attend school and would provide Sharrieff half of any financial aid proceeds they obtained. Sharrieff also committed identity theft by applying for Federal financial aid and obtained a student identification card under another woman’s name to facilitate cashing the financial aid checks. Sharrieff is the ring leader and fourth defendant in this fraud ring to be sentenced.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending June 10, 2011**

Significant Events:

- Grant writer found guilty of fraudulently procuring \$35 million education grant.  
A jury in the U.S. District Court, Central District of California, convicted Jean Michelle Cross for mail fraud, forging a writing to obtain money from the United States, and false statements. Our joint investigation with the Federal Bureau of Investigation and the Riverside District Attorney's Office revealed that Cross, owner of Cross Resources, Inc. and grant writer for the 21<sup>st</sup> Century grant obtained by Indio Youth Task Force (IYTF), fraudulently procured a 21<sup>st</sup> Century Community Learning Center grant worth \$35 million. She stood to receive 15% (\$6 million) of all total grant monies awarded to IYTF when she camouflaged her fees in the application budget, made numerous false statements in the application, forged signatures, and altered supporting documents.
- Former Charles County public school employee pleads guilty to theft scheme.  
Rhayda Barnes-Thomas pled guilty in U.S. District Court, District of Maryland, to a criminal information charging her with theft concerning a Federal Government program. Our joint investigation with the Charles County Sheriff's Office determined that Barnes-Thomas used Title I grant funds to purchase over 200 items valued at over \$100,000 including computers, video game consoles, iPods, iPads, and televisions for her personal use, or as gifts for relatives and friends and provided falsified supporting documentation.
- Former inmate pleads guilty using other inmates identities to obtain Federal student loans.  
Michelle Owens pled guilty in U.S. District Court, District of South Carolina, to Federal student aid and mail frauds. Our joint investigation with the Postal Inspection Service and the Federal Bureau of Investigation determined that while Owens was incarcerated, she worked in the prison's education office with access to the personal information of other inmates. After she was released, she submitted fraudulent Federal Family Education Loan applications in the names of 23 South Carolina inmates to Webster University's distance education program in the amount of approximately \$467,500.
- Release of final audit report, "Camden City Public School District's Administration of Federal Education Funds."  
We determined that Camden City Public School District, in administering Federal education funds: 1) had an inadequate contract administration system, had questioned and unsupported expenditures, did not comply with Federal requirements when procuring goods and services, and had internal control weaknesses in its accounting for procured goods and services; 2) did not have a system to maintain and track contracts; 3) could not support \$4,526,936 for contracts that were missing or improperly executed and had inadequate documentation to support expenditures of \$1,039,661; 4) had inadequate documentation to support expenditures of \$3,007,489 for properly executed contracts; and 5) did not perform cost or price analysis for competitive and noncompetitive contracts, did not comply with Federal requirements for competitive or sealed bids, and did not comply with State statutes and misallocated \$79,260 in expenditures for Individuals with Disabilities Education Act of 2004 (IDEA) services to the Title I, Part A program (Title I) and \$58,519 in expenditures for Title I services to IDEA. Although the New Jersey Department of Education neither agreed nor disagreed with our findings, it concurred with 12 of the 15 recommendations. We issued this report on June 6, 2011.

- Release of final audit report, “Missouri: Use of and Reporting on Selected American Recovery and Reinvestment Act of 2009 Program Funds.”

Although our audit determined that Missouri took proactive actions to ensure compliance with Recovery Act requirements, three subrecipients included in our audit coverage did not properly account for \$59.8 million in State Fiscal Stabilization Fund (SFSF) grant funds; Missouri and its subrecipients did not always follow Federal cash management requirements; and data that Missouri reported to the Federal Government were not always accurate, reliable, and complete. Missouri did not entirely agree with our findings but generally agreed with our recommendations. We issued this report on June 7, 2011.

- Release of final audit report, “Illinois: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs.”

We determined that the subrecipients that we visited generally expended Recovery Act funds in accordance with applicable laws, regulations, and guidance, but that Illinois could do more to provide reasonable assurance of the appropriate use of Recovery Act funds and the quality of data reported to the Federal Government. We found that the Illinois State Board of Education (ISBE) and its subrecipients did not always follow Federal cash management requirements or ensure that data reported to the Federal Government were accurate, reliable, and complete, and that three of the five subrecipients we reviewed charged a small amount of unallowable or inadequately documented costs to Recovery Act grants. ISBE did not agree with our recommendation that it develop and implement a system to collect and report infrastructure expenditure data for SFSF-Government Services funds and did not agree or disagree with the other findings and recommendations, but did describe its planned corrective actions. We issued this report on June 9, 2011.

- Release of final audit report, “Virginia - Use of Funds and Data Quality for Selected ARRA Funds.”

We determined that Virginia’s Recovery Act expenditures were generally expended and accounted for in accordance with recipient plans and applications, and applicable laws, regulations, and guidance. However, we found that Virginia Department of Education (Virginia Education) needs to improve its fiscal monitoring to ensure local educational agencies (LEAs) comply with Federal fiscal requirements related to the use of and accounting for Recovery Act funds and that it approved reimbursement requests submitted by the LEAs that included unallowable and incorrectly coded expenditures. We recommended that Virginia Education continue to implement its risk-based fiscal monitoring procedures to ensure timely oversight of LEA compliance with fiscal requirements related to the appropriate use of and accounting for Recovery Act IDEA and Title I funds; verify that all LEAs that implemented the IDEA Maintenance of Effort flexibility option used Recovery Act IDEA funds only for special education and related services; ensure that the excess reimbursement of funds that were allocated for indirect costs are returned; and provide information on the finding contained in this report to all LEAs in Virginia. Virginia Education did not concur with our finding and did not indicate whether it concurred with our recommendations. We issued this report on June 9, 2011.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending June 17, 2011**

Significant Events:

- Former City of New York University Employee Convicted at Trial for Attempted ARRA Fraud  
A jury in U.S. District Court, Southern District of New York, convicted Robert Friedland of wire fraud, possession of false papers to defraud the United States, and forgery of a judicial officer. Friedland presented and attempted to have processed a fraudulent Grant Award Notification (GAN) in the amount of \$745,700 in ARRA funds to the Department and the Research Foundation for the City University of New York (CUNY) where he was employed as an instructor. Friedland submitted an additional GAN to CUNY in the amount of \$810,300. He also provided to CUNY fraudulent documents with the forged signature of a Federal judge to cover up his past arrests and poor credit history as part of CUNY's pre-employment background investigation. OIG's investigation stemmed from a report to us from an alert Department employee who became suspicious about the GAN after attending OIG's fraud awareness training last year for grant officers.
  
- Special Agent in Charge Receives Public Service Award  
On June 22, Women in Federal Law Enforcement (WIFLE) will award OIG Western Region Special Agent in Charge (SAC) Natalie Forbort its Public Service Award. SAC Forbort will receive this award in recognition of her considerable efforts in support of women in Federal law enforcement, her outreach and liaison activities to foster cooperative investigative partnerships, and her exceptional leadership of education program fraud initiatives.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending June 24, 2011**

Significant Events:

- Release of final alert memorandum, “States’ Treasury-State Agreements Might Need to Include American Recovery and Reinvestment Act, Education Jobs Fund, and Other Similarly Funded Programs.”

We reviewed the Treasury-State Agreements (TSAs) of 12 States where we conducted Recovery Act audit work. In 10 States, the Single Audit data did not include any of the Recovery Act awards that we reviewed during our Recovery Act audit work. Including Recovery Act and other programs funded under large, one-time appropriations (such as the Education Jobs Fund) in the TSAs would protect State and Federal interests. We recommended that the Department work with the U.S. Department of Treasury (Treasury) to encourage Treasury and the States to (a) determine whether TSAs for FY 2012 and subsequent fiscal years should be amended to include applicable Recovery Act, Education Jobs Fund, and other similarly funded programs; and, (b) if so, consider amending TSAs as soon as possible rather than waiting until these programs are included in a Single Audit. The Department concurred with our findings and recommendation. We issued the final alert memorandum on June 20, 2011.

- Individual sentenced for aggravated identity theft and mail fraud.

Jonathan Ackerman was sentenced in U.S. District Court, Northern District of West Virginia, to 57 months incarceration, 3 years supervised release, and was ordered to pay \$195,945.56 in restitution. Ackerman pled guilty to aggravated identity theft and mail fraud. Our joint investigation with the Postal Inspection Service, West Virginia State Police, and the Pennsylvania Higher Education Assistance Agency determined that Ackerman used the identities of two women to obtain money and other goods for his personal benefit. While living in Pennsylvania, he used the identity of his girlfriend’s sister to obtain \$120,000 in private student loans, and later moved to West Virginia, where he used the identity of another woman, to obtain credit cards which he used to receive over \$30,000 in goods and services.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending July 1, 2011**

Significant Events:

- Former university official sentenced.  
In U.S. District Court, Northern District of California, Marlon Tandico, former accountant at University of California, San Francisco Medical Center, pled guilty to theft of public money and was sentenced to three years probation and was ordered to pay \$35,878 in restitution. Tandico used the identity of an extended family member to apply for and receive Federal PLUS loans for his son.
- Former guaranty agency employee sentenced for public record tampering.  
Donald Travers, a former New York State Higher Education Services Corporation (NYHESC) employee, was sentenced in New York State Supreme Court for his role in a student loan tampering scheme. Travers was sentenced to six months probation, 200 hours of community service, and was required to resign from the NYHESC. Our joint investigation with the New York State Office of Inspector General and New York State Attorney General's Office revealed that Travers falsified electronic Federal student loan records to show that 31 borrowers agreed to make loan payments on their defaulted student loans. The entries into NYHESC's loan system temporarily blocked the transmission of approximately \$1.25 million in NYHESC collection accounts to private vendors.
- New Hampshire man pleads guilty to mail fraud in connection with a scheme to pay off law school loans totaling over \$100,000.  
Daniel Rinaldi pled guilty to mail fraud in U.S. District Court, District of New Hampshire, in connection with a tax repayment scheme where he allegedly fraudulently converted \$958,975 to his personal use and used \$140,742 to pay his student loans. Our joint investigation with the Postal Inspection Service and the New Hampshire Attorney General's Office revealed that while working at Inverness Medical Innovations, Rinaldi created false invoices to generate tax payments on behalf of various entities to the Massachusetts and New Hampshire Departments of Revenue and the Vermont Department of Taxation. After tax payments for the invoices were paid, Rinaldi claimed to the payees that the payments were erroneous and requested repayments from them. Rinaldi generated false tax payments from Inverness Medical Innovations to pay off over \$100,000 to the Department of Education Direct Loan Servicing for his law school student loans and created a direct loan overpayment of \$35,325.32. Rinaldi converted the tax refunds and the direct loan overpayment to his personal use.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending July 15, 2011**

*Significant Events:*

- Identity theft ring member enters guilty plea.  
William Cooley pled guilty in U.S. District Court, Eastern District of Pennsylvania, to wire fraud and aggravated identity theft. Our joint investigation with the Federal Bureau of Investigation revealed that Cooley and others allegedly engaged in a scheme to defraud various educational loan lenders of more than \$264,000 by submitting false certifications of employment, educational enrollments, and stolen identities. Cooley is the fifth member of the ring to plead guilty.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending July 30, 2011**

Significant Events:

- \$1.6 million settlement reached with Kaplan/CHI Institute.  
In U.S. District Court, Eastern District of Pennsylvania, a settlement agreement was filed between the Department and Kaplan Higher Education Corporation, the parent company of CHI Institute. A qui tam filed in 2007 alleged that CHI, located in Broomall, Pennsylvania, enrolled students in its surgical technician program knowing that it did not have sufficient surgical externships for all the students, which was a requirement for graduation. With the assistance of the Federal Student Aid office, our investigation determined that CHI concealed its inability to place the students in the required externships by placing them on extended leaves of absence. The majority of the students enrolled in the program received Federal student aid and the settlement amount includes a \$473,000 payment to the Department.
- Former Louisiana State representative found guilty in racketeering case.  
Rene Gill Pratt, former State Representative and New Orleans city councilmember, was found guilty of conspiracy to violate the Racketeer Influenced and Corrupt Organizations Act in U.S. District Court, Eastern District of Louisiana. Our investigation with the Federal Bureau of Investigation, Internal Revenue Service, and Housing and Urban Development OIG revealed that Pratt, Mose Jefferson, Betty Jefferson, and Angela Coleman operated a criminal enterprise for their personal financial and political benefit through their elected offices. They controlled numerous companies that obtained Federal and State grant funds designed to assist needy, at-risk, and disadvantaged youth and other individuals in need of assistance, and then wrote checks out of the companies' bank accounts to themselves and to other individuals who did not work for the grant programs. Pratt is the eighth person convicted in this scheme.
- Former Jefferson Parish school system employee pleads guilty in embezzlement scheme.  
Geselle Savoy, a former Jefferson Parish, Louisiana, public school system clerk, pled guilty to conspiring to commit Federal program fraud. Savoy falsified time and attendance instruction forms and batch sheets in order to illegally obtain supplemental pay and stipends for herself and others for testing and tutoring services not performed. Savoy received approximately \$38,000 of approximately \$132,000 in school district funds that were disbursed as part of this scheme.
- New York city beauty school financial aid director indicted for fraud.  
Dominick Yuen Bonomolo Jr., financial aid director of USA Beauty School International, was indicted for Federal financial aid fraud and conspiracy in U.S. District Court, Southern District of New York. Our joint investigation with Department of Labor OIG revealed that Bonomolo allegedly directed another employee to falsify student income and other information on FAFSAs and submit false attendance records.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending August 5, 2011**

Significant Events:

- Release of Investigative Program Advisory Report, “Incident Response and Reporting Procedures.”

This report identified problems with the Department’s handling of computer security incidents. Specifically, the Department did not detect, report, or respond to incidents in accordance with the Department’s *Handbook for Information Security Incident Response and Reporting Procedures*, OCIO-14. We recommended the Department enforce the contract’s requirement for Perot Systems to comply with OCIO-14 when performing incident response or develop a separate capability to perform incident response in accordance with OCIO-14. This report was issued on July 20, 2011.

- Pueblo, Colorado school official charged with theft.

Lora Lenhart-Osborne, an official with Pueblo, Colorado School District 60, was charged with theft in U.S. District Court, District of Colorado. Our joint investigation with the FBI and Pueblo Police Department revealed that Lenhart-Osborne allegedly created and altered teacher training records in order to support the disbursement of approximately \$75,625 in Title I, Title II-A, and Title III-A Federal education grant funds and obtained a total of \$113,171 in Federal and State grant funds which she used for her own personal gain.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending August 12, 2011**

*Significant Events:*

- \$11 billion civil fraud complaint filed against Education Management Corporation.  
On August 8, 2011, the U.S. Department of Justice, along with the States of California, Florida, Illinois, and Indiana, intervened and filed a complaint in a qui tam whistleblower law suit pending against Education Management Corporation (EDMC) for alleged violations of the False Claims Act. The complaint filed in U.S. District Court, Western District of Pennsylvania, alleges that EDMC falsely certified its compliance with provisions of Federal law that prohibit the payment of incentive-based compensation to admissions recruiters in its Program Participation Agreements with the Department, resulting in it improperly receiving \$11 billion in Federal student aid.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending August 19, 2011**

*Significant Events:*

- Department employee charged.

On August 11, 2011, a criminal complaint was filed in the Circuit Court of Platte County, Missouri, against a current Department of Education, Office for Civil Rights employee. The complaint charges the employee with fraudulently obtaining hydrocodone, a controlled substance. The employee is alleged to have knowingly obtained 334 prescriptions from 100 prescribers that included 183 prescriptions for narcotic pain medications. This resulted in Federal Employees Health Benefits Plan payouts of \$10,275.80 in pharmaceutical claims and \$126,765.70 in medical claims.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending August 26, 2011**

- Release of final audit report, “The Effectiveness of the Department’s Data Quality Review Processes.”  
While we found that the Department’s processes to ensure the accuracy and completeness of recipient-reported data were generally effective, we also found instances of recipient-reported data that were inconsistent with data in the Grants Administration and Payment System, contract file documentation, or other data elements within the recipient reports. These anomalies still existed after the Department had completed its formal data quality review processes and after the related recipient correction period. We also noted that the Department had not established a formal process to identify and remediate instances in which Recovery Act recipients demonstrated systemic or chronic reporting problems and/or otherwise failed to correct such problems. To address weaknesses identified, we made several recommendations, all of which the Department agreed. We issued the report on August 22.
- Release of final audit report, “South Carolina Governor’s Office: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs.”  
Overall, we found that Recovery Act funds were generally used in accordance with applicable laws, regulations, and guidance at the Governor’s Office, University of South Carolina, and South Carolina Department of Corrections (SCDC). Our work identified a minor issue of noncompliance: SCDC used approximately \$8,300 of the Recovery Act funds to pay for unallowable expenditures. We also found that the Governor’s Office reported inaccurate job data. We made several recommendations to address these issues, with which the Governor’s Office agreed. We issued the report on August 23.
- Individual sentenced for role in embezzlement scheme at New Jersey City University.  
Curtis Shearer was sentenced in U.S. District Court, District of New Jersey to 3 years of probation and was ordered to pay \$59,276 in restitution for his role in a conspiracy to steal more than \$500,000 from the Student Government Organization (SGO) of New Jersey City University (NJCU). Shearer is the fourth individual to be sentenced for participating in this scheme.
- Former Southern University official pled guilty.  
Scott Woodall, former IT director at Southern University, pled guilty to mail fraud in U.S. District Court, Middle District of Louisiana. Woodall admitted to forming two computer equipment and services companies in order to illegally obtain \$157,366 in State and Federal Title III education funds from the school.
- College of Southern Nevada official indicted.  
Carlos Ezeta, professor and admissions counselor at the College of Southern Nevada was indicted in U.S. District Court, District of Nevada, on charges of financial aid fraud. Ezeta allegedly falsified records of four students claiming they had completed high school when they had not. As a result of this fraudulent action, the students received approximately \$8,700 in student aid to which they were not entitled.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending September 9, 2011**

Significant Events:

- Release of final audit report, “South Carolina Governor’s Office: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs.”

We found that Recovery Act funds were generally used in accordance with applicable laws, regulations, and guidance at the entities reviewed—the Governor’s Office, University of South Carolina, and South Carolina Department of Corrections (SCDC). However, we also found that SCDC used \$8,287 of Recovery Act funds for unallowable expenditures and that the Governor’s Office did not report accurate job data to the Federal government in compliance with reporting requirements. We noted that Office of Management and Budget guidance does not allow changes to prior reports on job numbers. Therefore, no corrections are required to the Governor’s Office reported data. The Governor’s Office concurred with our finding. Based on its comments, we recommended that SCDC develop an oversight and monitoring plan for the remaining State agencies. We issued the final report on August 23, 2011.

- Former New Orleans tax assessor sentenced in Federal corruption case.

In U.S. District Court, Eastern District of Louisiana, Betty Jefferson, former New Orleans tax assessor and sister of former U.S. Representative William Jefferson, was sentenced to 15 months of home confinement, 5 years supervised release, and was ordered to pay \$604,581 in restitution to the State of Louisiana. Jefferson, her family members, and another elected official engaged in a scheme where Federal and State grant funds were funneled to conspirators through non-profit organizations and for-profit companies’ bank accounts, falsely creating the illusion of legitimate business payments.

- Former financial aid director indicted.

Velvet Sacco, former director of financial aid at Everglades University, was indicted in U.S. District Court, Middle District of Florida, for student aid fraud. Our investigation determined that Sacco allegedly embezzled over \$88,000 in Federal student aid refund checks that were meant for students.

- Former administrative assistant for a non-profit entity charged.

Denise Smith, former administrative assistant for English Skills Learning Center (ESLC), an Adult Education Family Literacy Act grantee, was charged in U.S. District Court, District of Utah. The indictment alleges that Smith utilized ESLC credit card accounts to obtain more than \$100,000 for her own personal gain, to include charges for personal shopping, meals, airfare, hotel rooms, rental cars, and expenses related to her son’s wedding at a California resort. Smith allegedly made payments to the credit card company with funds from the ESLC checking account, concealed her conduct by providing falsified and/or altered bank and credit card statements to ESLC’s executive director, and created false document to make it appear as if a Utah accounting firm was conducting the yearly audit of ESLC’s finances, when in fact no audit was ever conducted.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending September 16, 2011**

Significant Events:

- Accenture LLP agrees to pay \$63.675 million to settle False Claims Act allegation:  
On September 9, 2011, a False Claims Act settlement was filed in U.S. District Court, Eastern District of Arkansas, based on an agreement reached by the Department of Justice and Accenture LLP. This investigation resulted from a qui tam lawsuit filed in 2007 that alleged Accenture, through information technology contracts with multiple Government agencies, received kickbacks from subcontractors in exchange for Accenture influencing agencies to use these companies. It was also alleged that Accenture unjustly enriched itself by failing to pass on discounts provided by its subcontractors, termed “resale revenue.” Our joint investigation with Offices of Inspectors General from the Department of Energy, Department of Treasury Tax Administration, General Services Administration, Department of State, and Transportation Security Administration, and the Defense Criminal Investigative Service determined that Accenture unjustly earned \$3 million in compensation and resale revenue pursuant to a blanket purchase agreement with the Department. Accenture has agreed to resolve allegations that it received kickbacks for recommendations of hardware and software to the Government, fraudulently inflated prices, and rigged bids in connection with Federal information technology contracts.
- Los Angeles tax preparer sentenced for fraud.  
Samuel Klein was sentenced in U.S. District Court, Central District of California, to 63 months in Federal prison, 3 years supervised release and was ordered to pay \$765,999.72 in restitution, a \$12,500 fine, and a \$300 special assessment. Klein orchestrated a multi-faceted fraud scheme that included supplying false financial information on FASFAs, filing false tax returns, and making false claims to enable undocumented immigrants to obtain religious worker visas.
- Individual found guilty of \$100 million fraud scheme.  
Denny R. Hardin was found guilty in U.S. District Court, Western District of Missouri, for mail fraud. During 2008 and 2009, Hardin created more than 2,000 fraudulent “Bonded Promissory Notes” totaling more than \$100,000,000 and issued them to various entities in an attempt to discharge debts, including automobile loans, credit cards, mortgage loans, and Federal student loans for himself, family, friends, and clients. Hardin falsely claimed that he had a contract with the U.S. Treasury Department to issue the notes through a “Private Offset Bond” because he was a private banker. Hardin ran a website that contained propaganda outlining his views against the Government and his rights as a “sovereign citizen.”
- Former St. Louis charter school board chairman indicted.  
In U.S. District Court, Eastern District of Missouri, Fred W. Robinson, former chairman of the board of directors for the Paideia Academy Charter School and owner of the Paideia Corporation, was indicted for wire fraud and Federal program theft. During 2009 and 2010, Robinson allegedly diverted approximately \$257,000 of the school’s Federal and State funds for the unauthorized purchase, construction, renovation, and rehabilitation of a building in St. Louis to operate a Little People’s Academy daycare center. Allegedly, Robinson authorized payments for the acquisition and construction of the daycare location from the Paideia Corporation’s operating account that contained Federal and State grant funds.

- Release of final management information report, “Survey of Federal Student Aid Contracts and Guaranty Agency Agreements that Provide Information Technology Support or Services.”

We proposed five suggested actions for FSA management. We suggested that the Chief Operating Officer for FSA (1) ensure all contract documentation that specifies the name of the system for which the work is to be performed is accounted for in a centralized location such as the contract file and is timely provided when requested; (2) ensure that all contract documentation showing provisions to address IT security is accounted for in a centralized location such as the contract file and is timely provided when requested; (3) ensure that all required contracts and agreements (C&A) documentation can be readily located for the systems identified in the contract for which work is to be performed; (4) create a centralized repository so that all applicable C&A documentation is complete and can be readily available; and (5) ensure that existing and future guaranty agency agreements account for IT security. For the remaining management suggestions, FSA provided corrective actions that were responsive to our suggestions. We issued the report on September 12, 2011.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending September 23, 2011**

Significant Events:

- Puerto Rico Department of Education's former chief procurement officer and other officials along with vendors indicted and arrested for conspiracy, bribery, and money laundering.  
Luis Conde, former chief procurement officer of the Puerto Rico Department of Education (PRDE), five other PRDE officials, and seven vendors were indicted in U.S. District Court, District of Puerto Rico, for conspiracy to commit bribery concerning programs receiving Federal funds and conspiracy to commit money laundering. From January 2008 to February 2010, Juan Carlos Mattei, Julio Perrone, Ruben Mattei, Adonay Ramirez, Carlos Pescador, Luis Santiago, and CPA Mario Rodriguez allegedly conspired and paid money and other goods to PRDE officials in order to receive favorable treatment in awarding \$7.65 million in procurement contracts and expeditious payment of invoices to School Solutions, Service Pro, and Teren, the alleged corporations. The accused vendors and CPA allegedly conspired to commit money laundering related to the alleged bribery scheme by engaging in a series of transactions to conceal and disguise the true nature and ownership of the proceeds of their unlawful activity. Twelve subjects were arrested and one is scheduled to self-surrender next week.
- New York City Department of Education employees plead guilty.  
(b) (6), (b) (7)(C) [REDACTED], two former New York City (NYC) Department of Education employees, pled guilty to grand larceny. As part of the plea agreement, (b) (6), (b) (7)(C) [REDACTED] must pay \$81,000 and \$25,000, respectively, in restitution and both agreed to 5 years probation, 1000 hours of community service, and not to seek future employment with the NYC Department of Education. Our joint investigation with the Bronx District Attorney's Office and the Special Commissioner's Office of Investigation for the NYC school district revealed that (b) (6), (b) (7)(C) [REDACTED] used a NYC Department of Education purchase card and siphoned funds from a NYC Department of Education small funds account to pay for over \$200,000 in personal expenses and falsified records in an attempt to cover up the scheme.
- New York City school owner and employees indicted for fraud.  
Pamela Yuen, owner of USA Beauty School (USAB), Dominick Bonomolo, Yuen's adopted son and financial aid director at USAB, and Mei Chun Tam, administrator at USAB, were indicted in U.S. District Court, Southern District of New York. Yuen, Bonomolo, and Tam were charged with financial aid fraud, wire fraud, and conspiracy to commit Federal financial aid fraud. Our joint investigation with the Department of Labor OIG revealed that between 2006 and 2010, Yuen allegedly directed employees of USAB to falsify eligibility information on FAFSAs and to falsify attendance records. Yuen also allegedly taught USAB employees how to create fictitious high school diplomas for students who applied for Federal financial aid. Bonomolo, Yuen, and Tam are three of seven employees or former employees of USAB that were arrested.

*Contact: Chaun Eason (202) 245-7001*



**OFFICE OF INSPECTOR GENERAL**  
**For the week ending October 14, 2011**

*Significant Events:*

- Department employee indicted and arrested on receipt and possession of child pornography and obscene images.

On October 11, 2011, a Loan Analyst in Federal Student Aid was indicted in U.S. District Court, Northern District of Georgia, for possession and receipt of child pornography and obscene images (depictions of minors engaging in sexually explicit conduct). Our investigation revealed that the employee was able to bypass filters on the Department's network and obtain child pornography and obscene images from the Internet on his Department issued computer. The employee was previously placed on unpaid administrative leave by FSA based on his unauthorized activities on the Department's network.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending October 21, 2011**

Significant Events:

- Issuance of final audit report, “The U.S. Department of Education’s Compliance with the Federal Information Security Management Act for Fiscal Year 2011.” This statutory review assessed the Department’s information security policy and procedures, enterprise-level information security controls, management of information security weaknesses, and system-level security controls in 11 specific areas (as determined by OMB.) We identified weaknesses in each of the areas, including 5 areas where we have noted similar weaknesses in audits performed over the last 3 fiscal years. We made recommendations to OCIO to establish and sustain an effective information security program that is in compliance with all necessary requirements. We issued the report on October 18, 2011.
- Former Indiana School District IT director/consultant sentenced. Donna English, former IT Director and an IT consultant for the River Forest Community School Corporation was sentenced in U.S. District Court, Northern District of Indiana to 27 months in prison, 3 years of supervised release, and was ordered to pay more than \$213,000 for fraud. A multi-agency investigation revealed that English defrauded the Corporation, the Michigan City Housing Authority in Michigan City, the U.S. Department of Housing and Urban Development, and the Federal E-Rate program by billing and in some cases double billing for products and services she never provided.
- Members of identity theft ring sentenced. Six members of a fraud ring were sentenced in U.S. District Court, Eastern District of Pennsylvania after pleading guilty to a number of charges. The sentences are a result of our investigation with the FBI which found that the group engaged in a scheme to defraud various educational loan lenders of more than \$264,000 by submitting false certifications of employment, educational enrollments, and stolen identities. Sentences for the six individuals ranged from 30 months in prison to 1 year of probation, and a total of \$264,000 in restitution was ordered.
- Maine man pled guilty to Federal fraud charges. Besouro Abdul Zagon pled guilty in U.S. District Court, District of Maine, to charges including theft of Government funds and aggravated identity theft. Zagon, a citizen of Antigua, assumed the identity of a U.S. citizen in order to obtain housing benefits, Federal student aid and other Government benefits. As a result of his fraudulent actions, Zagon and his family have received over \$250,000 in benefits to which they were not entitled.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending October 28, 2011**

Significant Events:

- Individual sentenced in distance education fraud scheme.  
Marcus K. Byrom was sentenced in U.S. District Court, Middle District of Alabama, to 12 months and one day incarceration, 24 months of supervised release, and was ordered to pay \$264,035 in restitution to the Department and \$497.20 to Auburn University at Montgomery. Byrom was ordered to pay \$264,035 the restitution jointly and severally with previously convicted defendants in this case. Byrom was a participant in a distance education loan fraud scheme whereby ineligible students were fraudulently enrolled into graduate schools to receive Federal student aid.
- Fraud ring members indicted for conspiracy to commit student loan fraud.  
Rubin Taylor, Mary Taylor, and ten others were indicted in U.S. District Court, District of South Carolina, on charges of conspiracy to commit student aid fraud. From April 2008 to March 2011, Rubin Taylor and Mary Taylor devised a scheme to obtain the personal information of their co-defendants to enroll them in online courses at the University of Phoenix and Western Governors University and obtain Federal student aid even though the co-defendants were not eligible. This fraudulent activity caused the disbursement of more than \$100,000 in Federal student aid funds.
- New Hampshire attorney sentenced.  
In U.S. District Court, District of New Hampshire, Daniel Rinaldi was sentenced to 36 months imprisonment, 36 months home confinement, and was ordered to pay \$751,934 in restitution in connection with a tax repayment scheme. Our joint investigation with the Postal Inspection Service revealed that while working as a temporary employee of Inverness Medical Innovations, Rinaldi created false invoices on behalf of various entities to generate tax payments to the Massachusetts and New Hampshire Departments of Revenue and the Vermont Department of Taxation. After the tax payments were made, Rinaldi contacted the payees and claimed the payments were erroneous and requested repayment. Rinaldi used this scheme to generate payments from Inverness to the Department to payoff over \$100,000 of his law school student loans and created an overpayment of \$35,325.32 which he used for his personal use.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending November 10, 2011**

Significant Events:

- \$1.4 Million civil settlement with Point Park University.

On October 31, 2011, in U.S. District Court, Western District of Pennsylvania, the Department of Justice entered into a \$1.4 million civil settlement with Point Park University (PPU) as part of a qui tam suit. The suit alleged that PPU violated Federal Supplemental Education Opportunity Grant (FSEOG) Program rules by using a formula that purposely excluded commuter and part-time students from receiving FSEOG funds to which they were entitled. This investigation was conducted with assistance from Federal Student Aid.

- Former Louisiana State representative sentenced for conspiring to violate the Racketeer Influenced and Corrupt Organizations Act.

Rene Gill Pratt, former State representative and New Orleans City councilmember, was sentenced in U.S. District Court, Eastern District of Louisiana, to seven years in prison and was ordered to repay \$1.1 million in restitution for conspiring to violate the Racketeer Influenced and Corrupt Organizations Act. Our investigation with the Federal Bureau of Investigation, Internal Revenue Service, and Housing and Urban Development-OIG revealed that from 1991 through 2006, Pratt, Mose Jefferson, Betty Jefferson, and Angela Coleman operated a criminal enterprise for their financial and political benefit via their elected offices and/or use of various non-profit and for-profit companies. They controlled numerous for-profit and non-profit companies and obtained Federal and state grant funds by applying for charitable and educational grants designed to assist needy, at-risk and disadvantaged youth and other individuals in need of assistance, wrote checks out of the non-profit bank accounts payable to individuals who did not work for the grant programs, and deposited those checks into their own personal checking accounts, or used the funds to pay for personal expenses. They then funneled Federal and State grant funds to themselves by writing checks on the non-profits' bank accounts and falsely creating the illusion that payments were for legitimate business purposes.

- Former college vice president sentenced for embezzling \$850,000.

Marie Thornton, the former vice president of finance at Iona College was sentenced in U.S. District Court, Southern District of New York, to time served, three years probation, and was ordered to pay \$352,851 in restitution, conduct 2000 hours of community service, and undergo mental health treatment, as a result her previous guilty plea for theft of public monies. From 1999 to May 2009, Thornton embezzled in excess of \$850,000 from Iona College by submitting false vendor invoices and credit card bills for personal expenses for reimbursement.

- Former New York City Department of Education employees sentenced.

(b) (6), (b) (7)(C) two former New York City (NYC) Department of Education employees, were sentenced in the Supreme Court of the State of New York to five years probation, 1000 hours of community service, were ordered to pay \$81,000 and \$25,000 respectively, and required to submit letters of resignation and sign non-employment agreements to not to seek future employment with the NYC Department of Education. (b) (6), (b) (7)(C) used a NYC Department of Education purchase card, as well as siphoned funds from a NYC Department of Education Small Funds Account, to pay for over \$200,000 in personal expenses, such as DVD players, alcohol, lawn ornaments, clothing, a digital camera, and a personalized doormat and they both falsified records in an attempt to cover up the scheme.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending November 18, 2011**

Significant Events:

- Release of final audit reports, “Financial Statement Audits for Fiscal Years 2011 and 2010 of the U.S. Department of Education.” The Office of Inspector General (OIG) transmitted the final audit reports covering the Department’s FY 2011 comparative financial statements. Ernst & Young, LLP, Certified Public Accountants, conducted the audit and the OIG monitored it for compliance with *Government Auditing Standards* and its timely completion. The Department earned an unqualified (clean) opinion on its financial statements; however, the Report on Internal Control noted modified repeat significant deficiencies relating to credit reform estimation and financial reporting processes, and controls surrounding information systems. The Report on Compliance and Other Matters disclosed no instances of noncompliance or other matters that are required to be reported, but did note that the Department’s financial management systems did not substantially comply with certain systems requirements of the *Federal Financial Management Improvement Act* because of the control weaknesses surrounding information systems. The Department concurred with the findings and recommendations in the reports. This report was issued on November 15, 2011.
- Release of final audit reports, “Financial Statement Audits for Fiscal Years 2011 and 2010 of the Federal Student Aid.” OIG transmitted the final audit reports covering FSA’s FY 2011 comparative financial statements. Ernst & Young, LLP, Certified Public Accountants, conducted the audit and the OIG monitored it for compliance with *Government Auditing Standards* and its timely completion. FSA earned an unqualified (clean) opinion on its comparative financial statements; however, the Report on Internal Control noted modified repeat significant deficiencies relating to credit reform estimation and financial reporting processes, and controls surrounding information systems. The Report on Compliance and Other Matters disclosed no instances of noncompliance or other matters that are required to be reported, but did note that the Department’s financial management systems did not substantially comply with certain systems requirements of the *Federal Financial Management Improvement Act* because of the control weaknesses surrounding information systems. FSA relies on the Department's systems to provide support for its financial reporting needs, including using the Department's general ledger to process transactions. FSA concurred with the findings and recommendations in the reports. This report was issued on November 15, 2011.
- Release of final audit report, “FY 2011 Special-Purpose Financial Statements (Closing Package) for the U.S. Department of Education.” OIG transmitted the final audit report covering the Department’s FY 2011 and FY 2010 special-purpose financial statements. Ernst & Young, LLP, Certified Public Accountants, conducted the audits and the OIG monitored them for compliance with *Government Auditing Standards* and their timely completion. The audited statements provide the Department of Treasury with required fiscal year end data that will be used to prepare the financial statements of the U.S. Government. The Department earned an unqualified (clean) opinion on their special-purpose financial statements. There were no material weaknesses in internal control and no instances of noncompliance reported. This report was issued on November 15, 2011.
- Elementary school principal sentenced. On September 29, 2011, in U.S District Court, District of Colorado, Lora Lenhart-Osborne pled guilty to theft and was sentenced to 4 years probation,

500 hours of community service, participation in a substance abuse evaluation/treatment program, and was ordered to pay \$114,671 in restitution. Our joint investigation with the Pueblo Police Department and the Federal Bureau of Investigations (FBI) disclosed that Lenhart-Osborne created and altered teacher training records in order to support the disbursement of \$114,671 in Federal and state education grant funds which she used for her own personal gain.

- Charter school representatives charged with fraud. In U.S. District Court, Eastern District of Pennsylvania, Hugh Clark, former Chairman of the Board for New Media Technology Charter School (NMTCS), and Ina Walker, former CEO at NMTCS, were charged with wire fraud, conspiracy, theft from a Federally funded program, bank fraud, and aiding and abetting. Our joint investigation with the FBI revealed that Clark and Walker allegedly fraudulently used approximately \$522,000 of NMTCS funds for their personal business ventures and personal expense and to benefit a non-profit private school they controlled. They also defrauded Wilmington Savings Fund Society of more than \$357,000, by submitting false documents as part of a commercial loan application.
- Former financial aid director pled guilty. Velvet Sacco, former director of financial aid at Everglades University, pled guilty in U.S. District Court, Middle District of Florida, to student aid fraud. Between 2009 and 2011, Sacco allegedly embezzled over \$88,000 in Federal student aid refund checks that the school was required to return to students.
- Florida corporation and owner charged with defrauding schools. Erika Robinson and her company, Divine Sports Inc., were charged with organized scheme to defraud, grand theft, and identity theft. Our joint investigation with Miami-Dade County Public Schools Office of the Inspector General, and the Miami-Dade State Attorney's Office revealed that Divine Sports allegedly billed for tutoring phantom students, overbilled for actual students, and submitted false documentation as proof of services rendered to Miami Central High School, Miami Northwestern High School, and Golden Glades Elementary School. In total, Divine Sports is alleged to have defrauded the Title I Supplemental Educational Services program of over \$130,000.
- New Jersey woman pled guilty to fraud scheme. Tomica Cooper, a New Jersey resident, pled guilty to bankruptcy fraud in U.S. District Court, District of New Jersey, for her role in a \$200,000 fraud scheme. Our joint investigation with the Social Security Administration OIG revealed that Cooper applied for social security numbers for purported daughters that did not exist, transferred her student loan balances using the false social security numbers, continued to obtain Federal aid at Thomas Edison State College, and submitted at least 14 fraudulent bankruptcy petitions that utilized multiple name variations and social security numbers, in an attempt to discharge \$109,308 in debt she accumulated.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending November 25, 2011**

*Significant Events:*

Final person sentenced in Sacramento financial aid fraud ring.

In U.S. District Court, Eastern District of California, Teaona Williams, of Sacramento, California, was sentenced to 60 months supervised probation, \$100 in special assessments, and was ordered to pay \$7,580 in restitution for her role in a large financial aid fraud ring that obtained more than \$200,000 in Federal financial aid funds from the Los Rios Community College District.

*Contact: Chaun Eason (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending December 2, 2011**

*Significant Events:*

- Release of final audit report, “Potentially Overlapping High School Programs.”  
Our audit found that while none of the Department’s high school-related programs appear to be duplicative, there is some overlap. We noted that 6 of the 18 high school-related programs that we identified appear to overlap with at least one other program. Although the Department has collected performance data on these 18 programs, it has not collected data or established performance measures specifically related to program effectiveness in reducing gaps between low-income and minority students and their peers in high school graduation and college access/success. We noted that eight programs do have measures that require the collection of data specific to low-income and minority student performance with regard to high school graduation rates or college access/success among program participants, although data on effectiveness in closing achievement gaps is unavailable. The Department agreed with the recommendations and described corrective actions planned. We issued this report on December 1, 2011.
- Former Nelnet employee charged for exceeding authorized access.  
Jovita D. Benford was charged via criminal complaint in U.S. District Court, District of Nebraska, for intentionally exceeding her authorized computer access for the purpose of private financial gain. For one month, in October 2010, Benford worked as a default management representative for Nelnet, a Department contract servicer for direct loans and purchased FFEL loans. Benford accessed Nelnet’s systems used to service Federal loans, in order to obtain personal identifiers of borrowers to apply for online loans. Nelnet detected the activity during routine monitoring, reported it to the Department, and subsequently terminated Benford.



**OFFICE OF INSPECTOR GENERAL**  
**For the week ending December 9, 2011**

*Significant Events:*

- OIG Officials Present at the 2011 Federal Student Aid Fall Conference.  
The Inspector General addressed the full conference at the Town Hall presentation before approximately 6,800 conference attendees about the OIG and its mission of accountability in Education programs, and OIG participated in a panel presentation on distance education fraud rings at the 2011 Federal Student Aid National Fall Conference. The panel included the Deputy Assistant Secretary for the Office of Postsecondary Education, the Assistant Inspector General for Investigations for OIG, and representatives from two participating Title IV institutions. The presentation was well attended, with approximately 1,500 attendees in total. These presentations can be viewed on FSA's conference website at <http://fsaconferences.ed.gov/index.html>.
- Former New York City beauty school employee pleads guilty to fraud and conspiracy.  
In the U.S. District Court, Southern District of New York, Qui Ying Mei, a former admissions and registration employee of USA Beauty School (USAB), pled guilty to an information that charged her with Federal financial aid fraud and conspiracy. The joint investigation with the Department of Labor OIG, revealed that from 2000 through 2009, Mei created fraudulent Chinese high school diplomas in order to enroll ineligible individuals as students at USAB. In July 2006, USAB became eligible to participate in the Pell grant program and has received approximately \$4,200,000 in Pell grants through the spring of 2011. Mei was one of seven current or former USAB employees to plead guilty to conspiracy.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending December 16, 2011**

Significant Events:

- Release of final consulting report, “Title IV Additional Servicers Capacity Assessment.”  
The objective of the consulting engagement was to assess the current status of the Title IV Additional Servicers (TIVAS) to handle the volume of servicing new Direct Loan Program originations and consolidations and the servicing of Federal Family Education Loan Program loan purchases under the Ensuring Continued Access to Student Loans Act. The assessment was performed on our behalf by Ernst & Young, LLP, under the American Institute of Certified Public Accountants’ Consulting Standards. Ernst & Young found that FSA has successfully established operations at the four TIVAS to service its Federal Family Education Loan and Direct Loan portfolios. However, Ernst & Young identified findings and made recommendations to FSA concerning documenting and communicating its borrower estimates, monitoring capacity constraints at the TIVAS, communicating and documenting contract requirements, planning for excess borrower volumes, establishing minimum servicing standards, and the weightings of evaluation metrics and sampling methodologies used in the borrower allocation for the TIVAS. We issued the report to FSA on December 15, 2011.
- Former New York City beauty school employee pleads guilty to fraud and conspiracy.  
In the U.S. District Court, Southern District of New York, Kerry Huang, a former admissions and registration employee of USA Beauty School (USAB), pled guilty to an information that charged her with Federal financial aid fraud and conspiracy. The joint investigation with the Department of Labor Office of Inspector General, revealed that from November 2007 through January 2011, Huang altered and created records for USAB students to appear that they were eligible for Federal financial aid. Huang was one of eight current or former USAB employees that were arrested, three of which have pled guilty to conspiracy.
- Four Jefferson Parish School system employees sentenced in embezzlement scheme.  
In the U.S. District Court, Eastern District of Louisiana, Kim Williams, Geselle Savoy, Danay Jackson, and Tracy Walker, former employees of Jefferson Parish Public School system, were sentenced for their roles in an embezzlement scheme. Williams and Savoy received 6 months house arrest, 5 years probation, and were each ordered to pay \$66,076 in restitution for falsifying time and attendance documentation regarding testing and tutoring services not performed. Jackson was sentenced to 5 years probation and was ordered to pay \$9,712 in restitution for conspiracy, and Walker was sentenced to 3 years probation and was ordered to pay \$11,820 in restitution for misprision of a felony.  
Former Texas School District administrator pleads guilty to conspiracy to commit mail fraud.  
Tomas Gabaldon, former El Paso Independent School District (EPISD) associate superintendent for special education, pled guilty in U.S. District Court, Western District of Texas, to conspiracy to commit mail fraud and deprivation of honest services. Our joint investigation with the Federal Bureau of Investigation (FBI) revealed that Gabaldon accepted a bribe from a software vendor, Strategic Governmental Solutions, Inc. (SGS), to help SGS obtain a multi-million dollar contract with EPISD.
- Two non-profit corporation directors indicted for theft of 21<sup>st</sup> Century grant funds.  
In U.S. District Court, Northern District of Illinois, Patricia Murphy and Susan Field, both directors of Beacon Street Gallery and Performance Company, were charged with wire fraud,

mail fraud, and theft of Federal funds. Our joint investigation with the FBI revealed that Murphy and Field allegedly fraudulently obtained at least \$1 million in 21<sup>st</sup> Century Learning Center grant funds and misapplied at least \$400,000 for personal credit card bills, household expenses, automobile payments, apartment rental expenses, and personal travel expenses and received a salary for teaching the after school program at three Chicago elementary schools when they did not do so.

- Rochester resident sentenced for identity theft and mail fraud.

In the U.S. District Court, Western District of New York, Kenneth Vickers was sentenced to 75 months incarceration, 5 years supervised release, and was ordered to pay \$145,106 in restitution as a result of his guilty plea to mail fraud and aggravated identity theft. Vickers, along with his wife Wynette, who was previously sentenced, admitted to fraudulently obtaining over \$300,000, in monies, credit, and assets through identity theft activities including \$13,000 in Federal student aid to which they were not entitled.

*Contact: Chaun Eason, (202)-245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending December 23, 2011**

Significant Events:

- Former Department of Education employee pled guilty to receiving child pornography.  
A former loan analyst in Federal Student Aid pled guilty in U.S. District Court, Northern District of Georgia, to receipt of child pornography. Our investigation revealed the former employee was able to bypass web filtering software used on the Department's network to obtain child pornography and obscene images from the Internet. In June 2011, the OIG was alerted to the employee's suspicious on-line activities by network administrators, seized his work computer, and found child pornography along with evidence that he had frequented foreign websites that trafficked in child pornography. In July, a search warrant was executed at his home and additional child pornography and obscene images were found. He was arrested and indicted in October 2011.
- Charles County Maryland Title I coordinator sentenced in theft scheme.  
Rhayda Barnes-Thomas was sentenced to 27 months confinement, 36 months supervised release, and was ordered to pay \$115,309.90 in restitution for theft concerning a program receiving Federal funds in U.S. District Court, District of Maryland. Our joint investigation with the Charles County Sheriff's Office determined that Barnes-Thomas used Title I grant funds to purchase over \$100,000 worth of computers, video game consoles, iPods, iPads, and televisions for personal use or as gifts for relatives and friends.
- Former admissions director sentenced in fraud scheme.  
Jessica McMullin, the former admissions director and registrar of the now defunct Crown College, was sentenced in U.S. District Court, District of Washington following a trial conviction. McMullin was sentenced to 3 months of home confinement, 36 months probation, \$800 special assessment, and was ordered to pay \$42,000 in restitution related to mail fraud and financial aid fraud. McMullin was previously indicted with three other employees for participating in a scheme to obtain Federal loans for themselves and their significant others from Crown College without taking classes or enrolling in school.

*Contact: Chaun Eason, (202)-245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending January 6, 2012**

*Significant Events:*

- Release of final audit report, “The Department’s Implementation of the Teacher Incentive Fund Grant Program.”

We determined that the Department: 1) did not always effectively apply Congressional intent and the Department’s internal guidance in its implementation of the TIF program; 2) could more effectively determine applicant competence and responsibility prior to making awards; 3) funded applications that did not fully meet the Department’s priorities for the competitions; and 4) funded applications containing weaknesses that could be detrimental to program implementation or sustainability. In addition, we found that the Department did not always ensure that recipients met applicable requirements prior to making continuation awards or that implementation of funded applications was consistent with recipient proposals; we also noted weaknesses in the processes established by the Department to assess program results. The Department disagreed with the findings and one of the nine recommendations. We revised one finding to clarify the non-binding nature of Congressional committee report language. We issued this report on December 31, 2011.

*Contact: Chaun Eason, (202)-245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending January 27, 2012**

Significant Events:

- The OIG's Assistant Inspector General for Investigations and the Deputy Assistant Secretary for the Office of Postsecondary Education made a joint presentation to the President's Forum and United States Distance Learning Association annual conference regarding the vulnerabilities to fraud in distance education programs. In attendance were over 100 college presidents from non-profit, public, and for-profit colleges and universities that provide distance learning programs.
- Former charter school CEO enters guilty plea.  
On January 20, 2012, former New Media Technology Charter School (NMTCS) CEO, Ina Walker, pled guilty in U.S. District Court, Eastern District of Pennsylvania, to a superseding indictment which charged Walker and Hugh Clark, former NMTCS Chairman of the Board, with wire fraud, conspiracy, theft from a Federally funded program, bank fraud, and aiding and abetting. Our joint investigation with the Federal Bureau of Investigation found that Walker, and allegedly Clark, fraudulently used approximately \$522,000 of NMTCS funds for the benefit of a non-profit private school they controlled, their personal business ventures, and other personal expenses. Clark faces trial in April.
- Fraud ring leaders indicted.  
Richard Griffin, Nicole Griffin, and Maria Hurt were charged with mail fraud, identity theft, and student financial aid fraud in an indictment in U.S. District Court, Western District of Wisconsin. Our joint investigation with the Postal Inspection Service revealed that that between August 2003 and January 2010, the defendants allegedly fraudulently used the personal identifiers of over 50 people and defrauded the United States of over \$400,000 in an eligibility falsification scheme to obtain Federal and state student financial aid at post secondary schools in Minnesota.

*Contact: Chaun Eason, (202)-245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending February 3, 2012**

Significant Events:

- Release of final audit report, “Federal Student Aid’s Oversight of Foreign Medical School Pass Rates.”

We determined that improvements are needed in FSA’s oversight of foreign medical school pass rates. Specifically, we found that FSA: 1) did not timely take appropriate actions against schools identified as having failed to submit the required pass rate data or meet the pass rate threshold; 2) was inconsistent in its application of the methodology for calculating pass rates; and 3) accepted from foreign medical schools calendar year 2009 United States Medical Licensing Examination (USMLE) pass rate data that either were not complete or were not in the required format. As a result, FSA did not have assurance that Federal student loan funds were disbursed only to students who attended schools that were eligible to participate in the Federal student loan programs; continued to provide such funds for disbursement to students at six ineligible schools; and failed to ensure that funds were directed only to students attending high quality programs that sufficiently prepared them to pass the USMLE and practice medicine in the United States. FSA has moved quickly to implement the recommendations contained in the draft report and provided a specific response noting actions planned or in process for each recommendation. We issued this report on January 30, 2012.

- Private banker sentenced.

In U.S. District Court, Western District of Missouri, Denny R. Hardin was sentenced to 10 years in prison for his role in a fraud scheme in which he claimed to be a private banker. In September 2011, Hardin was found guilty of creating fictitious obligations and mail fraud. Our joint investigation with the FBI and the Postal Inspection Service revealed that during 2008 and 2009, Hardin used his home computer to produce approximately 2,000 fraudulent “bonded promissory notes” totaling more than \$100 million. He issued these to various entities in an attempt to discharge Federal student loans, as well as automobile loans, credit card debt, and mortgage loans for himself, family, friends, and clients. Hardin falsely claimed that he had a contract with the U.S. Treasury Department to issue the notes through a private offset bond at the Federal Reserve Bank in New York and that he was allowed to issue the notes because he was a private banker.

- Chief of American Samoa school lunch program convicted in fraud case.

In U.S. District Court, District of Columbia, Paul Solofa was found guilty of witness tampering and obstruction of justice. The conviction was the result of our investigation conducted jointly with the Department of Interior OIG, and the FBI which revealed that between 2008 and 2009, Solofa met with a school bus parts vendor from whom he had accepted cash bribes and kickbacks. Solofa told the vendor to destroy evidence of their business transactions and lie to investigators.

- Detroit public school teacher and contract accountant indicted.

Sandra Campbell, a former Detroit public schools contract accountant and School Board candidate, and her daughter, Domonique Campbell, a Detroit public school teacher, were indicted in U.S. District Court, Eastern District of Michigan, on charges of program fraud

conspiracy, money laundering conspiracy, and filing false tax returns. Between 2004 and 2008, the Campbells allegedly obtained in excess of \$530,000.00 from the Detroit Public Schools by placing orders with a sham company, Definitive Concepts, for books and other educational materials that were never provided to the schools. The Campbells also allegedly conspired to defraud the Internal Revenue Service by failing to report this as income on their tax returns.

- Admissions representative charged for defrauding student financial aid programs.

Katie Champion, admissions representative at Empire Education Group, one of the largest providers of cosmetology education in the United States, was charged with student aid fraud in U.S. District Court, District of New Jersey. Champion allegedly used fraudulent high school diplomas to enroll ineligible students for classes at Empire Beauty School in Cherry Hill, NJ, and the ineligible students allegedly received approximately \$279,000 in Federal student aid based on representations that they were high school graduates.

- Tax preparer and spouse sentenced.

James Morris and his spouse, Karen Morris, operators of B. Morris Ltd. tax preparation services, were sentenced in U.S. District Court, Eastern District of Arkansas. James Morris was sentenced to 48 months incarceration, 3 years supervised release, and was ordered to pay a \$3,700 special assessment. Karen Morris was sentenced to 24 months incarceration, 3 years supervised release, and was ordered to pay a special assessment of \$2,200. The judge will also issue an order of restitution in three weeks pertaining to both defendants. The sentences resulted from our joint investigation with the Internal Revenue Service – Criminal Investigation Division, Social Security Administration (SSA) - OIG, and Veteran's Administration (VA) – OIG, in which the Morrises were convicted for conspiracy to defraud the United States, fraudulently obtaining Title IV Education funds, theft of social security funds, theft of VA funds, concealment of a material fact to the SSA, filing false tax returns, income tax evasion, and aiding and assisting in the preparation of false income tax returns.

- Former financial aid director sentenced.

Velvet Sacco, former Director of Financial Aid at Everglades University in Altamonte Springs, FL, was sentenced in U.S. District Court, Middle District of Florida, to one year and one day in prison, 3 years probation, 50 hours community service, and was ordered to pay \$92,702.98 in restitution for her earlier plea to Federal student aid fraud. Our investigation determined that from 2009-2011, Sacco embezzled more than \$88,000 in student loan checks from 50 students.

*Contact: Chaun Eason, (202)-245-7001*



**OFFICE OF INSPECTOR GENERAL**  
**For the week ending February 10, 2012**

Significant Events:

- Former university information technology director sentenced in fraud scheme.  
In U.S. District Court, Middle District of Louisiana, Scott Woodall, former information technology director for Southern University (SU) in Baton Rouge, Louisiana, was sentenced to 12 months and 1 day in prison and 3 years probation, and was ordered to pay \$157,365.82 in restitution to SU, a \$2,000 fine, and a \$100 special assessment fee for his role in a fraud scheme. Woodall and a former SU professor, currently a fugitive, formed two shell companies set up to defraud SU. On SU's behalf, Woodall ordered high-cost computer equipment through the shell companies but provided lower-cost equipment to SU. SU paid more than \$157,000 for the higher-cost equipment using State and Federal Title III education funds and Woodall shared in those bogus profits.
- Former Nelnet employee pleads guilty to exceeding authorized access.  
On February 7, 2012, Jovita D. Benford pled guilty in U.S. District Court, District of Nebraska, to intentionally exceeding her authorized access to a protected computer for the purpose of private financial gain. While Benford worked as a default management representative for Nelnet, a Department contractor for servicing direct loans and purchased FFEL loans, she accessed the Nelnet systems used to service Federal loans to obtain personal identifiers of borrowers to apply for online loans. Nelnet detected the activity during routine monitoring, reported the activity to the Department, and terminated Benford. She is scheduled for sentencing on May 2, 2012.

*Contact: Chaun Eason, (202)-245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending February 17, 2012**

Significant Events:

- Release of final report, "OIG's Independent Report on the Department's Performance Summary Report for Fiscal Year 2011."

The purpose of our review was to authenticate the Department's performance measures for key drug control programs by expressing a conclusion about the reliability of each assertion made in the Department's fiscal year 2011 performance report. Based upon our review, nothing came to our attention that caused us to believe that management's assertions contained in the Department's report were not fairly stated in all material respects. We issued our report on February 14, 2012. The Department then submitted its performance report and the accompanying OIG authentication to the Office of National Drug Control Policy.

- Release of final audit report, "Alabama: Use of Funds and Data Quality for Selected ARRA Programs."

We determined that Recovery Act funds were generally used in accordance with applicable laws, regulations, and guidance at the entities reviewed, however we found that: 1) Alabama State Department of Education (ALSDE) did not have sufficient controls to ensure that the School Improvement Grant (SIG) award selection process was fair and equitable, 2) ALSDE's drawdown and transfer of funds to Mobile County Public Schools were not in compliance with applicable cash management regulations and created an improper payment, and 3) ALSDE did not report accurate expenditure, vendor payment, and job data to the Federal Government in accordance with the reporting requirements. We recommended that ALSDE establish and implement 1) systems of internal control to ensure the independence of employees and contractors who participate in processes to award competitive grants to Local Educational Agencies (LEAs); 2) an effective recusal process when a conflict of interest is discovered during the selection process; 3) an effective monitoring process to ensure that the processes established for independence and recusal are followed; 4) internal controls to ensure the accuracy and integrity of scoring processes in awarding competitive grants to LEAs; and 5) written policies and procedures pertaining to draws received in error, improper payments, and the handling of excess cash. We also recommended that ALSDE submit revised vendor payment and expenditure data to [FederalReporting.gov](http://FederalReporting.gov) and implement policies and procedures to ensure the accuracy of current and future reporting, including expenditures, vendor payments, and job data. In its comments, ALSDE stated that it did not agree with the report findings; however, it acknowledged the existence of the conditions cited in the findings and indicated that it was in the process of addressing or had already addressed the recommendations in the report. We issued this report on February 15, 2012.

- Father and son sentenced for defrauding Federal & State programs.

On February 7 and 9, 2012, in U.S. District Court, Western District of Michigan, Ahmed Sheikh Mohamed (Ahmed) and his son, Mohamed Isse (Isse), were sentenced for their roles in conspiring to defraud the United States and Ahmed was also sentenced for his role in defrauding the food stamp program. Ahmed was sentenced to 84 months incarceration, 3 years supervised release, 100 hours of community service, and was ordered to pay \$658,636.00 in restitution and a

\$200 special assessment. Isse was sentenced to 8 months incarceration, 3 years supervised release, and was ordered to pay \$164,324.62 in restitution and a \$100 special assessment. From 2006 to 2009 Ahmed, owner of Ryan Phone Card and Grocery, and Isse illegally exchanged cash for customers' Federal food stamps while also falsely representing to various Federal agencies, including the Department, that they had extremely low income and negligible assets in order to receive various public benefits. As a result, two of Ahmed's children, including Isse, fraudulently received approximately \$25,000 in Pell Grants at Grand Rapids Community College. This was a joint investigation with USDA-OIG.

- Alabama fraud ring leader indicted.

On February 7, 2012, Sierra D. Taylor was indicted in U.S. District Court, Northern District of Alabama, for mail fraud, embezzlement, theft of public money, aggravated identity theft, and student aid fraud. From September 2010 to November 2010, Taylor allegedly devised a scheme where she represented herself as a recruiter with Troy University and obtained the personal identifying information of three prospective students which she used to apply for direct loans and Pell Grants. Taylor allegedly had debit cards with the funds mailed to her residence without the knowledge of the victims. Taylor's alleged scheme caused the Department to disburse approximately \$18,414 in Federal student aid funds.

- California fraud ring members indicted.

On February 2, 2012, Piersha Woolridge, Yvette August, Kim Gray, and Keith Woolridge were indicted in U.S. District Court, Eastern District of California, for conspiracy against the United States for their alleged role in a scheme to defraud the Department of over \$200,000 in Federal Pell Grants and Federal student loans. One defendant, Piersha Woolridge, was also charged with mail fraud. The four defendants allegedly obtained personal identifying information from individuals and used the information to apply for financial aid.

- (b) (6) for New York City Beauty School charged with conspiracy.

On February 16, 2012, (b) (6) of USA Beauty School International was charged with conspiracy to commit education program fraud based on a criminal complaint issued by the U.S. District Court, Southern District of New York. According to the complaint, while serving as an accountant and consultant for the school, (b) (6) allegedly created job titles for fake employees so that the school could inflate its employment rolls, issued false W-2 forms for the fake employees, and notarized false high school diplomas as part of the school's effort to obtain Federal student aid. (b) (6) is the eighth employee or former employee to be arrested in connection with this scheme. To date, three have pled guilty.

Contact: Chaun Eason, (202)-245-7001

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending February 24, 2012**

Significant Events:

- Former executive director of the Pennsylvania Northeastern Educational Intermediate Unit indicted.  
On February 21, 2012, Fred Rosetti, the former executive director of the Pennsylvania Northeastern Educational Intermediate Unit (NEIU), was indicted in U.S. District Court, Middle District of Pennsylvania, for mail fraud, program fraud, and money laundering. The indictment alleges that Rosetti fraudulently converted NEIU funds and property for his and his family's personal benefit. Rosetti allegedly ordered NEIU employees to create false travel vouchers for his benefit, and to perform maintenance on his home, personal secretarial services, personal shopping, and planning and preparation of family events. He also allegedly failed to document leave he took, which enabled him to include days where he should have taken leave in his retirement calculation, for which he received a \$427,643 cash payout at the time of his retirement.
- Fifteen South Carolina fraud ring members indicted for conspiracy to commit student loan fraud, mail fraud, wire fraud, and aggravated identity theft.  
On February 15, 2012, Lena Gant, LaTanya Cochran, Deena Holmes, Marvin Spell, and 11 others were indicted in U.S. District Court, District of South Carolina, for conspiracy to commit student loan fraud, mail fraud, and wire fraud. Gant, Cochran, Holmes, and Spell were also indicted on aggravated identity theft. From December 2006 to the present, our investigation found that Gant and Cochran allegedly devised a scheme to obtain the personal information of their co-defendants and others and enroll them in online courses at the University of Phoenix, Grand Canyon University, Capella University, and other institutions to obtain Federal student aid for a fee. The individuals were not eligible to enroll or did not intend to attend school. This alleged fraudulent activity caused the disbursement of more than \$400,000 in Federal student aid funds.
- Former E-Rate president ordered to pay over \$800,000 in restitution.  
After being sentenced to 51 months incarceration, 36 months supervised release, and a \$100 assessment fee in January in U.S. District Court, Middle District of Alabama, Jonathan Slaughter, former president of E-Rate Consulting Services, on February 22, was ordered to pay \$881,987 in restitution to several school districts and other educational support companies. From 2006 through 2009, our investigation determined that Slaughter devised a scheme to embezzle E-Rate funds intended for information technology support of school districts in Florida, North Carolina, Tennessee, and other States.

*Contact: Chaun Eason, (202)-245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending March 2, 2012**

Significant Events:

- Milwaukee Choice School founder indicted.  
On February 28, Gregory Goner, the founder of Excel Academy, a Milwaukee Choice School, was charged in U.S. District Court, Eastern District of Wisconsin, with theft of Government funds and wire fraud. This resulted from our investigation with the FBI that found that between 2004 and 2010, the defendant allegedly misapplied school funds for various non-educational purposes, including his purchase of two apartment buildings, paying a church deacon, and leasing space at the church where he is the pastor. Defendant allegedly also submitted fraudulent rental contracts in his application for a \$313,000 mortgage for an apartment building.
- Maine man sentenced to prison for fraud.  
On February 15, Besouro Abdul Zagon was sentenced in U.S. District Court, District of Maine, to 42 months imprisonment, 12 months of supervised release, and was ordered to pay nearly \$199,000 in restitution for his role in an identity fraud scheme. This action is a result of our investigation with several agencies that found that Zagon, a citizen of Antigua, assumed the identity of a U.S. citizen in order to obtain housing benefits, Federal student aid, health care benefits, food stamps, and a fraudulent passport.
- U.S. Department of Justice intervenes in whistleblower suit against American Commercial College.  
On February 22, the U.S. Department of Justice intervened in a False Claims Act whistleblower suit against American Commercial College (ACC). The suit, originally filed by two ACC employees, alleges that ACC falsely certified compliance with provisions of Federal law that prohibit a college from obtaining more than 90 percent of its yearly revenue from Federal student aid provided through the Department (the 90/10 rule), when it made students take out short-term private loans, recorded those loans as cash transactions on student ledgers, and then repaid those loans using Title IV funds. In its annual financial statements submitted to the Department, ACC allegedly reported those private loans as non-Federal revenue in order to give the appearance of being in compliance with the 90/10 rule. DOJ will file its own complaint shortly.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending March 16, 2012**

Significant Events:

- Issuance of final audit report, “U.S. Department of Education’s Compliance with the Improper Payments Elimination and Recovery Act of 2010 for Fiscal Year 2011.”  
We determined that the Department complied with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). However, we found that improvements should be made to the estimated improper payment rate methodologies for the Title I, Pell, and Direct Loan programs; improper payment rates reported for the Pell and Direct Loan programs were not always based on accurate or complete data; and the Department needs to continue its efforts for reducing and recapturing improper payments. We recommended that the Department: (1) consider revising its improper payment rate methodologies; (2) obtain and review contractors’ supporting documentation for Pell Program calculations prior to issuance of the Annual Financial Report (AFR); (3) adequately describe calculation methodologies in the AFR; (4) develop a corrective action plan to reduce improper payments that occur when the Department pays off Federal Family Education Loan (FFEL) Program loans and includes them in Direct Consolidation Loans; (5) update the analysis for determining whether payment recapture audits of all grant and loan programs would be cost-effective in FY 2012; (6) revise and implement payment recapture audit plans based upon the updated analysis; and (7) develop an estimated improper payment rate for the FFEL Program for FY 2012. The Department concurred with the findings and recommendations. We issued this report on March 15, 2012.
- Release of final inspection report, “The Department of Education’s Process for Ensuring Compliance by Institutions of Higher Education With the Drug and Alcohol Abuse Prevention Program Requirements.”  
We determined that the Department’s Office of Postsecondary Education performed no oversight of institutions of higher education (IHE) drug and alcohol abuse prevention programs from 1998 to June 2010. In June 2010, oversight responsibility was delegated to the Department’s Office of Federal Student Aid (FSA). We found that the oversight process FSA developed provided no assurance that IHEs were in compliance with the requirements of 34 C.F.R. Part 86. We recommended that the Chief Operating Officer of FSA: (1) ensure that reviewers adequately document their review of IHE compliance with Part 86 requirements; (2) develop and provide training and other guidance to FSA reviewers on Part 86 requirements; (3) begin reporting all identified cases of IHE noncompliance with Part 86 requirements in the corresponding program review reports; and (4) develop a process to identify IHEs that receive Federal funds but do not participate in Title IV HEA programs and ensure that those IHEs are in compliance with Part 86 requirements. The Department generally concurred with our results and recommendations. We issued the final report on March 14, 2012.
- Former City University of New York Research Foundation employee sentenced.  
On March 14, 2012, Robert Friedland was sentenced in U.S. District Court, Southern District of New York, to 30 months incarceration and a \$300 special assessment, to be followed by 3 years supervised release for wire fraud, possession of false papers to defraud the United States, and forgery of a judicial officer’s signature. Friedland attempted to fraudulently process a \$745,700 Department Grant Award Notification (GAN) of ARRA funds. The GAN was submitted to the Department and the Research Foundation for the City University of New York Research

Foundation (Research Foundation), where he was employed as an instructor. Friedland submitted additional GANs to the Research Foundation in the amount of approximately 2.7 million dollars and provided forged court documents in order to cover up his past arrests and poor credit history. This matter was referred by an Institute of Education Science's staff member after attending the grant fraud training provided by OIG.

- Former superintendent pleads guilty.

On March 12, 2012, former superintendent of El Centro Elementary school district Michael Klentschy pled guilty to mail fraud involving the Department-funded California Mathematics and Science Partnership (CaMSP) grant. Our joint investigation with the National Science Foundation-OIG and the Federal Bureau of Investigation (FBI) led to a plea agreement in which Klentschy admitted that he fraudulently arranged to hire an evaluation entity to evaluate the CaMSP grant for approximately \$400,000. He received \$90,000 in payments as a research assistant on the CaMSP grant to which he was not entitled. Klentschy also pled guilty to mail fraud involving National Science Foundation grants.

- Detroit fraud ring leader and six co-conspirators arrested for financial aid fraud.

Between February 13 and 17, 2012, Luther Hampton Jr., Ulysses Hampton, (b) (6), Shawnteze Williams, Brian Hickman, (b) (6), and James Randle were arrested for financial aid fraud. Hampton allegedly enrolled individuals in online courses at National American University, Strayer University, University of Phoenix, and Ashford University to receive financial aid refunds, of which he received a portion. Additionally, Hampton allegedly completed coursework for individuals so they would remain eligible for Federal financial aid. Hampton's brother, Ulysses, allegedly forged the signatures on some of the refund checks and took individuals to establishments to have the checks cashed.

- School district contractor sentenced.

On March 9, 2012, Michael Pasonick was sentenced in U.S. District Court, Middle District of Pennsylvania, to 1 year incarceration and 2 years supervised release, and was ordered to pay a \$250,000 fine. Pasonick previously pled guilty to an information charging him with program fraud for allegedly paying cash bribes to a Luzerne County, Pennsylvania, school board member to ensure Pasonick's engineering firm would be awarded contracts with the school district. Pasonick was the final subject sentenced in this multi-agency investigation.

- Three Individuals plead guilty to theft of disability grant funds.

On March 14, 2012, Rochelle Walking Eagle, Bruce Walking Eagle, and Lorna Walking Eagle pled guilty in U.S. District Court, District of North Dakota, to theft from Indian Tribal Organizations, conspiracy to defraud, and aiding and abetting. These three individuals were part of a group of eight that were previously indicted for their roles in the theft of ED grant funds under the Vocational Rehabilitation Service Projects for American Indians with Disabilities. Our joint investigation with the FBI determined that grant funds were fraudulently used to pay over \$80,000 in personal expenditures for family members and friends of the project director, Martina Kazena. To date, six individuals have pled guilty and are awaiting sentencing.

Contact: Chaim Eason, (202)-245-7001

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending March 23, 2012**

*Significant Events:*

- Former Department employee sentenced for receiving child pornography.  
On March 21, 2012, in U.S. District Court, Northern District of Georgia, a former loan analyst in Federal Student Aid, was sentenced to 120 months of confinement and 5 years supervised release for receipt of child pornography and will be required to register as a sex offender upon his release from prison. He entered a guilty plea in December 2011. Our investigation revealed that he was able to bypass filters on the Department's network and used his Department-issued computer to obtain child pornography the internet.

*Contact: Chaun Eason, (202)-245-7001*



**OFFICE OF INSPECTOR GENERAL**  
**For the week ending March 30, 2012**

Significant Events:

- Release of final audit report, “Department’s Controls Over EDUCATE Contract Costs.”  
We found that improvements are needed in the Department’s controls relating to cost management of the EDUCATE contract. Specifically, we determined that the Department did not: establish a complete and accurate baseline of costs related to operations being transitioned from the government-owned contractor-operated information technology environment to the contractor-owned contractor-operated environment; adequately document its calculations of anticipated cost savings over the life of the contract; or implement an oversight structure that emphasized cost control. We also found that the Department’s actual costs for 4 of the 8 EDUCATE contract line item numbers varied significantly from projected costs during the first 3 years of the EDUCATE contract, which may limit the Department’s ability to meet projected savings. As a result of these issues, the Department’s ability to assess EDUCATE cost savings and efficiencies is hindered and may not always identify opportunities to reduce costs, hold individuals accountable for cost performance in relation to initial expectations, and seek to assess and address cost performance variances where applicable. The Department concurred with our recommendations. We issued this report on March 29, 2012.
- Release of final audit report, “School Improvement Grants: Selected States Generally Awarded Funds Only to Eligible Schools.”  
We found that all five State educational agencies (SEAs) that we reviewed had plans to monitor each local educational agency’s (LEA’s) implementation of the selected intervention models and planned to work closely with LEAs that were awarded School Improvement Grants funds for school year 2010–2011. All five SEAs appropriately allocated School Improvement Grants funds to LEAs with schools having the greatest need for the funds. Three of the five SEAs also allocated funds to LEAs with the strongest commitment to using the funds to raise student achievement, however two did not. We recommended that the Department: (1) instruct New York to improve its School Improvement Grants application and review process; (2) clarify the Final Requirements for School Improvement Grants and correct and expand its guidance; (3) expand Department guidance to address the requirements of LEAs for schools that LEAs plan to phase out or close; and (4) ensure that Ohio has implemented its new procedure for LEAs. The Department neither agreed nor disagreed with the first recommendation; disagreed with the second draft recommendation; and agreed with the third and fourth recommendations. We changed the second recommendation based on its comment. We issued this report on March 29, 2012.
- Release of final audit report “Saint Mary-of-the-Woods College’s Administration of the Title IV Programs.”  
We concluded that the College has not been eligible to participate in HEA Title IV programs since at least July 1, 2005, because 50 percent or more of its students were enrolled in correspondence courses. In addition, for award year 2009-2010, we identified instances of noncompliance with requirements governing award calculations, student eligibility, disbursements, and return of Title IV aid. Specifically, the College 1) incorrectly calculated Title IV awards for students enrolled in correspondence courses; 2) could not provide

documentation supporting its cost of attendance budgets; 3) improperly disbursed Title IV funds to students who should not have received the funds; 4) did not return all Title IV funds for students who never began attendance; 5) did not return the proper amounts of Title IV funds for students who unofficially withdrew; and 6) did not provide required notifications for disbursements of Title IV funds or provide timely FFEL Program exit counseling. We recommended that Federal Student Aid's Chief Operating Officer terminate the College's participation in the Title IV programs and require it to return to the Department or the appropriate FFEL Program lenders \$42,362,291 in Title IV funds. The College disagreed with all aspects of findings 1 through 3 and the corresponding recommendations. The College agreed, in part, with findings 4 through 7 but did not agree with all the corresponding recommendations for those findings. We issued this report on March 29, 2012.

- Three Mississippi fraud ring members plead guilty.

On March 28, 2012, Shameka Smith, Lakeisha Smith, and Kashayla Henry each pled guilty to student financial aid fraud in U.S. District Court, Southern District of Mississippi. During 2009, these individuals provided false information on their FAFSAs indicating they either had a high school diploma or equivalent when they had neither in order to receive in excess of \$200,000 in Federal student aid while purportedly attending Pikes Peak Community College, an online school based in Colorado Springs, Colorado. These 3 individuals were among 12 individuals previously indicted for a distance education financial aid fraud scheme in Macon and Columbus, Mississippi.

*Contact: Chaun Eason, (202)-245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending April 27, 2012**

Significant Events:

- Release of final inspection report, "Review of the Department's Process for Identifying and Reporting High-Dollar Overpayments Required Under Executive Order 13520."  
We found that the Department's process for identifying and reporting high-dollar overpayments could be strengthened, and during the course of our inspection, the Department began taking steps to strengthen its process. We recommended that the Department work with Federal Student Aid to determine whether Title IV overpayments should be analyzed at the institution level or at the student level. The Department concurred with our recommendation. We issued the final report on April 23, 2012.
- Fraud ring participants enter pre-trial diversion program for allegedly falsifying Federal student aid documents.  
On April 25, 2012, Brittany Washington entered a pre-trial diversion program in U.S. District Court, District of South Carolina, as a result of allegations of conspiracy to commit wire and education loan fraud. From April 2008 to March 2011, Washington allegedly provided her personal information to ring leaders to fraudulently enroll in online courses at the University of Phoenix and/or Western Governors University in order to fraudulently receive Federal student aid funds. As part of the agreement, prosecution will be deferred for 18 months as long as Washington completes all requirements of the pre-trial diversion program. A total of ten people have been convicted in this fraud ring.
- Woman pleads guilty in distance education fraud scheme.  
On April 26, 2012, Kimberly Hodnett pled guilty in U.S. District Court, Northern District of Georgia, to conspiracy, mail fraud, and student aid fraud for her role in a distance education fraud scheme at Rio Salado Community College. Since 2007, Hodnett enrolled ineligible people and submitted fraudulent Free Applications for Federal Student Aid, in exchange for a fee. The total loss from this fraud scheme exceeds \$200,000.
- Supplemental educational services provider charged with forgery.  
On April 18, 2012, a criminal complaint was filed in Crittenden County District Court, Arkansas, charging (b) (6), (b) (7)(C) with forgery. (b) (6), (b) (7)(C) allegedly submitted a forged letter of credit from a deceased bank officer with his Supplemental Educational Services (SES) application to the Arkansas Department of Education in order to falsify his company's financial condition. The letter resulted in approval of (b) (6), (b) (7)(C) company as an SES provider. (b) (6), (b) (7)(C) surrendered to police on April 20, 2012.

Contact: Chaun Eason, (202)-245-7001

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending May 4, 2012**

Significant Events:

- Civil fraud complaint filed against Princeton Review.  
On April 30, 2012, the United States filed a civil fraud complaint in U.S. District Court, Southern District of New York, against The Princeton Review, Inc., a leading provider of educational products and services, and Ana Azocar, a former Princeton Review employee. Azocar allegedly submitted false claims for reimbursement in connection with a Federally-funded Supplemental Educational Services program to provide tutoring services to underprivileged children in New York City. From 2006 to 2010, Princeton Review received over \$38 million in Title I funding in connection with the program. During that time period, Azocar allegedly falsified entries on student attendance forms to make it appear that more students had attended tutoring sessions, encouraged some officials to falsify entries on attendance forms, and used threats of termination and pay cuts to pressure officials to maintain high daily student attendance. The complaint seeks treble damages and civil penalties under the False Claims Act.
- Former Florida school board administrator sentenced.  
On April 26, 2012, in U.S. District Court, Middle District of Florida, Robert L. Williams, former Polk County school district assistant superintendent of facilities and operations, was sentenced to 2 years in prison and 3 years supervised release for his guilty plea to conspiracy to commit bribery. Our joint investigation with the Federal Bureau of Investigation and the Florida Department of Law Enforcement revealed that Williams used his influence to award construction contracts and in exchange, received paid vacations, air travel, fishing and sporting excursions, and free home construction and remodeling from the alleged conspirators.
- Fraud ring leader sentenced in student financial aid fraud scheme.  
On April 30, 2012, Roy Lee Turner was sentenced in U.S. District Court, Northern District of Iowa, for his role in a scheme to defraud the Department. Turner was sentenced to 60 months incarceration, 3 years supervised release, and was ordered to pay a \$100 special assessment and \$140,770.34 in restitution. From 2005 through 2008, Turner led a plot to recruit relatives and associates and use their personal identifying information to enroll, or help them enroll, at Kirkwood Community College and Des Moines Area Community College, with no intention of them attending the schools. The financial aid refund checks were mailed to addresses under Turner's control.
- One sentenced and another accepts pre-trial diversion agreement related to conspiracy and theft of vocational rehabilitation grant funds.  
On April 18, 2012, in U.S. District Court, District of North Dakota, Raymond Jetty III was sentenced to 24 months probation and was ordered to pay \$35,412.77 in restitution to the Department for embezzlement and theft from Indian Tribal Organizations, conspiracy, and aiding and abetting. Sheala Jetty entered into a pre-trial diversion agreement holding her responsible for \$11,070.70 in restitution to the Department. Both participated in a scheme where \$80,000 in Federal grant funds, intended for members of the Spirit Lake Reservation, were

misapplied and used to pay for personal items. The director of the Vocational Rehabilitation Service Projects for American Indians with Disabilities and four additional people have pled guilty and are awaiting sentencing.

- Two South Carolina fraud ring members plead guilty.

On May 1, 2012, LaTanya Cochran and Shannon Fishburne pled guilty to conspiracy, mail fraud, and wire fraud in U.S. District Court, District of South Carolina, for their distance education scheme at the University of Phoenix, Grand Canyon University, Capella University, and other institutions. From December 2006 to the present, Cochran and Fishburne obtained the personal information of their co-defendants, enrolled ineligible people, and submitted fraudulent Free Applications for Federal Student Aid in exchange for a fee. The total loss from this fraud scheme exceeds \$400,000. Cochran and Fishburne are the first of 15 people to plead guilty.

- Arizona State prison inmate fraud ring indictment.

On May 1, 2012, Elizabeth Meza was charged with conspiracy, wire fraud, aggravated identity theft, and theft of public funds, and Sandra Lopez and Denise Wheeler were each charged with wire fraud and theft of public funds. The indictment alleges that Meza and Analisa Delgado, an inmate at the Perryville Facility of the Arizona State Prison Complex, conspired to commit fraud by enrolling several straw students into the distance education program at Rio Salado College to obtain Federal student aid funds. Delgado allegedly provided Meza with the personal identifying information for several inmates. Meza, Lopez, and Wheeler were awarded more than \$150,000 in Federal student aid funds.

- Man and woman indicted for conspiracy, mail fraud, and student loan fraud.

On April 29, 2012, James Boyd and Shaneva Boyd were arrested as a result of an indictment in U.S. District Court, Middle District of Florida, charging them with conspiracy, mail fraud, and student loan fraud. James Boyd was also charged with aggravated identity theft. Between August 2005 and September 2007, the Boyds allegedly formed a company to recruit people who could not qualify for Federal student aid and used their personal identifying information to submit fraudulent financial aid information to St. Petersburg College. The refund checks were often mailed directly to the Boyd's company address and deposited into their bank account.

- Former Nelnet employee sentenced for exceeding authorized access.

On May 2, 2012, in U.S. District Court, District of Nebraska, Jovita D. Benford was sentenced to 12 months and 1 day in prison and 3 years supervised release. In February 2012, Benford, a former Nelnet collections agent, pled guilty to intentionally exceeding her authorized access to a computer for the purpose of private financial gain.

*Contact: Chaun Eason, (202)-245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending May 11, 2012**

Significant Events:

- South Carolina fraud ring leader pleads guilty.  
On May 7, 2012, Lena Gant pled guilty to conspiracy to commit mail fraud, wire fraud, and student financial aid fraud in U.S. District Court, District of South Carolina, for her distance education scheme at the University of Phoenix, Grand Canyon University, Capella University, and other institutions. From December 2006 to present, Gant obtained the personal information of her co-defendants, enrolled ineligible people, and submitted fraudulent Free Applications for Federal Student Aid in exchange for a fee. The total loss from this fraud scheme exceeds \$400,000. Gant is the third of 15 people to plead guilty.
  
- Ring leader pleads guilty in distance education fraud scheme.  
On May 7, 2012, Princess Eatmon pled guilty to conspiracy in U.S. District Court, Middle District of Georgia. From January 2010 to December 2011, Eatmon fraudulently enrolled 27 people to attend online courses at Rio Salado College and American Public University, knowing that none of them had the intent to enroll as regular students. This fraudulent activity caused over \$335,000 in Federal student aid to be disbursed.

*Contact: Chaun Eason, (202)-245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending May 18, 2012**

Significant Events:

- Release of final audit report, "Metropolitan Community College's Administration of the Title IV Programs."  
We found that Metropolitan 1) did not establish the eligibility of students or properly administer ATB tests; 2) disbursed funds to students who did not satisfy the requirements for satisfactory academic progress and to students who exceeded the maximum number of allowable credit hours of remedial coursework; 3) did not ensure students were enrolled in an eligible program prior to disbursement of Title IV funds; and 4) did not properly perform return of Title IV aid calculations. We recommended that the Department require Metropolitan to: 1) return \$232,918 in Title IV funds; 2) review the records for students and return all Title IV funds that were improperly disbursed; and 3) ensure that its personnel are adequately trained. Metropolitan disagreed with some findings, agreed with others, and partially agreed with one, and agreed or partially agreed with 15 of the recommendations. We issued the final audit report on May 15, 2012.
- South Carolina fraud ring members plead guilty.  
Between May 7 and May 14, 2012, Lena Gant, Marquita Fishburne, Cleo Fryar, Marvin Spell, Tameko Fishburne, Mayella Saxon, Helen Ross, Shanean Glaze, Kourtney Fishburne, and Sierra Thomas pled guilty to conspiracy to commit mail fraud, wire fraud, and student financial aid fraud in U.S. District Court, District of South Carolina, for their participation in a distance education scheme at the University of Phoenix, Grand Canyon University, Capella University, and other institutions. Since December 2006, Gant, who was the ring leader, and the others obtained the personal information of co-defendants, enrolled ineligible people, and/or submitted fraudulent Free Applications for Federal Student Aid in exchange for a fee. The total loss from this fraud scheme exceeds \$400,000. These people represent 10 of 15 people to plead guilty.
- Grant compliance officer pleads guilty to theft of vocational rehabilitation grant funds.  
On May 8, 2012, in U.S. District Court, District of North Dakota, Tonya Jetty pled guilty to conspiracy to embezzle from an Indian Tribal Organization, theft from an Indian Tribal Organization, and aiding and abetting. Jetty was the compliance officer for a grant provided under the Vocational Rehabilitation Service Projects for American Indians with Disabilities and administered through the Spirit Lake Reservation. Grant funds, intended for the Spirit Lake Reservation, were fraudulently used to pay over \$80,000 in personal items for family members and friends of the project director, Martina Kazena. Jetty and six others have pled guilty and another entered into a pre-trial diversion agreement.
- Former administrative assistant for non-profit subgrantee pleads guilty.  
On May 10, 2012, Denise Smith, pled guilty to mail fraud, in U.S. District Court, District of Utah. Our joint investigation with the Federal Bureau of Investigation, Health and Human Services Office of Inspector General (HHS-OIG), and Housing and Urban Development Office of Inspector General (HUD-OIG) revealed that from January 2004 to November 2009, Smith used her position at English Skills Learning Center (ESLC) to fraudulently obtain approximately

\$100,000 from the Department, HHS, and HUD. Smith used ESLC credit card accounts for personal expenses and falsified auditing documents to cover up the fraud.

- Fraud ring leader pleads guilty and alleged fraud ring members indicted in distance education fraud scheme.

On May 7, 2012, Princess Eatmon pled guilty to conspiracy, and on May 11, Dontreal Jenkins, Trevayne Jones, and Kevinall Wheeler were indicted for mail fraud, wire fraud, conspiracy, aggravated identity theft, embezzlement and misleading statements in U.S. District Court, Middle District of Georgia. From January 2010 to December 2011, ring leader Eatmon fraudulently enrolled 27 people to attend online courses at Rio Salado College and American Public University, knowing that none of them intended to enroll as regular students, and the others allegedly assisted in the scheme. This fraudulent activity caused over \$335,000 in Federal student aid to be disbursed.

*Contact: Chaun Eason, (202)-245-7001*



**OFFICE OF INSPECTOR GENERAL**  
**For the week ending May 25, 2012**

Significant Events:

- Former migrant education director arrested.  
On May 23, 2012, Anna Catalan, the former director of the College Assistance Migrant Program (CAMP) at Santiago Canyon College, was arrested based on an indictment in U.S. District Court, Central District of California, charging her with wire fraud. The indictment alleges that from June 2008 through April 2011, Catalan participated in a scheme to defraud CAMP of approximately \$90,000 by awarding funds to students who were not eligible and converting stipend checks of CAMP students for her personal use.

*Contact: Chaun Eason, (202)-245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending June 1, 2012**

*Significant Events:*

- Project director's spouse sentenced.  
On May 25, 2012, in U.S. District Court, District of North Dakota, William Kazena was sentenced to 48 months probation and was ordered to pay \$22,349.63 in restitution. Kazena pled guilty to embezzlement and theft from Indian Tribal Organizations, conspiracy, and aiding and abetting. Kazena was a member of a group of eight people who fraudulently used grant funds intended for the Spirit Lake Reservation to pay for over \$80,000 in personal items for family members and friends of the project director/Kazena's spouse. To date, two people have been sentenced, five are awaiting sentencing, and one entered into a pretrial diversion agreement.
  
- South Carolina fraud ring member pleads guilty.  
On May 30, 2012, Deena Holmes pled guilty in U.S. District Court, District of South Carolina, to conspiracy to commit mail fraud, wire fraud, and student financial aid fraud for her distance education scheme at the University of Phoenix, Grand Canyon University, Capella University, and other institutions. Since December 2006, Holmes participated in a scheme to obtain the personal information of her co-defendants and others for a fee, knowing that they were not eligible to enroll or did not intend to attend school. The total loss from this fraud scheme exceeds \$400,000. Holmes is the 13<sup>th</sup> fraud ring member to plead guilty.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending June 8, 2012**

Significant Events:

- Puerto Rico Department of Education payment officer pleads guilty to conspiracy and bribery.  
On May 31, 2012, Richard Marcano, Puerto Rico Department of Education (PRDE) payment officer, pled guilty to conspiracy to commit bribery concerning programs receiving Federal funds. From January 2008 to February 2010, vendors School Solutions, Service Pro, and Teren allegedly paid money and provided goods to PRDE officials in exchange for favorable treatment in awarding \$7.65 million in procurement contracts and the expeditious payment of invoices. The accused vendors and Certified Public Accountant allegedly conspired to commit money laundering by concealing the ownership of the proceeds.
- Former American Samoa Department of Education official sentenced.  
On June 4, 2012, Gustav Nauert, former head of the school bus division for the American Samoa Department of Education (ASDOE), was sentenced in U.S. District Court, District of Hawaii, to 25 months imprisonment and was ordered to pay \$100,000 in restitution for his role in a bribery scheme involving school bus maintenance procurements. Our joint investigation with the FBI and the Department of Interior Office of Inspector General revealed that from January 2003 until October 2006, Nauert and co-conspirator Paul Solofa received bribes totaling approximately \$300,000. In January 2012, in U.S. District Court, Washington, D.C., Paul Solofa was convicted of witness tampering and obstruction of justice.
- Former Texas superintendent pled guilty to mail fraud.  
On June 7, 2012, Larry Gene Devitt, former superintendent of the Ira Independent School District, pled guilty in U.S. District Court, Northern District of Texas, to mail fraud. Our investigation found that from July 2006 to July 2007, Devitt used school funds and vendors for his personal benefit by misrepresenting the purchases as legitimate school expenses.
- Former Wisconsin public school teacher charged.  
On June 5, 2012, Shurone Nash, a former Milwaukee City public school teacher, was charged in U.S. District Court, Eastern District of Wisconsin, with wire fraud and filing a false tax return. From 2002 through 2008, Nash allegedly used two identities to fraudulently obtain student loans in excess of the lifetime limit and to assist her daughter in obtaining Federal grant funds she was not entitled to receive. In addition, Nash allegedly filed false tax returns to fraudulently receive tax refunds, and attempted to discharge debts by lying during a bankruptcy proceeding. Nash's alleged fraudulent activities caused a loss of more than \$92,000 to the Department and the Internal Revenue Service.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending June 15, 2012**

*Significant Events:*

- Former university associate dean and professor pled guilty to false statements.  
On May 24, 2012, in U.S. District Court, Southern District of California, Olga Amaral, former associate dean of San Diego State University-Imperial Valley Campus (SDSU-IVC) and Leslie Garrison, former SDSU-IVC professor each pled guilty to false statements related to a \$90,000 grant kickback scheme involving Amaral's company. Amaral and Garrison were principal investigators for grants awarded by the Department and the National Science Foundation at SDSU-IVC and falsely certified they had read relevant project administration guide for paying out Federal grant funds.

Former Chief Financial Officer for American Samoa Department of Education sentenced.  
Paul Solofa was sentenced on June 8, 2012, in U.S. District Court, District of Columbia, to 35 months in prison for his efforts to obstruct a grand jury and a law enforcement investigation. The investigation developed evidence that Solofa met with a bus parts vendor and told him to destroy documents relevant to the investigation. Gustav Nauer, head of the school bus division for the American Samoa Department of Education, was sentenced on June 4, 2012, for his role in the bribery scheme.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending June 22, 2012**

Significant Events:

- Release of final audit report, “Department’s Negotiated Rulemaking Process for Gainful Employment.”  
Our audit found no improper disclosure of sensitive information by Department officials in their communications with outside parties or other Executive Branch agencies and no other concerns regarding Department activities preceding the release of the gainful employment Notice of Proposed Rulemaking (GE NPRM). We did find instances where outside parties informed the Department that they had received nonpublic information from individuals outside of the Department, but they identified the original source of that information as entities outside of the Department. While we found that the Department appropriately handled sensitive information, we determined that it lacked written protocols and transparency regarding communications with outside parties before the GE NPRM was published and did not require all Department employees who worked on the GE regulations to file a financial disclosure report. The Department noted its commitment to ensuring that all aspects of the negotiated rulemaking process are handled appropriately and stated that it would take action to address our recommendations. We issued this report on June 21, 2012.
- Release of final inspection report, “U.S. Department of Education’s Nonprocurement Suspension and Debarment Process.”  
We found that the Department’s two-tiered nonprocurement suspension and debarment process is inefficient and lacks the characteristics identified by the Government Accountability Office as common across active and effective suspension and debarment programs. The Department did not concur or non-concur with any of our findings or recommendations, but provided comments in response to each recommendation. We released this report on June 22, 2012.
- Former employee at Arizona charter school management company pleads guilty.  
On June 15, 2012, Matt Williams, a former employee at Outlook Management, pled guilty to fraudulent schemes and practices in Arizona Superior Court for his participation in a scheme to over report student attendance, causing the disbursement of approximately \$2.3 million in unearned State equalization funds to the Franklin Arts Academies. Between 2004 through 2007, as the attendance administrator for the four-campus charter school, Williams fraudulently submitted approximately 351 names of fictitious and former students through the State education data system.
- Former Puerto Rico Department of Education chief procurement officer and others pled guilty.  
On June 14, 2012, former Puerto Rico Department of Education (PRDE) chief procurement officer Luis Conde, PRDE payment officer Juan Vazquez, and PRDE vendors Juan Mattei and Adonay Ramirez pled guilty to conspiracy to commit bribery concerning programs receiving Federal funds. The investigation revealed that from January 2008 to February 2010, Mattei, vice-president of School Solutions, and Ramirez, president of Service Pro, conspired to pay PRDE officials Conde and Vazquez in exchange for favorable treatment to their corporations and others regarding \$7.65 million in procurement contracts. Richard Marcano, PRDE payment officer, previously pled guilty.

- River Rouge school official charged.

On June 18, 2012, director of State and Federal programs for the River Rouge School District Delores Reid was charged in a criminal complaint in U.S. District Court, Eastern District of Michigan, with acceptance of a bribe. Reid allegedly received cash, trips, and luxury items in exchange for providing preferential treatment to the owner of a company that provided tutoring services for the River Rouge schools.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending July 6, 2012**

Significant Events:

- Release of final audit report, “The Department’s External Audit Resolution Process.”  
We found that the Department’s audit resolution system for external OIG audits was not effective and audits were not resolved timely. We identified 53 audits that were overdue for resolution as of June 30, 2010, which included questioned costs that totaled \$568 million. As of December 31, 2011, the Department had lost the opportunity to recover \$415 million of these costs because the statute of limitations had expired. We determined that the Post Audit Group did not ensure that the resolution process for external OIG audits was operating effectively and did not ensure that the Department complied with Office of Management and Budget Circular A-50 requirements or its own internal policies. The Department agreed with our conclusion that there have been longstanding challenges related to the timeliness and effectiveness of the external audit resolution process and provided planned correction actions for each of our recommendations. We issued this report on July 3, 2012.
- New York City beauty school owner and son convicted of fraud.  
On June 28, 2012, owner of USA Beauty School International (USAB) Pamela Yuen and her son, USAB financial aid administrator Dominick Bonomolo, were convicted in U.S. District Court, Southern District of New York, for conspiracy, student financial aid fraud, and wire fraud. From at least 2006 through 2011, Yuen and Bonomolo created false high school diplomas and falsified and instructed others to falsify Federal financial aid forms and attendance records. At the conclusion of trial, Yuen and Bonomolo were remanded to Federal prison. Our investigation previously resulted in five guilty pleas from others involved in this fraud scheme.
- Former cooperator indicted for mortgage fraud and student aid fraud.  
On June 27, 2012, Paul Tomko was indicted in U.S. District Court, Northern District of Ohio, with conspiracy to commit wire fraud, wire fraud in connection with a mortgage fraud scheme, student aid fraud, and making false statements to the Probation Department for the U.S. District Court, Northern District of Ohio. Tomko entered into a paid cooperation agreement with a Federal law enforcement agency that required him to be responsible for and make disclosure of his own mortgage fraud-related violations and to assist in other mortgage fraud investigations. He allegedly concealed from the Probation Department the income he received as a cooperator and falsely stated that the law enforcement agency had approved him operating a mortgage business from his residence. He allegedly concealed these income sources to fraudulently obtain financial aid from the Department of Education.
- Fraud ring participant pleads guilty.  
On May 17, 2012, Brenda Cortez pled guilty in U.S. District Court, Northern District of Iowa, to a criminal information charging her with student financial aid fraud and bank fraud. During 2006 and 2007, Cortez participated in a scheme to obtain identifying information from students willing to participate, used their identities to apply for financial aid, and arranged to have their financial aid refund checks delivered to Post Office boxes under her control. The loss from this scheme was approximately \$270,000.

Contact: Chaun Eason, (202) 245-7001

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending July 13, 2012**

Significant Events:

- Puerto Rico Department of Education procurement officer, vendors, and Certified Public Accountant plead guilty.  
Between June 28 and July 2, 2012, Puerto Rico Department of Education (PRDE) procurement officer Olga Diaz and PRDE vendors Ruben Mattei and Julio Perrone pled guilty to conspiracy to commit bribery concerning programs receiving Federal funds. On June 29, 2012, Certified Public Accountant (CPA) Mario Rodriguez pled guilty to conspiracy to commit money laundering. From January 2008 to February 2010, Mattei and Perrone of vendor School Solutions and CPA Rodriguez conspired to pay PRDE official Diaz to receive favorable treatment in awarding and expeditious payment of invoices to their corporation and others associated with \$7.65 million in procurement contracts. Our investigation also found that they concealed the ownership of the proceeds of their unlawful activity. Five other individuals including, Luis Conde, PRDE chief procurement officer, previously pled guilty.
- Fraud ringleaders plead guilty to conspiracy.  
On July 10, 2012, Rubin Taylor and Mary Taylor pled guilty in U.S. District Court, District of South Carolina, to conspiracy to commit wire fraud and student loan fraud. From April 2008 to March 2011, the Taylors used personal information of their co-defendants to enroll them in online courses at the University of Phoenix and Western Governors University and obtain Federal student aid, knowing that none of their co-defendants were eligible to enroll as regular students. This fraudulent activity caused the disbursement of more than \$110,000 in student aid funds. These are the last convictions in a 12-person fraud scheme.
- Former school district official indicted.  
On July 11, 2012, Dolores Reid, former Director of State and Federal Programs for the River Rouge School District, was indicted in U.S. District Court, Eastern District of Michigan, for accepting a bribe. Reid allegedly received money and other things of value in connection with her official duties.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending July 20, 2012**

Significant Events:

- Former charter school officials sentenced.

On July 13, 2012, Hugh Clark, former Board Chairman of New Media Technology Charter School (NMTCS), and Ina Walker, former CEO at NMTCS, were sentenced in U.S. District Court, Eastern District of Pennsylvania, for wire fraud, conspiracy, theft from a Federally-funded program, bank fraud, and aiding and abetting. The two stole \$522,000 of NMTCS funds to fund a non-profit private school they controlled and other personal business ventures. They also defrauded the Wilmington Savings Fund Society of \$357,500. Clark was sentenced to 24 months in prison and 5 years probation. Walker was sentenced to 6 months in prison, 5 years probation, and 100 hours community service. They also were jointly ordered to pay \$861,000 in restitution.

- Talent search provider pleads guilty.

On July 12, 2012, Robert McFarland, former Executive Director of New Orleans Educational Talent Search (NOETSP), pled guilty in U.S. District Court, Eastern District of Louisiana, to theft. Our joint investigation with the FBI determined that McFarland embezzled over \$350,000 from the non-profit organization by writing checks to himself or to cash, making ATM cash withdrawals, and obtaining numerous cash advances on NOETSP credit card accounts.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending July 27, 2012**

Significant Events:

- Charter school founder and administrators indicted.  
On July 24, 2012, in U.S. District Court, Eastern District of Pennsylvania, June Brown, former CEO and founder of four charter schools, was indicted for wire fraud, obstruction of justice, witness tampering, and conspiracy. Other charter school executives Joan Chalker, Michael Slade, Courteney Knight, and Anthony Smoot were indicted for conspiracy to obstruct justice and obstruction of justice. Brown allegedly utilized two management companies she controlled, Cynwyd Group and Academic Quest, to defraud Agora Cyber charter school and Planet Abacus charter school, two of the charter schools that she founded. She allegedly falsified a contract between Cynwyd Group and the schools that resulted in \$5.6 million in fraudulent payments from Agora and \$700,000 in fraudulent payments from Planet Abacus. Brown and her co-conspirators allegedly falsified documents and financial records in an attempt to conceal their actions.
- Former employee at Arizona charter school management company sentenced.  
On July 19, 2012, Matt Williams, a former employee at Outlook Management, was sentenced in the State of Arizona Superior Court to 3 years of probation, and was ordered to pay \$1,951,813 in restitution and \$105 in court fees for his participation in a scheme to over report student attendance. Between 2004 through 2007, as the attendance administrator for the four-campus charter school, Williams fraudulently submitted approximately 351 names of fictitious and former students through the State education data system.
- Project director sentenced for conspiracy and theft of Vocational Rehabilitation Funds.  
On July 23, 2012, Martina Kazena was sentenced in U.S. District Court, District of North Dakota, to 3 months in a halfway house, 7 months home confinement, and 3 years supervised release with restitution to be scheduled for a later date. Kazena was 1 of 8 individuals indicted in a scheme to misapply over \$80,000 in Federal grant funds intended for members of the Spirit Lake Reservation. Kazena approved fraudulent timesheets and expenditures for family members and friends for personal expenses. As a result of this fraud scheme, 6 people have been sentenced, 1 entered into a pre-trial diversion agreement, and 1 is awaiting sentencing.
- Former Wisconsin public school teacher pleads guilty.  
On July 25, 2012, Shurone Nash, a former Milwaukee City public school teacher, pled guilty to wire fraud and filing a false tax return in U.S. District Court, Eastern District of Wisconsin. Nash orchestrated a scheme to use two identities to file false tax returns, obtain graduate student loans in excess of the lifetime aggregate subsidized loan limit, and assist her daughter in obtaining Federal grant funds she was not entitled to receive by falsifying her income. Nash's fraudulent actions caused a loss in excess of \$92,000 to the Department and the Internal Revenue Service.
- Fraud ring co-conspirator pleads guilty.  
On July 19, 2012, Maria Hurt pled guilty to mail fraud in U.S. District Court, Western District of Wisconsin. Between August 2003 and January 2010, the defendants used the personal identifiers of over 50 individuals to fraudulently obtain over \$400,000 in Federal and State student financial aid at post-secondary schools in Minnesota.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending August 3, 2012**

*Significant Events:*

- State educational employee pleads guilty to theft of 21<sup>st</sup> Century Grant Funds.  
On July 30, 2012, Yashira Marrero pled guilty in U.S. District Court, District of Rhode Island, to theft of Federal program funds. From 2007 through June 2009, Marrero worked as an administrative assistant for the Rhode Island state technical education high school where he managed the 21<sup>st</sup> Century Community Learning Center grant program funds. He embezzled approximately \$27,400 by creating and submitting false vendor invoices for payment and purchasing airline tickets for personal trips.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending August 17, 2012**

Significant Events:

- Fairfax County Public School District agreed to False Claims Act settlement.  
On August 2, 2012, the Fairfax County School Board signed a settlement agreeing to pay \$1 million to settle allegations under the False Claims Act that the District provided false and misleading information on its Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) grant application. Our investigation determined that in fiscal year 2000, the Fairfax County Public School District's GEAR-UP grant application contained forged signatures and falsely represented the participation level for in-kind contributions for some of its grant partners. The investigation also found that the grant writers altered financial data on the Partner Identification Forms and Cost Share Worksheets for multiple grant partners and used financial information from a failed prior year grant submission. The falsified information caused Fairfax County to receive grant funds that it might not have been eligible to receive. Fairfax County wrongfully received approximately \$1.6 million in GEAR-UP funds before terminating the grant.
- Civil complaint filed against former school owner.  
On August 8, 2012, an amended False Claims Act complaint was filed in U.S. District Court, Eastern District of Oklahoma, against Shirley Z. Smith, former cosmetology school owner. The complaint alleges that Smith relocated two campuses, School of Hair Design and Poteau Beauty College, from Oklahoma to Texas and Arkansas without notifying the Department. Smith allegedly used the school codes of the Oklahoma campuses to make it appear as though students in Texas and Arkansas were attending the schools in Oklahoma. The complaint seeks treble damages of \$1,436,193 and other civil penalties amounting to not less than \$429,000 and not more than \$858,000.
- Fraud ring member pleads guilty in distance education fraud scheme.  
On August 13, 2012, Kevinal Wheeler pled guilty to conspiracy to commit mail fraud, wire fraud and bank fraud in U.S. District Court, Middle District of Georgia. From January 2010 to December 2011, Wheeler participated in a scheme to fraudulently enroll in online courses at Rio Salado College and American Public University, knowing that he had no intention to participate as a regular student. Overall, this fraudulent activity caused Federal student aid to be awarded in excess of \$335,000. Wheeler is the second of four defendants to plead guilty.
- Former financial aid employee and two others indicted in fraud scheme.  
On August 15, 2012, Dorothy Granberry, a former financial aid employee at a college in Michigan, Kenrico Scott, and Dajon Cross were indicted U.S. District Court, District of Arizona, for conspiracy, false statements, financial aid fraud, Housing and Urban Development fraud, and bankruptcy fraud. Granberry allegedly failed to properly report her income on a recent bankruptcy filing and allegedly conspired with Scott and Cross in a false application scheme to obtain at least \$320,000 in Federal student aid and \$20,000 in Section 8 funds for themselves and others.

Contact: Chaun Eason, (202) 245-7001

**OFFICE OF INSPECTOR GENERAL**  
**For the week ending August 24, 2012**

Significant Events:

- Former superintendent and school board secretary indicted for theft and official misconduct.  
Former superintendent Alex Boyd and school board secretary Mable Chapman of West Harvey Dixmoor School District #147, Harvey, Illinois, were indicted for theft and official misconduct. Boyd allegedly used his school-district issued credit card to make more than \$57,000 in unauthorized purchases, converted his district-provided term life insurance policy into a whole life insurance policy to capitalize on more than \$50,000 in early withdrawals, and without board approval reimbursed himself approximately \$350,000 for over 560 sick and vacation days which he did not accrue. Chapman allegedly assisted Boyd in carrying out his fraud, used the district credit card to purchase personal airline tickets, hired family members into the school district, and used school district staff for home maintenance.
- City manager pleads guilty to program fraud.  
On August 9, 2012, Ralph D. Imbrogno pled guilty in U.S. District Court, Western District of Pennsylvania, to program fraud. Clairton city manager Imbrogno fraudulently steered painting contracts for the West Mifflin Area School District to his son's painting business.
- Woman Sentenced in Distance Education Fraud Scheme.  
On August 21, 2012, Kimberly Hodnett was sentenced in U.S. District Court, Northern District of Georgia, for her role in a distance education fraud scheme at Rio Salado Community College. Hodnett was sentenced to 12 months incarceration, 36 months supervised released, and was ordered to pay \$212,279 in restitution. Since 2007, Hodnett enrolled ineligible people and submitted fraudulent Free Applications for Federal Student Aid, in exchange for a fee. Most individuals she enrolled for a fee did not possess a high school diploma, GED, or equivalent.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending August 31, 2012**

Significant Events:

- Civil complaint filed against for-profit school chain.  
On August 23, 2012, a civil complaint was filed in U.S. District Court, Northern District of Texas, against ATI Enterprises of North Richland Hills, Texas. The complaint alleges that ATI misrepresented job placement statistics at three of its Dallas-area campuses in order to maintain State approval of its programs and Title IV eligibility. ATI also allegedly enrolled ineligible students, falsified high school diplomas, kept students enrolled who should have been dropped, and made false representations to students regarding future employability and potential earnings. During the period of the complaint, 2005-2012, the three campuses received approximately \$236,000,000 in Federal student aid.
- Puerto Rico Department of Education procurement supervisor pleads guilty to conspiracy to commit bribery.  
On August 29, 2012, Puerto Rico Department of Education (PRDE) procurement supervisor Daniel Erazo pled guilty to conspiracy to commit bribery concerning programs receiving Federal funds. Our investigation found that from January 2008 to February 2010, vendors School Solutions, Service Pro, and Teren conspired to pay Erazo in exchange for favorable treatment associated with \$7.65 million in procurement contracts. Erazo is the 11th of 13 defendants to plead guilty.
- Former Texas school district administrator sentenced for conspiracy to commit mail fraud.  
On August 22, 2012, Tomas Gabaldon, former El Paso Independent School District (EPISD) Associate Superintendent for Special Education, was sentenced in U.S. District Court, Western District of Texas, to 48 months incarceration to be followed by three years supervised release and was ordered to pay \$2,046,500.00 in restitution. Our investigation revealed that Gabaldon accepted a bribe from software vendor Strategic Governmental Solutions in exchange for helping it obtain a multi-million dollar contract with EPISD. Gabaldon previously worked as a Program Specialist with the Department's Office of Special Education and Rehabilitative Services.
- Former DC public school teacher sentenced for student loan fraud, social security fraud, and false statements.  
On August 22, 2012, in U.S. District Court, District of Maryland, Deloris LaVelle Ennis was sentenced to 10 months confinement and 3 years probation as a result of her guilty plea to student loan fraud, social security fraud, and false statements in a bankruptcy proceeding. Our investigation found that Ennis used multiple social security numbers to obtain over \$94,000 in Federal student loans to attend Bowie State University and filed for bankruptcy using yet another social security number.
- Syracuse, New York woman pleads guilty.  
On August 24, 2012, Maurisha Dixon pled guilty in U.S. District Court, Northern District of New York, to aggravated identity theft, wire fraud, false representation of a social security number, and offense committed while on release. Our investigation determined that Dixon used false identities and fraudulent documents to obtain more than \$200,000 in educational loans and bank account funds.

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**OFFICE OF INSPECTOR GENERAL**  
**For the week ending September 14, 2012**

Significant Events:

- Release of final audit report, “Centers for Independent Living, Compliance, Performance, Recovery Act Reporting, and Monitoring.”

We found that the Department’s Rehabilitation Services Administration (RSA) did not adequately oversee centers for independent living (CILs) authorized under the Rehabilitation Act. It did not conduct the required percentage of onsite reviews and did not randomly select CILs for review, as required by the Rehabilitation Act. We found that CILs offered services that met the Rehabilitation Act requirements but did not maintain adequate evidence of compliance with Recovery Act requirements, and that annual CIL performance reports were only partially supported. We recommend that: RSA explore alternatives to assist in meeting the onsite review requirements; required by the Rehabilitation Act; randomly select CILs for review; work with Congress to change the Rehabilitation Act to reflect an appropriate level of monitoring; implement standardized sampling methodology for onsite validation of annual performance, and provide this audit report to all CILs and remind all CILs of their responsibility to maintain adequate documentation; provide Recovery Act training to CILs; five CILs follow Office of Management and Budget guidance in calculating jobs created or retained for future reporting periods; certain CILs provide supporting documentation for \$39,123 in expenditures charged to the grant or return the funds to the Department and require time and effort certifications for time spent on grant activities. The Department concurred with our findings and recommendations and submitted additional information to provide context as well as the effect RSA’s monitoring and oversight has on CIL compliance. We issued this report on September 12, 2012.

- Detroit woman pleads guilty to mail fraud.

On September 6, 2012, in U.S. District Court, Eastern District of Michigan, Shirley Jimerson pled guilty to mail fraud. From June 2007 through March 2009, Jimerson enrolled and filed false Federal Applications for Student Financial Aid for herself and at least 73 other friends and family members at the University of Phoenix, most of whom did not have a required high school diploma or GED. Jimerson completed the coursework for those she enrolled and received a portion of the student financial aid funds when the funds were disbursed. As a result of the scheme, \$261,482 in Federal student financial aid was disbursed to the school, \$129,863.80 of which the school sent to the scheme participants.

- Woman enters Pretrial Diversion Program for her participation in a fraud ring.

On June 15, 2012, Finnie Itavy Terrell entered the Pretrial Diversion Program in U.S. District Court, Northern District of Georgia, for her role in a distance education fraud scheme at Rio Salado Community College. Terrell provided her personal information to a co-defendant to enroll in Rio Salado College and apply for Federal student aid with no intention of attending the college. As part of the agreement, prosecution of this offense will be deferred. The total loss from this fraud scheme exceeds \$200,000.

- Former administrative assistant for non-profit sub grantee sentenced.

On August 30, 2012, Denise Smith was sentenced in the U.S. District Court, District of Utah, to 30 months incarceration followed by 3 years supervised release, and restitution to be determined at another hearing, as a result of her previous guilty plea to mail fraud. As an administrative assistant at the English Skills Learning Center (ESLC), an adult education center in Salt Lake

County, Smith fraudulently used grant funds awarded by the Department, Health and Human Services, and Housing and Urban Development. Smith also used ESLC credit card accounts for personal expenses and falsified documents to cover up the fraud.

*Contact: Chaun Eason, (202) 245-7001*



**OFFICE OF INSPECTOR GENERAL**  
**For the week ending September 21, 2012**

Significant Events:

- Touro College pays \$7 million dollar settlement.  
A joint initiative by Investigation Services and Audit Services resulted in Touro College signing a \$7 million settlement agreement with the Department on August 18. Beginning in 2007, OIG examined Touro's administration of student aid programs at their off-site locations and branch campuses, and issued an audit report in 2008 (A02H0008). We determined that Touro did not fully comply with Title IV institutional and program eligibility requirements and disbursed more than \$36 million in Title IV funds to 4,310 students who attended 9 ineligible locations. The settlement agreement was executed in coordination with OIG, FSA, OGC, and the Department of Justice.
- Inspector General participates in press conference on fraud ring indictments.  
On September 18, the Inspector General, accompanied by the Assistant Inspector General for Investigations and the Special Agent in Charge for the OIG's Western region participated in a press conference held by the United States Attorney for the Eastern District of California highlighting the indictments of members of student aid fraud rings operating in California, with a total estimated loss exceeding \$870,000, as further described in the following.
- Alleged fraud ring members indicted.  
On September 3, 2012, Michelle Wright, Janeigh Mendoza, Kenneth Wright, Jaymar Brown, Jennifer Brown, and Brandy Miner were indicted for conspiracy to commit financial aid fraud, mail fraud, and aggravated identity theft for allegedly obtaining over \$285,000 in Federal student aid funds by recruiting people to act as straw students and applying for financial aid on their behalf at eight California schools. Members of another alleged fraud, Stacey Lee, Deana Nolen, Erisheniqua Dixon, Willie Prude, and Cheaney Key were indicted in U.S. District Court, Eastern District of California, for conspiracy and mail fraud on August 30, 2012. Lee was the alleged ringleader who allegedly recruited and enrolled family and friends in Cerro Coso Community College, Antelope Valley College, Barstow Community College, and San Diego City College. The straw students allegedly obtained approximately \$250,000 in financial aid and split the proceeds with Lee. On August 16, 2012, April L. Myles and Shauna M. Fabrega were indicted in U.S. District Court, Eastern District of California, for mail and wire fraud for allegedly obtaining personal identifying information from straw students and other people to apply for an estimated \$150,000 in financial aid.
- Vice president of New Jersey proprietary school pleads guilty to theft.  
On September 20, in U.S. District Court, District of New Jersey, Vice President of Prism Education Group Diane Bowler pled guilty to theft concerning programs receiving Federal funds. From 2008 to 2011, Bowler submitted fraudulent reimbursement requests and invoices for more than \$400,000 for purchases of supplies, furniture, equipment, and other items that Prism never received. Bowler wrote checks payable to herself, forged the Prism's Chief Executive Officer's signature on the checks, and diverted and deposited them into her personal bank account.

Contact: Chaun Eason, (202) 245-7001

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending October 5, 2012**

Significant Events:

- Final Issuance of Peer Review Report of the Department of Housing and Urban Development OIG.

We conducted a peer review of the Department of Housing and Urban Development (HUD) Office of Inspector General (OIG)'s Audit Organization. HUD OIG received an overall rating of pass. We issued a letter of comment identifying minor issues and providing recommendations for improvement. We issued the final report on September 28, 2012.

- Puerto Rico Department of Education chief procurement officer sentenced for conspiracy and bribery.

On September 26, 2012, Puerto Rico Department of Education (PRDE) chief procurement officer Luis Conde was sentenced to 13 months incarceration, 3 years supervised release, and 360 hours of community service. From January 2008 to February 2010, vendors School Solutions, Service Pro, and Teren paid money and provided goods to Conde and other PRDE officials in exchange for favorable treatment in awarding \$7.65 million in procurement contracts and the expeditious payment of invoices. Eleven people have pled guilty; Conde is the second to be sentenced.

- Pennsylvania man indicted for student loan fraud.

On September 26, 2012, Robert Price was indicted in U.S. District Court, Middle District of Pennsylvania, for conspiracy and wire fraud. Between 2005 and 2007, Price allegedly conspired with his former wife, a former employee of the Harrisburg Area Community College, to receive approximately \$13,000 in Stafford loans and Pell grants and approximately \$92,000 in private student loans, with no intention of attending school. Price allegedly used the funds to purchase illegal drugs, jewelry, tattoos, and vehicles.

- Arizona State prison inmates plead guilty.

Former inmates Elizabeth Meza, Analisa Delgado, and current inmate Denise Wheeler pled guilty for their involvement in a fraudulent enrollment scheme at Rio Salado College. The individuals used personal identifying information for several inmates to enroll straw students to fraudulently obtain approximately \$150,000 in student financial aid. On September 7, 2012, Meza pled guilty to theft of government funds; on September 18, 2012, Delgado pled guilty to conspiracy; and on September 20, 2012, Wheeler pled guilty to financial aid fraud. One additional co-conspirator previously pled guilty.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending October 12, 2012**

Significant Events:

- Former El Paso, Texas School District Superintendent sentenced for conspiracy to commit mail and wire fraud. On October 5, 2012, former El Paso Independent School District (EPISD) Superintendent Lorenzo Garcia was sentenced in U.S. District Court, Western District of Texas, to 42 months incarceration, 3 years supervised release, and was ordered to pay \$180,000 in restitution and a fine of \$56,500. Our investigation revealed that Garcia directed EPISD staffers to manipulate State and Federally mandated annual reporting statistics to keep EPISD compliant with requirements of the No Child left Behind Act and to achieve his contractual bonuses. Garcia fraudulently misrepresented the school district meeting or exceeding its adequate yearly progress standards by directing others to reclassify student grade levels and other manipulations to prevent qualified students from taking the mandated state assessment test. Garcia also assisted an EPISD contractor, Infinity Resources and Associates, to obtain a \$450,000 no-bid contract with EPISD.
  - Financial advisor indicted on million dollar fraud scheme. On October 3, 2012, Frederick V. McMenimen III was indicted for fraud in U.S. District Court, District of New Hampshire. McMenimen allegedly engaged in an investment scheme and defrauded over a million dollars from victims which he used for his personal benefit. McMenimen allegedly did not report the funds he expended for his personal benefit on his children's applications for student financial aid.
  - Three Mississippi fraud ring members plead guilty. On October 10, 2012, Stephanie R. Brewer pled guilty to conspiracy and Laketa and Laketra Vaughn each pled guilty to student financial aid fraud in U.S. District Court, Southern District of Mississippi. From February 2008 until September 2009, Stephanie Brewer managed a scheme that submitted fraudulent online student admission and financial aid applications for people for a fee of approximately \$800 from the aid awarded to each individual. These people never intended to attend Pikes Peak Community College. To date, ten individuals have pled guilty, with a total fraud loss exceeding \$220,000.
- Former associate superintendent pleads guilty. On October 9, 2012, former head associate superintendent for Organizational Development and Human Resources for Pontiac Public Schools Jumanne Sledge plead guilty to theft of Federal program funds in U.S. District Court, Eastern District of Michigan. On or about February 2, 2010, Sledge directed a subordinate at the Pontiac Public Schools to issue a check for \$236,000 payable to "Leadership Academy," an entity controlled by Sledge. Sledge provided a fraudulent invoice for \$236,000 and converted the funds for personal use.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending October 19, 2012**

*Significant Events:*

- Former Oklahoma superintendent and local business owner charged in bribery scheme.  
On October 16, 2012, former Skiatook Public School System (SPSS) superintendent, Gary Johnson, and local business owner, Rick Enos, were charged in U.S. District Court, Northern District of Oklahoma, with conspiracy to defraud the United States and to corruptly solicit, accept, give, and offer things of value. SPSS allegedly paid excessive prices for custodial supplies and security equipment to Enos in exchange for Enos providing Johnson with cash and items of value, such as football tickets.
- Former director of finance indicted for embezzlement and theft.  
On October 17, 2012, former Westside Community Schools comptroller and director of finance, James M. Clark, was indicted in U.S. District Court, District of Nebraska, for embezzlement and theft from a program receiving Federal funds. From 2004 to 2010, Clark allegedly defrauded the school district of over \$193,000 by issuing school checks for cash; purchasing over 600 gift cards and other items for personal use; and receiving duplicate or other additional compensation for work he performed at the school's foundation. He also allegedly opened an unauthorized credit card account to make personal purchases and paid the monthly balances with school district funds.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending October 26, 2012**

Significant Events:

- Release of final audit report, “The Department’s Management of the Federal Real Property Assistance Program.”  
Our audit determined that the Department could improve its management of the Federal Real Property Assistance (FRPA) program. Specifically, we found that while the Department’s awarding process under its FRPA program was generally appropriate, further improvements are needed. The Department did not compile surplus property screening lists in accordance with its own criteria, did not always correctly calculate applicants’ Public Benefit Allowance discounts, and approved incomplete applications. . With regard to monitoring, we found that grantees did not consistently submit utilization reports as required, the Department did not request utilization reports in instances where grantees failed to submit such reports by the applicable due date, and the Department did not always document or complete in a timely manner follow-up activities in response to issues identified during case specialists’ reviews of utilization reports. We also found that the Department did not schedule site visits within the first 12 months following conveyance for almost all of the properties in our sample and that, in some cases, property files were missing site inspection reports and documentation of required follow-up. The Department concurred with each of our recommendations and described planned corrective actions. We issued this report on October 23, 2012
- Release of final audit report, “U.S. Department of Education’s Compliance With Executive Order 13520, “Reducing Improper Payments” for Fiscal Year 2011.” We found that for FY 2011 the Department complied with Executive Order 13520, adequately addressed improper payment risks, and described an adequate level of oversight to reduce and recapture improper payments. However, we found that the Department did not consider Pell Program recipients who did not use the Internal Revenue Service (IRS) Data Retrieval Tool (DRT) and recipients who were not selected for verification in its improper payment monitoring and oversight efforts. The IRS DRT enables financial aid applicants to transfer certain income and tax information from an IRS Web site directly to their online Free Application for Federal Student Aid. We recommended that the Department study Pell Program recipients who do not use the IRS DRT and who are not selected for verification. The Department concurred with the finding and recommendation. We issued this report on October 22, 2012.
- Florida man pled guilty to conspiracy, student aid fraud, and aggravated identity theft.  
On October 23, 2012, in U.S. District Court, Middle District of Florida, James Boyd pled guilty conspiracy to commit student financial aid fraud, student aid fraud, and aggravated identity theft for his part in a scheme to recruit individuals who were ineligible to fraudulently submit financial aid applications to St. Petersburg College totaling more than \$400,000. Boyd used his corporation, Graduate Assistance and Consolidations, owned by himself and his wife Shaneva Boyd, to negotiate financial aid checks made out to the alleged students and received a portion the fraudulent proceeds.

- Former cosmetology school CEO pleads guilty to student aid fraud and making a false statement on Federal tax returns.

On October 23, 2012, former H.D. Adcock and Associates (HDAA) CEO, Penny Burns, pled guilty to a criminal information filed in the U.S. District Court, Western District of Tennessee, charging her with student financial aid fraud and filing false statements on a tax return. In January 2009, Burns caused incorrect student financial aid data to be submitted to the Department and failed to return Title IV funds. In addition, for calendar years 2006 and 2007, Burns failed to report over \$330,000 in taxable income on her Federal tax returns that she received as CEO of HDAA and from T&P Cosmetics, a sole proprietorship whose only clients were schools owned or partially owned and operated by HDAA.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending November 9, 2012**

Significant Events:

- Issuance of final audit report, “The U.S. Department of Education’s Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2012.”  
We found that the Department made progress in remediating issues identified in our previous Federal Information Security Management Act (FISMA) reviews. Specifically, it complied with 3 of the 11 reporting metrics: continuous monitoring, contractor systems, and security capital planning. However, we identified non-compliance with the remaining eight metrics. Six of those — configuration management, identity and access management, risk management, security training, remote access management, and contingency planning—we previously had identified in reports issued from FY 2009 through FY 2011. This report recommends establishing and sustaining an effective information security program that complies with FISMA, Office of Management and Budget, and National Institute of Standards and Technology requirements. We issued the report on November 7, 2012.
- Admissions representative pled guilty to defrauding student financial aid programs.  
On November 9, 2012, former admissions representative at Empire Education Group, Katie Champion, pled guilty to student aid fraud in U.S. District Court, District of New Jersey. Our investigation revealed that Champion used fraudulent high school diplomas to enroll ineligible students for classes at Empire Beauty School and the ineligible students received approximately \$279,000 in Federal student aid.
- Fraud ring member sentenced in distance education fraud scheme.  
On November 1, 2012, Kevinal Wheeler was sentenced in U.S. District Court, Middle District of Georgia, for his role in a distance education fraud scheme at Rio Salado College and the American Public University System. Wheeler was sentenced to 30 months incarceration, 36 months supervised release, and was ordered to pay \$139,087 in restitution. From January 2010 to December 2011, Wheeler participated in a scheme to fraudulently enroll in online courses at Rio Salado College and American Public University, knowing that he had no intention to attend school. This scheme caused more than \$335,000 of Federal student aid to be disbursed. Wheeler is the first of three individuals to be sentenced.
- Former New Orleans talent search executive sentenced.  
On November 1, 2012, former Executive Director of New Orleans Educational Talent Search, Robert McFarland, was sentenced in U.S. District Court, Eastern District of Louisiana, to 16 months incarceration, 2 years supervised release, and was ordered to pay \$356,675 in restitution. Our investigation found that McFarland wrote checks to himself with TRIO funds to support a gambling habit and made false statements in his organization’s bankruptcy filing to conceal his alleged crime. The organization filed for bankruptcy protection after our audit revealed improprieties with its accounts.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending November 2, 2012**

Significant Events:

- Former Oklahoma superintendent and local business owner pled guilty in bribery scheme.  
On October 26, 2012, former Skiatook Public School System (SPSS) superintendent, Gary Johnson, and local business owner, Rick Enos, pled guilty in U.S. District Court, Northern District of Oklahoma, to conspiracy to defraud the United States and to corruptly solicit, accept, give, and offer things of value. Our investigation revealed SPSS paid excessive prices for custodial supplies and security equipment to Enos in exchange for Enos providing Johnson with cash and items of value, such as football tickets, for a loss of approximately \$657,000.
- South Carolina fraud ring leader and five co-conspirators sentenced.  
Between September 27, 2012, and October 17, 2012, LaTanya Cochran, Tameko and Kourtney Fishburne, Sierria Thomas, Shanean Glaze, and Marvin Spell were sentenced in U.S. District Court, District of South Carolina, for conspiracy to commit mail fraud, wire fraud, and student financial aid fraud. Beginning in December 2006, Cochran devised and participated in a scheme to obtain personal information of her co-conspirators and others to enroll them for a fee in online courses at the University of Phoenix and other institutions, knowing that they were either not eligible to enroll or had no intention of attending school. Tameko Fishburne, a South Carolina Department of Corrections employee, also recruited co-workers to participate in the scheme. The scheme caused the disbursement of over \$680,000 in Federal student aid. Cochran was sentenced to 18 months incarceration, 3 years supervised release, and was ordered to pay \$130,280 in restitution. Glaze was sentenced to 12 months incarceration, 3 years supervised release, and was ordered to pay \$116,797 in restitution. The Fishburnes, Thomas, and Spell were each sentenced to 5 years probation and were ordered to pay \$14,244, \$20,208, \$23,675 and \$7,459 in restitution, respectively. All 15 people involved in the scheme have pled guilty to conspiracy and 10 of them have been sentenced.
- Fraud ring leaders sentenced.  
On October 24, 2012, Nicole and Richard Griffin were sentenced in U.S. District Court, Western District of Wisconsin, to 20 months incarceration and 18 months incarceration respectively, 3 years supervised release, and were ordered to pay \$333,546.55 in restitution for defrauding the Federal student aid program. Between August 2003 and January 2010, the Griffins fraudulently used the personal identifiers of over 50 people to fraudulently apply for over \$400,000 of student financial aid.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending November 16, 2012**

Significant Events:

- Virgin Islands senator and staff members indicted for racketeering.  
On November 8, 2012, Virgin Islands Senator Alvin Williams, Jr., and legislative staff members, Garry Sprauve and Kim Blackett, were indicted in U.S. District Court, District of the Virgin Islands, for racketeering, bribery, and conspiracy to commit wire fraud. Williams allegedly sought an online degree from the University of Phoenix by submitting course work generated by others but representing that he did the work himself.
- One South Carolina fraud ringleader and two members sentenced.  
Between November 5, 2012, and November 7, 2012, Shannon Fishburne, Mayella Saxon, and Helen Ross were sentenced in U.S. District Court, District of South Carolina, for conspiracy to commit mail fraud, wire fraud, and student financial aid fraud. Beginning in December 2006, Fishburne, Saxon, and Ross devised and/or participated in a scheme to obtain the personal information of their co-conspirators and others to enroll them, for a fee, in online courses at the University of Phoenix and other institutions to obtain federal student aid, knowing that the individuals were not eligible to enroll or had no intention of attending school. Saxon and Ross were employed at the South Carolina Department of Corrections and were recruited to participate in the scheme by one of the co-defendants at the Corrections facility. Fishburne was sentenced to 18 months incarceration, 3 years supervised release, and was ordered to pay \$39,196 in restitution. Saxon was sentenced to five years of probation and was ordered to pay \$2,897 in restitution. Ross was sentenced to five years of probation and was ordered to pay \$6,358 in restitution. All 15 people involved have been sentenced.
- Fraud ringleaders sentenced for conspiracy.  
On November 7, 2012, Rubin Taylor and Mary Taylor were sentenced in U.S. District Court, District of South Carolina, to conspiracy to commit wire fraud and student loan fraud. Rubin Taylor was sentenced to 15 months incarceration, 3 years supervised release, and was ordered to pay \$26,575 in restitution. Mary Taylor was sentenced to 6 months incarceration, 3 years supervised release, and was ordered to pay \$62,336 in restitution. From April 2008 to March 2011, the Taylors devised a scheme to obtain personal information of their co-defendants to enroll them in online courses at the University of Phoenix and Western Governors University and obtain Federal student aid, knowing that none of the co-defendants were eligible to enroll. This fraudulent activity caused the disbursement of more than \$110,000 in student aid funds. The Taylors are the final people in the fraud ring sentenced.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending November 23, 2012**

*Significant Events:*

- Former school district official convicted of bribery and mail fraud.  
On November 15, 2012, former director of State and Federal programs for the River Rouge Michigan School District, Dolores Reid, was convicted of bribery and wire fraud in U.S. District Court, Eastern District of Michigan. Reid accepted thousands of dollars for giving preferential treatment to a company that provided tutoring services to the school district, under the Supplementary Educational Services provision of the No Child Left Behind Act. Reid promoted the company by telling students' parents that the tutoring services were mandatory. Her fraudulent actions caused the school district to lose approximately \$160,000.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending November 30, 2012**

Significant Events:

- Final audit reports issued, “Financial Statement Audits for Fiscal Years 2012 and 2011—U.S. Department of Education.” On November 16, 2012, OIG transmitted the final audit reports covering the Department’s FY 2012 comparative financial statements. The Department earned an unqualified (clean) opinion on its comparative financial statements. However, the report noted a material weakness in internal control; modified repeat deficiencies relating to credit reform estimation, financial reporting processes, and controls surrounding information systems; and found that the Department’s financial management systems did not substantially comply with certain systems requirements of the *Federal Financial Management Improvement Act* because of the control weaknesses surrounding information systems. The Department concurred with the findings and recommendations in the reports.
- Final audit reports issued, “Financial Statement Audits for Fiscal Years 2012 and 2011—Federal Student Aid.” On November 16, 2012, OIG transmitted the final audit reports covering FSA’s FY 2012 comparative financial statements. FSA earned an unqualified (clean) opinion on its comparative financial statements. However, like the audits for the Department described above, the report noted a material weakness in internal control; modified repeat significant deficiencies relating to credit reform estimation, financial reporting processes, and controls surrounding information systems; and found that the Department’s financial management systems did not substantially comply with certain systems requirements of the *Federal Financial Management Improvement Act* because of the control weaknesses surrounding information systems. FSA concurred with the findings and recommendations in the reports.
- Release of final audit report, “Financial Statement Audits for Fiscal Years 2012 and 2011—U.S. Department of Education Special-Purpose Financial Statements.” On November 16, 2012, OIG transmitted the final audit report covering the Department’s FY 2012 and FY 2011 special-purpose financial statements. The Department earned an unqualified (clean) opinion on its comparative special-purpose financial statements; however, the report indicated that the auditors consider deficiencies they found related to controls surrounding the Department’s Debt Management Collection System and ACS, Inc. Education Servicing System to be a material weakness, and controls surrounding information systems to be significant deficiencies. The Department’s review procedures failed to identify errors in the reclassified financial statements and in the intra-governmental balances reported.
- Former compliance officer sentenced. On November 21, 2012, former compliance officer for the Spirit Lake Vocational Rehabilitation Program, Tonya Jetty, was sentenced in U.S. District Court, District of North Dakota, to 3 months in a residential re-entry center and 7 months electronic home confinement, 3 years supervised release, and was ordered to pay \$95,328.14 in restitution for her role in a scheme to embezzle program funds. Our investigation determined that grant funds were fraudulently used to pay over \$80,000 in personal expenses for family members and friends of the project director, Martina Kazena. Jetty allowed the misapplication and personally benefited from the improper expenditures. Jetty and six other people have been sentenced.

- Wisconsin man pled guilty to student aid fraud, mail fraud, and aggravated identity theft. On November 14, 2012, in U.S. District Court, Eastern District of Wisconsin, Russell Harris pled guilty to student financial aid fraud, mail fraud, and aggravated identity theft. Harris operated an unaccredited high school, charged students \$150 for a high school diploma and, through an application process, obtained the students' personal identifiers. Harris enrolled at least 255 students in at least two on-line colleges and had their financial aid refunds mailed to his high school's address. As a result, over \$300,000 in Federal student aid was disbursed and Harris received refund checks totaling more than \$108,000.
- Former accountant for New York City beauty school enters into a deferred prosecution agreement for conspiracy. On November 28, 2012, the former accountant of USA Beauty School International, Mary Wu, entered into a deferred prosecution agreement in U.S. District Court, Southern District of New York, for conspiracy to commit education program fraud. According to the criminal complaint, Wu allegedly created job titles for fake employees and issued false W-2 forms for purported employees. She also allegedly notarized false documents to obtain Federal student aid. Wu is the eighth employee or former employee of the school to be charged. Five people have pled guilty and the two were convicted.
- Former Wisconsin public school teacher sentenced. On November 29, 2012, a former Milwaukee City public school teacher, Shurone Nash, was sentenced in U. S. District Court, Eastern District of Wisconsin, to 20 months incarceration, 3 years supervised release, and was ordered to pay \$65,560 in restitution for wire fraud and tax fraud. Our investigation found that Nash orchestrated a scheme to use two social security numbers to file false tax returns to fraudulently receive tax refunds, obtain graduate student loans in excess of the lifetime aggregate subsidized loan limit, and assist her daughter in obtaining Federal grant funds she was not entitled to receive. Nash's fraudulent actions caused a loss in excess of \$92,000 to the Department and the Internal Revenue Service.
- Puerto Rico Department of Education vendor sentenced for conspiracy and bribery. On November 26, 2012, Puerto Rico Department of Education (PRDE) vendor, Adonay Ramirez, was sentenced to 3 years probation, 416 hours of community service, and was ordered to pay a \$20,000 fine. Our investigation revealed that Ramirez, who was the president of vendor Service Pro, conspired to corruptly pay PRDE officials in order to receive favorable treatment in the awarding and the expeditious payment of invoices to his corporation and others associated with \$7.65 million in procurement contracts. Eleven people have pled guilty and Ramirez is the third to be sentenced.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending December 7, 2012**

Significant Events:

- OIG presented at FSA Annual Training Conference.  
In conjunction with Kathleen Styles, (Chief Privacy Officer, Office of Management) and Dr. Linda R. Wilbanks, (Chief Information Security Officer, FSA), Special Agent in Charge, Steven Anderson and Assistant Special Agent in Charge, Christopher Cooper provided a series of presentations entitled “Your Role in Helping FSA Prevent Identity Fraud” during the FSA Annual Conference, November 26-30, 2012. The presentations provided financial aid administrators information about handling data breaches, identifying fraud rings, and protecting personal identifying information of students.
- Former Federal programs compliance officer indicted.  
On December 5, 2012, former San Antonio Independent School District Federal programs compliance monitor, Anthony Mayhan, was indicted in U.S. District Court, Western District of Texas, for bribery. From 2005 to 2011, Mayhan allegedly misused his position by soliciting and accepting monies from vendors for a loss estimated at over \$200,000. The vendors provided janitorial and maintenance services to Title I portable buildings placed at private schools in San Antonio.
- Milwaukee choice school founder pled guilty.  
On December 3, 2012, founder of private choice school Excel Academy, Gregory Goner, pled guilty to filing a false tax return in U.S. District Court, Eastern District of Wisconsin. Goner misapplied Excel’s funds for non-educational purposes including the purchase of apartment buildings, paying a church deacon, and leasing space at the church where he was the pastor. Goner filed a 2007 tax return with the Internal Revenue Service (IRS) that failed to report all his taxable income for the year. Goner has agreed to pay \$68,128 in restitution to the IRS.
- Senior administrator at Baruch College charged in grade changing scheme.  
On December 4, 2012, former senior administrator of the executive master’s degree programs at the Baruch College’s Zicklin School of Business, Christ Koutsoutis, was charged with forgery and falsifying business records. From November 6, 2010, through June 2, 2011, Koutsoutis allegedly completed and filed fraudulent student grade change forms for failing students by forging the signature of the school’s executive director of graduate programs.
- Six Mississippi fraud ring members sentenced.  
In hearings, on November 29 and 30, 2012, Cedrick Thomas, Shameka Smith, Lakeisha Smith, Frances Rigdon, Shawanda Bryant, and Kashayla Henry were sentenced in U.S. District Court, Southern District of Mississippi, for student financial aid fraud. During 2009, these individuals provided false information related to possessing a high school diploma or equivalent on their Free Application for Federal Student Aid to attend Pikes Peak Community College online. Their fraud resulted in losses exceeding \$220,000. Henry and Shameka Smith were each sentenced to 5 years of probation and ordered to pay \$11,537 and \$5,866 in restitution, respectively. Thomas, Lakeisha Smith, and Bryant were each sentenced to 3 years of probation and ordered to pay \$3,745, \$3,931, and \$3,976 in restitution, respectively. Rigdon was sentenced to 2 years of probation and made full restitution prior to sentencing. They are the first of 12 individuals sentenced in this fraud scheme.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending December 14, 2012**

*Significant Events:*

- Release of final alert memorandum, “Debt Management Collection System 2.”  
During our audit of Federal Student Aid’s (FSA) award and administration of the Title IV Additional Servicers contracts, we discovered the inability of the Debt Management Collection System 2 (DMCS2) to accept transfers of defaulted student loans from FSA loan servicers. To address this issue, we recommended that the Department 1) identify each problem related to DMCS2 loan transfers, the source of each problem, and the entire population, 2) establish milestone dates for resolving the cause of each identified problem, 3) establish temporary workarounds as necessary for all identified DMCS2 problems, 4) determine whether DMCS2 can become a fully operational system that will meet all of the baseline functional system requirements, and 5) identify and pursue all available contractual remedies with ACS Education Solutions, LLC for ineffective DMCS2 functionality. In its response to the draft alert memorandum, FSA agreed that this issue is significant and it did not disagree with our recommendations. The final alert memorandum was issued to the Department on December 13, 2012.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending December 21, 2012**

Significant Events:

- Princeton Review agrees to pay up to \$10 million and admits fraud.  
On December 19, 2012, the United States reached a \$10 million settlement with Education Holdings, Inc., formerly Princeton Review, Inc., for its repeated submission of false claims for reimbursement from Title I funds under the Supplemental Educational Services (SES) program to provide tutoring services to children at underperforming schools in New York City. In the settlement, Education Holdings admitted to and accepted responsibility for falsifying student attendance records and submitting claims for reimbursement for tutoring services that it did not provide. This settlement stems from a civil fraud lawsuit filed in April in U.S. District Court, Southern District of New York, that alleged that between 2006 and 2010, supervisors routinely falsified entries on daily student attendance forms to make it appear as though more students had attended tutoring sessions and used threats of termination and pay cuts to pressure employees to maintain high daily student attendance. From 2006 to 2010, Princeton Review received over \$38 million in Title I funds.
- Release of final audit report, “Arkansas: Final Recovery Act Expenditures Supplemental Report.”  
We found that El Dorado and Little Rock School Districts generally obligated and spent the Recovery Act funds we reviewed in accordance with applicable laws, regulations, guidance, and program requirements. However, we questioned El Dorado’s use of \$237,302 in Education Stabilization Fund (ESF) funds for a purpose prohibited by the Recovery Act. We also identified control weaknesses in Little Rock’s asset inventory system that resulted in the district not properly accounting for and safeguarding equipment purchased with Recovery Act funds (and potentially other Federal funds) in a timely manner. We provided a draft of this report to the Arkansas Department of Finance and Administration and the Arkansas Department of Education and neither stated whether they agreed with our findings, but described corrective actions taken to address our recommendations. We issued this report on December 20, 2012.
- Release of final audit report, “Delaware: Final Recovery Act Expenditures Supplemental Report.”  
We found that Red Clay and Christina School Districts generally obligated and spent the Recovery Act ESF, Title I, and IDEA funds in accordance with applicable laws, regulations, guidance, and program requirements. However, we identified an internal control weakness in Christina’s payroll adjustment process that resulted in it obligating ESF funds for personnel services that occurred after the September 30, 2011, obligation deadline. Delaware Department of Education concurred with the audit results. We issued this report on December 19, 2012.
- Beauty school owner and son sentenced for fraud scheme.  
On December 17, 2012, proprietors of USA Beauty School (USAB), Pamela Yuen, and her son, Dominick Bonomolo, were sentenced in U.S. District Court, Southern District of New York. Yuen was sentenced to 18 months imprisonment and was ordered to pay \$3,299,620 in forfeiture and \$3,299,620 in restitution. Bonomolo was sentenced to one year and one day imprisonment and was ordered to pay \$1,833,122 in restitution. Our investigation found that Yuen and Bonomolo created fake Chinese high school diplomas, falsified low-income support statements, and misreported information on FAFSAs to enroll ineligible students. As a result, from 2006 – 2010, over \$3 million in Pell grants was improperly disbursed.

- Director of the New York Zicklin School of Business at Baruch College pleads guilty.  
On December 19, 2012, Christ Koutsoutis, pled guilty to an information in New York Superior Court charging him with forgery and falsifying business records. Our investigation found that Koutsoutis changed grades of students enrolled in Baruch College's executive MBA programs, forged signatures of Baruch administrators on grade-change forms, and falsified missing assignments as completed work. Baruch received over \$74 million in Federal student aid last year.
- Fraud ringleader and two ring members charged.  
On December 14, 2012, in U.S. District Court, Eastern District of Michigan, fraud ringleader, Nina Cooks, was charged with student financial aid fraud, and Jacquelyn Robinson and Sandra Roberts were charged for their participation in the fraud ring. The criminal information alleged that between 2006 and 2010, Cooks recruited 40 people, including Robinson and Roberts, who were not students and did not intend to complete their online courses, to apply for Federal student aid funds. Approximately \$650,000 in Federal student aid was disbursed as a result of this alleged fraud scheme.
- Four indicted for their participation in fraud ring.  
On December 13, 2012, Luther Hampton, Jr., Ulysses Hampton, Ulysses Hampton, Jr., and Brian Hickman were indicted for mail fraud, conspiracy to commit mail fraud, and student assistance fraud in U.S. District Court, Eastern District of Michigan, for their participation in a financial aid fraud ring. Luther Hampton and his brother Ulysses allegedly signed up people for financial aid at several proprietary online colleges, helped people cash their refund checks, and received a portion of the proceeds. Luther allegedly received refund checks mailed to addresses under his control. Brian Hickman and Ulysses Hampton, Jr. allegedly participated in the fraud ring as straw students. Over \$500,000 in Federal student aid was disbursed as a result of this alleged fraud.
- Current and former Arizona state prison inmates sentenced in fraud ring.  
On December 3, 2012, Elizabeth Meza, Analisa Delgado, and Denise Wheeler were sentenced for their roles in a scheme to defraud ED of approximately \$150,000 in Federal Student Aid (FSA) funds via the distance education program at Rio Salado College, a scheme that included inmates from the Arizona Department of Corrections. Meza previously pled guilty to theft of government funds and was sentenced to 30 months in prison, 3 years probation, and was ordered to pay \$44,450 in restitution. Prison inmate Delgado was sentenced to 18 months in prison following her scheduled 2018 release, 3 years probation, and was ordered to pay \$6,138 in restitution. Wheeler previously pled guilty to FSA fraud and was sentenced to 3 years probation.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending December 28, 2012**

Significant Events:

- \$4 million fraud settlement.  
On December 20, 2012, the United States settled a civil fraud lawsuit against New York Institute of Technology (NYIT) and Cardean Learning Group (Cardean) for submitting false claims in connection with Federal student loans and grants, in U.S. District Court, Southern District of New York. The settlement agreement requires NYIT to pay \$2.5 million and Cardean to pay \$1.5 million in damages. Our investigation found that from 2003 through 2007, NYIT contracted with Cardean, a for-profit provider of on-line education, to permit students of Ellis College, an on-line school, to use NYIT's eligibility for Federal student loan and grant funding and to receive degrees issued by NYIT in exchange for a percentage of Cardean's revenue. Ellis College students did not take NYIT courses. Cardean used recruiters who were paid incentive compensation based on the number of students they enrolled in Ellis College. As a result of this fraud, NYIT improperly received millions in grants and loans.
- Education consulting company owner indicted for conspiracy and bribery.  
On December 17, 2012, Edna Goble was indicted in U.S. District Court, Northern District of Mississippi, for conspiracy, bribery concerning Federal funds, and aiding and abetting. In January 2010, Goble's company, Teach Them to Read, contracted with the Greenville, Mississippi Public School District (GPS). Between January 2010 and May 2011, Goble allegedly paid personal expenses of the former GPS's former Superintendent, Harvey Franklin, for steering contracts to her company, resulting in disbursement of approximately \$1.4 million in Federal grant funds.
- Former Technical College employee and co-conspirator pled guilty to mail fraud conspiracy.  
On December 13, 2012, Fiasha Paul and Tarshikia Pickens pled guilty to conspiracy to commit mail fraud in U.S. District Court, District of South Carolina. As a Piedmont Technical College placement test supervisor and monitor, Paul devised a scheme where she or others sat for the placement tests of Pickens and other people in exchange for a fee. Pickens had no desire to enter college to further her education, but rather to obtain financial aid checks to pay for personal expenses. The conspirators caused in excess of \$50,000 of Federal student aid to be disbursed in the names of ineligible recipients. Four of the ten people participating in the scheme have pled guilty.
- Former admissions representative sentenced for defrauding student financial aid programs.  
On December 21, 2012, in U.S. District Court, District of New Jersey, David Benton Jr. was sentenced to 6 months home confinement, 60 months of probation, a \$25,000 fine, and 300 hours of community service for Federal Student Aid fraud. Benton previously pled guilty for using fraudulent high school diplomas and general equivalency diplomas to enroll ineligible students for classes at Empire Beauty School. Our investigation revealed that ineligible students at Empire Bordentown received approximately \$247,000 in Federal student aid.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending January 4, 2013**

Significant Events:

- Oregon charter school management company and two former executives charged with misuse of Federal and State charter school funds.

On January 3, 2013, the Oregon Attorney General's Office filed a civil complaint against EdChoices, a charter school management firm and its former Director and Chief Financial Officer, Tim King and Norm Donohoe, respectively, for their misuse of State education funds and Federal Title V-B charter school start-up grant funds. The civil complaint seeks over \$19 million in restitution, including approximately \$3.6 million in Title V-B grants. Our investigation revealed that King, Donohoe, and EdChoices allegedly violated Oregon statutes related to charter schools by failing to provide audit reports, submitting grant expenditure and activity reports that contained false statements, using improper student accounting procedures, comingling school funds, lacking operational presence, and improperly merging charter schools. The alleged false statements on the grant expenditure and activity reports caused the Oregon Department of Education to continue to allow EdChoices to request and receive Title V-B funds.

- \$1.2 million fraud settlement.

On December 21, the United States settled a potential False Claims Act case against Norwich University in Vermont. The settlement, which was approved in U.S. District Court, District of Vermont, includes a requirement that Norwich pay \$1,281,168. Our investigation found that from approximately 2004 through 2007, a high ranking university official instructed students to claim that they were independent of their parents, even when they were not, in an effort to receive Federal student assistance to which they were not entitled.

- Release of final audit report, "Maryland: Use of Funds and Data Quality for Selected ARRA Programs."

We found that Maryland generally obligated and spent the Recovery Act funds we reviewed in accordance with applicable laws, regulations, guidance, and program requirements. However, we also determined that the two Maryland LEAs we reviewed, Baltimore City and Prince George's County, made almost \$363,000 in unallowable expenditures, almost \$347,000 in unsupported expenditures, and almost \$27,000 in inadequately supported expenditures. We recommended that the Maryland State Department of Education improve its monitoring of expenditures by subrecipients and provision of guidance to LEAs. Maryland and the LEAs did not concur with all our findings and recommendations. We issued this report on January 3.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending January 11, 2013**

*Significant Events:*

- California Central Valley residents indicted. On December 20, 2012, Piersha Woolridge, Yvette August, Kim Gray, and Keith Woolridge were indicted for conspiracy to commit mail fraud, mail fraud, and aggravated identity theft in U.S. District Court, Eastern District of California. These people allegedly obtained personal identifying information of others and applied for financial aid.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending January 18, 2013**

Significant Events:

- Former Virgin Islands Senator pled guilty to racketeering.  
On January 17, 2013, former Virgin Islands Senator Alvin Williams, Jr. pled guilty in U.S. District Court, District Court of the Virgin Islands, to racketeering. Our investigation revealed that Williams bribed public officials and received bribes from numerous St. Thomas construction project developers. He fraudulently increased staff member salaries and used the increase of funds for his personal use. Williams also used Virgin Islands Legislative staff members to do his University of Phoenix online coursework.
- Former beauty school employees sentenced for role in fraud scheme.  
On January 14, 2013, former employees of USA Beauty School (USAB), Mei Chun Tam and Eileen Goh were sentenced in U.S. District Court, Southern District of New York, for their roles in a fraud scheme through which USAB received over \$3 million in Pell grants from 2006 through 2010. Tam was sentenced to 24 months probation and was ordered to pay restitution of an undetermined amount. Goh was sentenced to time served and was ordered to pay \$1,000 in restitution. Our investigation revealed that Tam fabricated attendance records to enroll ineligible students and Goh created fake high school diplomas.
- Fraud ring members guilty.  
On January 11, 2013, Dontreal Jenkins and Trevayne Jones were found guilty in U.S. District Court, Middle District of Georgia for conspiracy, embezzlement, and aggravated identity theft. Jones was also found guilty for misleading statements. Our investigation revealed that from January 2010 to December 2011, Jenkins and Jones participated in a scheme to fraudulently enroll students in online courses at Rio Salado College and American Public University, knowing they had no intent to enroll as regular students. As a result of this fraudulent activity, more than \$335,000 in Federal student aid was awarded.
- Parent pled guilty to mail fraud.  
On January 10, 2013, James Penney pled guilty to mail fraud in U.S. District Court, Middle District of Pennsylvania. Our investigation determined that between 2004 and 2008, Penney forged his father-in-law's signature to cosign numerous student loan documents for his four children. As a result, approximately \$215,000 in fraudulent loans were disbursed.
- Former Western Pennsylvania City manager sentenced for program fraud.  
On January 16, 2013, Ralph D. Imbrogno was sentenced in U.S. District Court, Western District of Pennsylvania to 5 months incarceration, 5 months home detention, 3 years supervised release, and was ordered to pay \$94,439 in restitution. Imbrogno pled guilty in August 2012, to program fraud. Our investigation revealed that Imbrogno, while serving as the Clairton City manager, fraudulently steered painting contracts for the West Mifflin Area School District to his son's painting business.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending January 25, 2013**

*Significant Events:*

- Charter school founder and administrators indicted. On January 22, 2013, Dorothy June Brown, former CEO and founder of four charter schools, and Joan Walker, CEO of another charter school, were each charged with wire fraud and obstruction of justice. Allegedly, Brown and Chalker caused Laboratory Charter School (Laboratory) to illegally pay them approximately \$214,095 in compensation. They also allegedly fabricated Laboratory records to appear that Laboratory owed them unused vacation and sick pay. Michael Slade, CEO of Laboratory, and Courteney Knight, former CEO of Ad Prima Charter School, were both indicted for obstruction of justice for allegedly fabricating board resolutions of Laboratory and Ad Prima Charter School. The new indictments are in addition to the previous indictments that alleged that the defendants defrauded the charter schools of more than \$6.5 million.
- Three family members indicted in Arizona distance education fraud ring. On December 18, 2012, Rita Pacchiana, Deno Easter, and Leah Houghton were indicted in U.S. District Court, District of Arizona, for conspiracy to commit Federal student aid fraud and mail fraud. Additionally, Rita Pacchiana and Deno Easter were indicted for aggravated identity theft. The defendants allegedly caused the fraudulent disbursement of over \$270,000 in Federal student aid by submitting false student aid applications and posing as other students and submitting course work in their names for on-line college courses at Rio Salado College.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending February 8, 2013**

Significant Events:

- Release of final audit report, “Teacher Incentive Fund Stakeholder Support and Planning Period Oversight.”  
We found weaknesses in the Department’s processes for reviewing and evaluating applications with regard to the involvement and support of stakeholders. We also found that improvements are needed in the Department’s monitoring process for Teacher Incentive Fund planning period grantees. The Department disagreed with both of the findings and one of the four recommendations. In response to the Department’s comments, we modified recommendations. We issued the report on February 8, 2013.
- Release of final report, “OIG’s Independent Report on the Department’s Detailed Accounting of Fiscal Year 2012 Drug Control Funds.”  
We found nothing that caused us to believe that management’s assertions contained in the Department’s detailed accounting report were not fairly stated in all material respects. The Department’s fiscal year 2012 accounting report, and the accompanying OIG authentication, was required to be submitted to the Office of National Drug Control Policy by February 1, 2013.
- Milwaukee choice school founder sentenced.  
On January 31, 2013, Gregory Goner, the founder of Excel Academy, a private choice school in Milwaukee, was sentenced in U.S. District Court, Eastern District of Wisconsin, to 24 months probation, 4 months home confinement, and was ordered to pay a \$100 fine and to cooperate with the Internal Revenue Service to determine and repay his tax liabilities, estimated to be approximately \$68,000. Goner was previously charged for having misapplied Excel’s Federal education funds for personal expenses.
- Former administrator of Baruch College’s Zicklin School of Business sentenced for fraud.  
On February 6, 2013, Chris Koutsoutis, former senior administrator of the Executive MBA programs at the Baruch College’s Zicklin School of Business, was sentenced to 6 months imprisonment and 5 years probation in New York City criminal court. Koutsoutis changed the grades of students who were enrolled in Baruch College’s Executive MBA programs from failing to passing in order to raise the students’ grade point averages to meet the school’s graduation requirements. Koutsoutis forged the signatures of other Baruch administrators on grade-change forms and documented missing work as being completed by the students.  
*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending February 15, 2013**

Significant Events:

- Former Oklahoma superintendent sentenced in bribery scheme.  
On February 7, 2013, former Skiatook Public School system superintendent Gary Johnson was sentenced in U.S. District Court, Northern District of Oklahoma, to 12 months and 1 day in prison, 36 months supervised release, and was ordered to pay \$207,590.01 in restitution. In October 2012, Johnson and local business owner Rick Enos pled guilty to conspiracy to defraud the United States and to corruptly solicit, accept, give and offer things of value. Our investigation revealed that the school system paid excessive prices for custodial supplies and security equipment to Enos in exchange for Enos providing Johnson with cash and items of value, such as football tickets. As a result of this scheme, the school system was overbilled approximately \$657,000. Enos' sentencing is set for February 22, 2013.
- Fraud ring member pleads guilty.  
On February 11, 2013, Erisheniqua Dixon pled guilty to conspiracy to commit financial aid fraud. Dixon was one of five people charged in U.S. District Court, Eastern District of California, for their roles in a student financial aid fraud ring that targeted Cerro Coso Community College, Antelope Valley College, Barstow Community College, and San Diego City College. From April 2008 until March 2012, Dixon and her co-conspirators fraudulently obtained approximately \$250,000 in Federal student aid.
- Massachusetts man sentenced on fraud charges.  
On February 8, 2013, in U.S. District Court, District of Massachusetts, Mark A. Lizotte was sentenced to 3 months imprisonment and 1 year supervised release. Lizotte previously pled guilty to mail fraud and wire fraud for fraudulently attempting to discharge approximately \$200,000 in debts, which included Federal student loans. Lizotte falsely represented to his creditors and to credit reporting agencies that he was not responsible for the debts because he was a victim of fraud or identity theft.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending February 22, 2013**

Significant Events:

- Release of final audit report, “Puerto Rico Department of Education: Final Recovery Act Expenditures Supplemental Report.”  
The Puerto Rico Department of Education (PRDE) acquired over 6,000 tablet computers costing \$3.5 million in 2011 as part of a Recovery Act project to increase students’ technological skills. We found that more than a year later, teacher and students were not able to use the computers because the required software had not been installed. In addition, PRDE did follow proper procurement procedures when using Recovery funds for five purchases totaling more than \$3.4 million. We also found that PRDE overpaid \$7,000 of Title I Recovery funds to the University of Puerto Rico for professional services not rendered. PRDE outlined a corrective action plan to address our recommendations and provided evidence that it corrected the finding related to \$7,000 overpayment. We issued this audit report on February 20, 2013. The OIG plans to issue a separate audit report to the Department to present the results of our nationwide Recovery Act audit, which includes our Puerto Rico audit work.
- Release of the final inspection report, “U.S. Department of Education’s Monitoring of Investing in Innovation (i3) Program Grant Recipients.”  
We found that program officers regularly engaged with i3 grantees and provided substantive monitoring; however, the Department did not hold i3 grantees accountable when they did not respond to Department’s requests or did not respond timely. We also identified two potential risks to the Department’s ability to adequately monitor i3 grantees in the future. Specifically, if the workload of program officers increases or if the technical assistance for the evaluation component is no longer available, there could be a negative impact on the Department’s ability to monitor i3 grantees. We recommended that the Department: (1) develop appropriate requirements or consequences for i3 grantees that do not respond or do not respond timely to Department requests; (2) continue to monitor any increase in program officers’ workload to ensure adequate monitoring; and (3) ensure that an evaluation technical assistance contractor is available for future cohorts of grantees for the full project period, or find an equivalent alternative for technical assistance. The Department concurred fully with some and in part with others of our findings and recommendations. We issued this inspection report on February 21, 2013.
- Supplemental Educational Services tutoring company and owner sentenced.  
On February 13, 2013, Erika Robinson and her company, Divine Sports Inc., pled guilty in Miami-Dade Circuit Court to an organized scheme to defraud, grand theft, identity theft of a minor, and identity theft. Our investigation, jointly conducted with Miami-Dade OIG, determined that Robinson defrauded the Title I Supplemental Educational Services program by billing tutoring services for phantom students, overbilling for actual students, and submitting false documentation as proof of services rendered at three Miami public schools. Robinson was sentenced to five years probation and was ordered to pay \$158,358 in restitution and \$160,798.70 for the investigative costs incurred by ED OIG and Miami-Dade OIG.



- Fraud ring leader indicted.

On February 13, 2013, Cheryl Jones was indicted for wire fraud in U.S. District Court, District of Arizona, for her role in a Federal Student Aid fraud ring that targeted the distance education program at Rio Salado College. Jones allegedly recruited and enrolled straw students to obtain Federal student aid funds involving more than \$500,000. The indictment alleges that at least 48 students claimed Jones' address as their primary residence and over 100 financial aid refund checks and/or prepaid debit cards were mailed directly to Jones' home or post office boxes.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending March 1, 2013**

Significant Events:

- Release of final report, "OIG's Independent Report on the Department's Performance Summary Report for Fiscal Year 2012."

Based upon our review, nothing came to our attention that caused us to believe that management's assertions contained in the Department's performance summary report are not fairly stated in all material respects. The Department's fiscal year 2012 performance report and the accompanying OIG authentication are required to be submitted to the Office of National Drug Control Policy by March 1, 2013. We issued this report on February 28, 2013.

- Co-conspirators sentenced and two others plead guilty in mail fraud conspiracy at Piedmont Technical College.

On February 20, 2013, Angela Thomas and Jesse Hamilton were sentenced in U.S. District Court, District of South Carolina, for conspiracy to commit mail fraud regarding their participation with two school employees in a placement test scheme at Piedmont Technical College. Thomas was sentenced to 5 years probation, and Hamilton was sentenced to 12 months and 1 day incarceration. Both were ordered to pay \$21,164.05 in restitution, jointly. On the same day, Malcolm Moss and Veronica Marshall pled guilty to conspiracy to commit mail fraud for their participation in the scheme. Nine of the ten people participating in the scheme have pled guilty.

- Oklahoma business owner and former superintendent sentenced in scheme to defraud the Skiatook Public School System.

On February 22, 2013, in U.S. District Court, Northern District of Oklahoma, businessman Rick Enos was sentenced to 15 months incarceration, 36 months supervised release, and was ordered to pay \$338,999 in restitution. Enos previously pled guilty to defraud the United States and to corruptly solicit, accept, give, and offer things of value. On February 7, 2013, Enos's co-conspirator, former Skiatook Public School System Superintendent Gary Johnson, was sentenced to 12 months and 1 day incarceration and was ordered to pay over \$200,000 in restitution. The school system paid excessive prices for custodial supplies and security equipment to Enos in exchange for Enos providing Johnson with cash and items of value, such as football tickets, for a loss of over \$600,000.

- Former ATI employees indicted for conspiracy.

On February 19, 2013, former ATI admissions director Clarissa Villalobos and former ATI admissions representative Melinda Sanchez were indicted in U.S. District Court, Southern District of Texas, for conspiracy to make materially false statements and representations to the United States. Villalobos, Sanchez, and others allegedly coached over 80 prospective students to provide false information on the Free Application for Federal Student Aid to qualify for approximately \$486,476 in Title IV funds while attending ATI's South Texas Vocational Technical Institute.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending March 8, 2013**

Significant Events:

- Former owner of Supplemental Educational Services provider indicted.  
On March 6, 2013, Brian Flaggs, the former owner of Flaggs and Associates Educational Services, was indicted in U.S. District Court, Eastern District of Michigan, for conspiracy and bribery. Allegedly, Flaggs gave his sister-in-law, Delores Reid, the former director of State and Federal programs for the River Rouge School District, between \$10,000 and \$20,000 in cash and other things of value in exchange for preferential treatment in the awarding of a supplemental educational service tutoring services contract. Reid was previously convicted by a jury trial in November 2012 for her role in this scheme.
  
- Former executive director of the Northeastern Intermediate Unit sentenced.  
On March 5, 2013, Fred Rosetti was sentenced in U.S. District Court, Middle District of Pennsylvania, to 33 months incarceration, 2 years supervised release, and was ordered to pay \$137,944.13 in restitution and a fine of \$30,200, from a previous guilty plea to mail fraud and Federal program fraud. As a result of our investigation, Rosetti's \$127,000 yearly pension was revoked by the Pennsylvania public school employees' retirement system. During his tenure as executive director, Rosetti fraudulently converted funds and property of the Northeastern Intermediate Unit (NEIU) for his and his family's personal benefit. Rosetti ordered NEIU employees to perform work on his residence, assist with family events, and create false travel vouchers. Rosetti also fraudulently reported his work hours by not claiming vacation, sick and personal days, which allowed him to receive a large cash payout at the time of his retirement.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending March 15, 2013**

Significant Events:

- Former cosmetology school CEO sentenced.  
On March 11, 2013, Penny Burns, former Chief Executive Officer (CEO) of H.D. Adcock and Associates (HDAA) was sentenced in U.S. District Court, Western District of Tennessee. Burns was sentenced to five years probation for her conviction on student financial aid fraud and filing false statements on a tax return. In January 2009, Burns caused incorrect student financial aid data to be submitted to the Department which caused Title IV funds to be disbursed for which HDAA was not entitled to, and failed to return Title IV funds. The estimated loss from these schemes was over \$464,000. In addition, for calendar years 2006 and 2007, Burns failed to report over \$330,000 in taxable income on her Federal tax returns that she received as CEO of HDAA and from T&P Cosmetics, a sole proprietorship whose only clients were schools owned or partially owned and operated by HDAA. The court will order restitution at a later date.
- Civil complaint and consent judgment filed against former proprietary school owners.  
On March 6, 2013, a Civil False Claims Act complaint was filed in U.S. District Court, Middle District of Louisiana, against former Ascension College owners Dennis Kerr, Fred “Randy” Kerr, and Darryl Kerr. On the same day, the Kerrs reached an agreement with the U.S. Attorney’s Office by entering into a consent judgment in favor of the United States for \$250,000. Our investigation revealed that from 2007 through 2010, the Kerrs fraudulently obtained Federal student financial aid funds of students who had dropped out and were no longer enrolled.
- Postsecondary vocational school vice president pled guilty to education fraud.  
On February 28, 2013, Victoria Vargas, vice president of Universal Careers Community College (UCCC), pled guilty in U.S. District Court, District of Puerto Rico, to education fraud. Our investigation found that Vargas falsified student admission and withdrawal records that resulted in UCCC receiving \$201,868 in Pell grant funds it was not entitled to.
- Supplemental Education Services tutoring company owner indicted.  
In February 19, 2013, in U.S. District Court, Southern District of Ohio, Ashkir Ali, owner of WAISS Network Technologies, was indicted for making false statements and for aggravated identity theft. Ali allegedly defrauded the Department’s Supplemental Education Services program by billing the program for tutoring sessions that were not provided and submitted forms with forged signatures and claims for payments that falsely represented the number of tutoring hours WAISS provided.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending March 22, 2013**

Significant Events:

- Release of final audit report, “U.S. Department of Education’s Compliance with the Improper Payments Elimination and Recovery Act of 2010 for Fiscal Year 2012.”  
We found that the Department complied with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). However, its calculation of the estimated improper payment rate for the Pell program was incomplete. In addition the Department’s proposed methodologies for estimating improper payment rates for the Pell, Direct Loan, and FFEL programs were flawed, and its methodologies for reporting of payment recapture audit programs were not approved by OMB and did not follow OMB guidance. We recommended that the Department ensure that it addresses the issues with the improper payment rate for the Pell program; ensure that the proposed methodologies for estimating improper payment rates for all programs use the appropriate point estimate; disclose the estimate’s confidence limits; and continue to work with OMB to get approved estimation methodologies for Pell, Direct Loan, and FFEL programs to be used in FY 2013 reporting. The Department concurred in full with some recommendations, in part with others, and did not concur with one finding and recommendation.
- Former charter school business manager pleads guilty.  
On March 15, 2013, Anthony Smoot pled guilty to charges of conspiracy to obstruct justice and obstruction of justice in a Federal investigation. Smoot, former business manager of Agora Cyber Charter School, Ad Prima Charter School, Planet Abacus Charter School, and Laboratory Charter School, and four co-conspirators were indicted for allegedly falsifying documents that fraudulently resulted in \$5.6 million in payments to one of Smoot’s co-conspirator’s private management companies.
- Vice president of New Jersey proprietary school sentenced.  
On March 18, 2013, Diane Bowler, vice president of Prism Education Group, Inc., was sentenced in U.S. District Court, District of New Jersey, to 24 months in prison and was ordered to pay \$551,595.92 in restitution. From 2008 to 2011, Bowler misused her position and diverted between \$400,000 and \$1,000,000 of Title IV funds by submitting fraudulent reimbursement requests for purchases of supplies, furniture, equipment, and other items that were never received by the school. Bowler created false invoices and generated fraudulent checks payable to her by forging the Prism’s chief executive officer’s signature.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending March 29, 2013**

Significant Events:

- Former St. Louis charter school board chairman convicted.  
On March 26, 2013, Fred W. Robinson, former chairman of the board of directors for the Paideia Academy Charter School and owner of the Paideia Corporation, was convicted in U.S. District Court, Eastern District of Missouri, of wire fraud and Federal program theft. Our investigation revealed that between 2009 and 2010, Robinson diverted approximately \$240,000 of Paideia Academy funds from a corporate operating account that contained Federal and State grant funds.
- Former charter school CEO charged in two count indictment.  
On March 26, 2013, in U.S. District Court, Middle District of Pennsylvania, Dennis Bloom, former CEO and founder of the Pocono Mountain Charter School (PMCS), was indicted for tax evasion and filing a false tax return. Allegedly, Bloom substantially increased the lease payments the charter school paid to Shawnee Tabernacle Church, of which he is the founder and pastor, and diverted funds to himself. Bloom allegedly concealed the funds to avoid paying related taxes.
- Supplemental Educational Services (SES) provider pled guilty.  
On March 11, 2013, Jarmel A. Bell pled guilty in Crittenden County District Court, West Memphis, Arkansas, to issuing a false financial statement and was ordered to 12 months suspended imposition of sentence probation. Our investigation found that Bell submitted a forged letter from a bank with his SES application to the Arkansas Department of Education to gain approval as an SES provider.
- Former financial aid advisor charged with stealing Federal refund checks.  
On March 21, 2013, in U.S. District Court, District of Massachusetts, Ayana Bean, a former financial aid advisor of Sullivan and Cogliano Training Centers (SCTC), was charged with theft concerning programs receiving Federal funds. Bean allegedly stole over \$62,000 in Federal financial aid by fraudulently endorsing over 100 Federal student refund checks at SCTC using her name and the names of her family members.
- Former Technical College employee and co-conspirator sentenced.  
On March 19, 2013, Fiasha Paul, a placement test supervisor, and Tarshikia Pickens were sentenced in U.S. District Court, District of South Carolina, for conspiracy to commit mail fraud resulting from their participation in a placement test scheme at Piedmont Technical College (PTC). Paul was sentenced to 13 months incarceration and 36 months supervised release, and Pickens was sentenced to 60 months probation. Both were ordered to pay \$21,164.05 in restitution, jointly and severally. Beginning in December 2010, Paul devised a scheme where she or someone else took placement tests for Pickens and other people in exchange for a fee. Pickens had no intention to enroll in college but rather intended to obtain financial aid checks to pay for personal expenses. The conspirators caused in excess of \$50,000 of Federal student aid to be disbursed in the names of ineligible individuals. Four of the ten people participating in the scheme have been sentenced.
- Ring-leader sentenced in distance education fraud scheme.  
On March 21, 2013, Princess Eatmon was sentenced in U.S. District Court, Middle District of Georgia, for her participation in a Federal student aid fraud scheme. Eatmon was sentenced to 48 months incarceration, 3 years supervised release, and was ordered to pay \$139,087 in restitution to the Department. Our investigation revealed that Eatmon submitted fraudulent Free Applications for Federal Student Aid to enroll ineligible people in distance education programs

at Rio Salado College and American Public University, causing the disbursement of over \$330,000 in Federal student aid. Two of the four people involved in this scheme have been sentenced.

Two individuals charged in Michigan with theft of ED funds.

On March 13, 2013, Candace Watkins and Jason Watkins were charged in U.S. District Court, Eastern District of Michigan, with theft of Government funds. Our investigation revealed that they allegedly recruited people to apply for Federal student aid funds for purported attendance at Strayer University. Those recruited were not students and did not intend to complete the online courses. As a result of this scheme, approximately \$124,000 in Federal student aid was disbursed.

- Two U.S. Virgin Islands legislative staff members plead guilty to fraudulent claims.

On March 20, 2013, Kim A. Blackett, a staff member of former Virgin Islands Senator Alvin Williams, pled guilty to fraudulent claims upon the Government in U.S. District Court, District of the Virgin Islands. Blackett admitted to aiding and abetting Williams by completing his University of Phoenix online coursework during work hours. On that same day, Gary Sprauve, another staff member of Williams, pled guilty to conspiracy related to fraudulent claims upon the Government. Sprauve admitted he conspired to solicit a bribe from a developer.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending April 5, 2013**

Significant Events:

- Former executives of sports equipment company plead guilty to defrauding schools nationwide.  
On April 2, 2013, Alan Abeshaus, former CEO of Circle System's Group (CSG), and Mitchell Kurlander, former CFO of CSG, pled guilty to conspiracy to commit mail and wire fraud in U.S. District Court, District of New Jersey. CSG, now known as Schutt Reconditioning, provides services to school districts, private schools, colleges, universities, and professional sports teams nationwide. From 1997 to 2007, Abeshaus and Kurlander submitted fraudulent invoices and fake quotes to schools in order to increase CSG sales and profits and retained \$822,000 in duplicate payments made by the schools. They are the last two of five co-conspirators to enter guilty pleas.
- Former beauty school employee sentenced.  
On April 1, 2013, Kerry Huang, former employee of USA Beauty School (USAB) was sentenced in U.S. District Court, Southern District of New York. From 2006 through 2010, Huang participated in a \$3 million Pell Grant scheme at USAB in which high school diplomas, attendance records, and financial aid documents were fabricated for ineligible students. Huang was sentenced to time served, 12 months supervised release, and was ordered to pay \$100,000 in restitution. Huang is the seventh defendant sentenced.
- Four Ohio residents indicted for conspiracy involving student financial aid.  
On April 2, 2013, Lori A. Martin, Raheem J. Martin, Teresa K. Scott, and Tina M. Mileca were charged with conspiracy to commit mail fraud and wire fraud in U.S. District Court, Northern District of Ohio. Between August 2006 and September 2011, the defendants allegedly conspired to obtain Federal student financial aid that they were not eligible to receive by submitting false eligibility documents to the University of Akron for admission. Approximately \$104,000 in Federal student aid was fraudulently disbursed.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending April 12, 2013**

*Significant Events:*

- United States University settled qui tam lawsuit and financial aid director pled guilty to financial aid fraud.  
On March 21, Educacion Significativa, LLC, doing business as United States University (USU), agreed to pay over \$686,000 in double damages to the Department to settle a qui tam lawsuit relating to USU's misrepresenting graduate students as undergraduates in order for the students to obtain Pell grants. On April 04, Christina Miller, former financial aid director at USU, pled guilty to financial aid fraud. Miller changed information on FAFSAs to make the ineligible graduate students eligible for Pell Grants. As a result of her actions, over \$343,000 in Pell Grants were fraudulently disbursed.
- School district secretary charged.  
On April 11, Donna Sternke, secretary for the Shorewood Wisconsin School District Instructional Services and Special Education Department, was charged by information in U.S. District Court, Eastern District of Wisconsin, for theft concerning programs receiving Federal funds. Between January 1998 and June 2011, Sternke allegedly diverted more than \$300,000 in school district money by creating bogus purchase orders, using school district money for vacations and household items for her and her family.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending April 19, 2013**

Significant Events:

- Fraud ring leader indicted in distance education fraud scheme.  
On April 4, Demetria Barefield was indicted in U.S. District Court, Northern District of Alabama, for student aid fraud and wire fraud. From September 2008 to January 2012, Barefield allegedly enrolled students, without their consent, in online courses at Columbia College and American Public University by submitting fraudulent Free Applications for Federal Student Aid. As a result of this scheme, approximately \$242,000 in aid was fraudulently disbursed. Barefield also enrolled herself in at least eight different online schools without any intent of obtaining a degree. She is the second person to be charged.
- Wisconsin man sentenced for student aid fraud, mail fraud, and aggravated identity theft.  
On April 17, in U.S. District Court, Eastern District of Wisconsin, Russell Harris was sentenced to 75 months imprisonment, 36 months supervised release, and was ordered to pay \$235,750.90 in restitution. From January 2009 through February 2010, Harris operated an unaccredited high school to obtain students' personal information. He charged students \$150 for a high school diploma and obtained personal information through an application process. Harris enrolled students in at least two online colleges and had their financial aid refunds mailed to his school's address. Harris then deposited the refund checks into his bank accounts for personal use.
- United States University settled qui tam lawsuit and financial aid director pled guilty to financial aid fraud.  
On March 21, Educacion Significativa, LLC, doing business as United States University (USU), agreed to pay over \$686,000 in double damages to the Department to settle a qui tam lawsuit relating to USU's misrepresenting graduate students as undergraduates in order for the students to obtain Pell grants. On April 04, Christina Miller, former financial aid director at USU, pled guilty to financial aid fraud. Miller changed information on FAFSAs to make the ineligible graduate students eligible for Pell Grants. As a result of her actions, over \$343,000 in Pell Grants was fraudulently disbursed.
- School district secretary charged.  
On April 11, Donna Sternke, secretary for the Shorewood Wisconsin School District Instructional Services and Special Education Department, was charged by information in U.S. District Court, Eastern District of Wisconsin, for theft concerning programs receiving Federal funds. Between January 1998 and June 2011, Sternke allegedly diverted more than \$300,000 in school district money by creating bogus purchase orders, using school district money for vacations and household items for her and her family.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending April 26, 2013**

Significant Events:

- Trial Conviction of Puerto Rico Department of Education procurement officer.  
On April 19, Puerto Rico Department of Education procurement officer Brenda Velázquez was convicted in U.S. District Court, District of Puerto Rico, for conspiracy to commit bribery concerning programs receiving Federal funds. From January 2008 to February 2010, Velázquez received approximately \$25,000 in cash and goods from vendor representatives of School Solutions, Service Pro, and Teren in exchange for favorable treatment in the awarding of \$2.9 million in procurement contracts. Twelve of thirteen people involved in this scheme have been convicted.
- Western Pennsylvania woman pled guilty to bank fraud and mail fraud.  
On April 25, Meredith L. Shuster pled guilty in U.S. District Court, Western District of Pennsylvania, to bank fraud and mail fraud. Our investigation revealed that from August 2004 through July 2010, Shuster used the identities of her parents to obtain educational loans in excess of \$720,000. Shuster forged her parents' signatures on loan applications and loan checks and then deposited the funds into her bank account.
- Michigan couple pled guilty to theft of ED funds.  
On April 23, Candace Watkins and Jason Watkins pled guilty in U.S. District Court, Eastern District of Michigan, to theft of Government funds. Between 2007 and 2009, the Watkins recruited people to apply for Federal student aid funds for purported attendance at Strayer University. Those recruited were not students and did not intend to complete online courses. Approximately \$147,000 in Federal student aid was disbursed as a result of this scheme.
- Former temporary charter school employee charged in criminal information.  
On April 19, a criminal information was filed in U.S. District Court, District of Columbia, charging Darlene Ford, temporary employee at Cesar Chavez Public Charter Schools' (CCPCS) finance office, for theft from a program receiving Federal funds. From January through March 2010, Ford altered checks totaling \$75,350 issued by CCPCS, forged the signature of the head of CCPCS' finance department, and cashed the checks for personal benefit.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending May 3, 2013**

Significant Events:

- Former associate superintendent sentenced.

On April 17, Jumanne Sledge, former head associate superintendent for Organizational Development and Human Resources for Pontiac Public Schools, was sentenced in U.S. District Court, Eastern District of Michigan, to 12 months imprisonment, 1 year home confinement, 3 years supervised release, and was ordered to pay \$184,000 in restitution. During 2010, Sledge directed an employee at the Pontiac Public Schools to issue him a check in the amount of \$236,000 payable to Leadership Academy, an entity he controlled. He created a fraudulent invoice and converted the funds for personal use.

- Fraud ringleader enters guilty plea.

On April 30, Nina Cooks pled guilty to student financial aid fraud in U.S. District Court, Eastern District of Michigan. Between 2006 and 2010, Cooks recruited approximately 40 people to apply for Federal student aid funds for purported attendance at two online schools and caused the disbursement of approximately \$650,000 in Federal student aid. The recruited people were not students and did not intend to complete their online courses.

- Piedmont Technical College co-conspirators sentenced in mail fraud conspiracy.

On April 11, Malcolm Moss and Veronica Marshall were sentenced in U.S. District Court, District of South Carolina, for conspiracy to commit mail fraud regarding their participation with two school employees in a placement test scheme at Piedmont Technical College. The scheme involved school employees or others who sat for placement tests for others in exchange for a fee. Marshall was sentenced to 60 months probation and was ordered to pay \$21,164.05 in restitution, jointly and severally with the other co-conspirators. Moss was sentenced to time served. They are the last 2 of 10 people to be sentenced.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending May 10, 2013**

Significant Events:

- Puerto Rico Department of Education vendor sentenced for conspiracy and bribery.  
On May 6, Puerto Rico Department of Education (PRDE) vendor Luis Santiago, was sentenced to 1 year probation and 240 hours of community service. Our investigation revealed that from January 2008 to February 2010, Santiago, a salesperson for School Solutions and Service Pro, conspired to pay PRDE officials in order to receive favorable treatment in the awarding and the expeditious payment of invoices associated with \$7.65 million in procurement contracts. Santiago is the fourth person to be sentenced in this case.
- Former beauty school employee sentenced.  
On May 8, Qui Ying Mei, a former employee of USA Beauty School (USAB), was sentenced to time served and was ordered to pay \$500,000 in restitution in U.S. District Court, Southern District of New York. From 2006 through 2010, Mei participated in a \$3 million Pell grant scheme at USAB in which high school diplomas, attendance records, and financial aid documents were fabricated for ineligible students. Mei is the final person to be sentenced in this case.
- Non-profit corporation director enters guilty plea for theft of 21<sup>st</sup> Century grant funds.  
On May 3, Susan Field, director of the Beacon Street Gallery and Performance Company pled guilty plea to theft of Government funds. Fields admitted she converted funds from the 21<sup>st</sup> Century Grant program for her personal use.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending May 17, 2013**

Significant Events:

- Issuance of alert memorandum, “Federal Student Aid Paid Private Collection Agencies Based on Estimates.”

We issued an alert memorandum regarding Federal Student Aid (FSA) having paid \$448 million in commissions and \$8.3 million in bonuses to Private Collection Agencies (PCAs) based on estimates. FSA used estimates because its Debt Management and Collection System 2 (DMCS2) was unable to provide the information necessary to calculate actual commissions and bonuses.

We recommended that FSA calculate any overpayments or underpayments of PCA commissions and bonuses based on actual data, require PCAs to return any overpayments to the Department, address any underpayments, and require PCAs to submit supporting documentation for all commissions invoiced since October 2011. FSA agreed with our recommendations and stated that bonus payments and appropriate adjustments would be calculated in April 2013. However, as of April 30, FSA had not yet done so. We issued this alert memorandum on May 16.

- Issuance of alert memorandum, “Verbal Complaints Against Private Collection Agencies.”

We issued an alert memorandum regarding FSA not enforcing a contract requirement that PCAs report verbal complaints from borrowers to FSA. While performing an audit, we learned that three PCAs, Pioneer Credit Recovery, Performant Financial Corporation, and NCO Financial Systems, Inc., did not report verbal complaints that they had received to FSA. We recommended that FSA enforce the contract requirement that PCAs submit verbal complaints to FSA, and develop a quality assurance program to verify that FSA is receiving all verbal complaints. The comments FSA provided with respect to the alert memorandum responded to our concerns and its proposed corrective actions should resolve our recommendations. We issued this alert memorandum on May 8.

- Former software vendor pleads guilty.

On May 10, Joseph O’Hara, the former owner of Strategic Governmental Solutions, Inc., pled guilty in U.S. District Court, Western District of Texas, to conspiracy to commit mail fraud and deprivation of honest services. Our investigation found that O’Hara paid bribes to an El Paso Independent School District (EPISD) School Board Trustee and a former EPISD Associate Superintendent for Special Education in exchange for a \$2.3 million computer services contract. O’Hara is the last of four defendants to plead guilty in the case. This investigation is not related to the ongoing investigation regarding State assessments.

- 21<sup>st</sup> Century grantee pleads guilty.

On May 13, in U.S. District Court, Northern District of Illinois, Patricia Murphy, a director of the Beacon Street Gallery and Performance Company, pled guilty to mail fraud. Our investigation found that Murphy submitted grant applications containing inaccurate information to fraudulently receive more than \$400,000 in 21<sup>st</sup> Century grant funds. She used the funds to pay for personal credit card expenses, household and medical expenses, personal vehicles, and personal travel. Previously, on May 3, Murphy’s co-director, Susan Field, pled guilty to theft of government funds.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending May 24, 2013**

Significant Events:

Chicago fraud ring leader sentenced.

- On May 22, in U.S. District Court, Northern District of Illinois, Pamela Ivy was sentenced to 1 year and 1 day imprisonment, 1 year supervised release, and was ordered to pay \$103,098 in restitution and a special assessment of \$100. Ivy completed financial aid applications for 10 family members and friends and enrolled them in distance education classes at Kirkwood Community College. Those enrolled were either ineligible to receive financial aid and/or had no intention of participating in classes.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending May 31, 2013**

Significant Events:

- Non-profit agency enters into settlement agreement to resolve fraud allegations.  
On May 24, the U.S. Attorney for Massachusetts reached an \$80,282 settlement with the Greater Lawrence Community Action Council (GLCAC) to resolve allegations that several of its employees, including its former executive director, were paid for work on Federal grants that they did not perform. GLCAC used a portion of its \$2.5 million Full-Service Community Schools grant funds to pay full-time employees while they worked in part-time paid positions with another agency during normal GLCAC hours. In addition, GLCAC's facilities manager, who was paid with grant funds, golfed one or more afternoons per week when he should have been working.
- Individual sentenced for fraudulent use of agency seal.  
On May 23, in U.S. District Court, Eastern District of California, Charles Lee pled guilty to the fraudulent use of an agency seal. During a business transaction, Lee presented a fraudulent *Reinvestment Fund/Stimulus* grant award letter bearing the seals of the U.S. Departments of Education, Energy, and Labor with the forged signature of an ED official. The letter purported to show that Lee was qualified to receive \$1.3 to \$5 million from these agencies and Lee used the letter as collateral for a prospective \$4 million real estate transaction. Lee was sentenced to one-year probation and was ordered to pay a \$1,000 fine.
- Wisconsin school district employee pleads guilty to theft.  
On May 23, Donna Sternke, a Shorewood school district instructional services and special education department employee, pled guilty in U.S. District Court, Eastern District of Wisconsin, to theft concerning programs receiving public funds. Over a 13-year period, Sternke converted more than \$300,000 in school district funds for personal use by creating bogus purchase orders.
- Four Detroit fraud ring members plead guilty.  
Between May 9 and 17, 2013, Luther Hampton, Jr., Ulysses Hampton, Ulysses Hampton, Jr., and Brian Hickman pled guilty in U.S. District Court, Eastern District of Michigan, for their participation in a financial aid fraud ring that defrauded ED of more than \$400,000. On May 10, Luther Hampton, Jr. pled guilty to conspiracy to commit mail fraud for his role as the leader of the fraud ring. Ulysses Hampton, Ulysses Hampton, Jr., and Hickman each pled guilty to student financial assistance fraud on May 9, May 14, and May 17, respectively.
- Former school district official sentenced.  
On May 22, Dolores Reid, former director of State and Federal programs for the River Rouge school district, was sentenced in U.S. District Court, Eastern District of Michigan, to 5 years incarceration, 3 years supervised release, and restitution to be ordered at a later date. Our investigation revealed that Reid accepted cash for preferential treatment for a company owned by her brother-in-law that provided tutoring services under the Supplemental Educational Services provision of the No Child Left Behind Act. Reid promoted the company's tutoring by telling parents of students entering River Rouge High School that the program was mandatory. The Michigan Department of Education ultimately recouped the Title I funds, leaving the River Rouge School District with a loss of approximately \$160,000.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending June 7, 2013**

Significant Events:

- Texas technical college agrees to pay up to \$2.5 million to settle False Claims Act lawsuit.  
On May 31, American Commercial College, Inc. (ACC) entered into a settlement agreement with the U.S. Department of Justice concerning False Claims Act allegations made in a 2012 *qui tam* complaint. The complaint alleged that ACC violated the False Claims Act by falsely certifying that it complied with certain eligibility requirements of the Federal student aid programs. Our investigation determined that ACC orchestrated short-term private student loans that ACC repaid with Federal Title IV funds to artificially inflate the amount of private funding ACC accounted for under the 90/10 Rule.
- Former supplemental educational services (SES) manager pleads guilty to conspiracy.  
On June 5, Michael Logan, a former manager for SES provider TestQuest, Inc., pled guilty in U.S. District Court, Southern District of New York, to conspiracy for his role in submitting false claims for payment for tutoring services that were never provided. Logan instructed TestQuest employees to forge student signatures on attendance forms and have students sign attendance forms for tutoring sessions they did not attend. From 2005 through 2012, TestQuest contracted with the New York City (NYC) Department of Education to provide SES tutoring to students in NYC schools and received tens of millions of dollars in Federal funding including more than \$2.3 million for purported tutoring at two NYC high schools that Logan was responsible for overseeing.
- Puerto Rico Department of Education vendor sentenced for conspiracy and bribery.  
On May 29, Puerto Rico Department of Education (PRDE) vendor Juan Carlos Mattei, was sentenced to 3 years probation and 1000 hours of unpaid community service. Our investigation revealed that from January 2008 to February 2010, Mattei, vice-president of School Solutions, conspired to pay PRDE officials in order to receive favorable treatment associated with \$7.65 million in procurement contracts with School Solutions, Service Pro, Teren, and others. Twelve of 13 people indicted have been convicted. Mattei is the fifth person to be sentenced.
- Three fraud ring members indicted.  
On June 5, Valencia Jenkins, Ricco Jenkins, and Sharonda Lynn Lathan were indicted in U.S. District Court, Western District of Wisconsin, for engaging in a scheme to obtain money from the United States by means of false representations. The indictment alleged that the defendants fraudulently used the personal identifiers of more than 20 people and falsified their and others' eligibility to obtain more than \$400,000 in Federal and State student financial aid, which was not used for authorized educational purposes.
- Three Ohio residents plead guilty for conspiracy involving student financial aid.  
On May 24, Raheem J. Martin, Teresa K. Scott, and Tina M. Mileca pled guilty in U.S. District Court, Northern District of Ohio, to conspiracy to commit mail fraud and wire fraud. Between August 2006 and September 2011, the defendants conspired to obtain ineligible Federal student financial aid. They submitted fake eligibility documents to the University of Akron to gain admission and access to the Federal student financial aid funds. Approximately \$104,000 in Federal student aid was disbursed in connection with this conspiracy.
- Pennsylvania man pled guilty to mail fraud.  
On June 3, Robert Price pled guilty in U. S. District Court, Middle District of Pennsylvania, to mail fraud for misusing student financial aid funds. Price conspired with his former wife, a

former employee of the Harrisburg Area Community College, to apply for approximately \$105,000 in Federal and private student aid between 2005 and 2007. Price received the aid and used the funds to purchase illegal drugs, jewelry, tattoos, and vehicles.

- East Texas woman charged in identity theft scheme.

On May 30, in U.S. District Court, Eastern District of Texas, a criminal complaint charged Mindy Ritch with student financial aid fraud and witness tampering. Allegedly, Ritch fraudulently used the identities of others to obtain Federal student aid, private student loans, credit cards, and Internal Revenue Service refunds that resulted in a loss of \$564,447.72. Ritch allegedly persuaded a witness to lie to ED-OIG agents about the witness' knowledge and involvement in the scheme.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending June 14, 2013**

Significant Events:

- Release of final audit report, “El Paso Independent School District’s Compliance with the Accountability and Academic Assessment Requirements of the Elementary and Secondary Education Act of 1965.”

We determined that El Paso, Bowie, and Coronado Adequate Yearly Progress (AYP) results for 2009, 2010, and 2011, as well as the graduation rate data used for the 2009 and 2012 AYP calculations cannot be relied on; Texas Education Agency (TEA) and El Paso violated the academic and assessment requirements of the Elementary and Secondary Education Act; El Paso leadership designed an inadequate control environment and lacked adequate control activities; and El Paso students’ civil rights may have been violated. We recommended that the Department require TEA to determine the impact of these findings on El Paso, Bowie, and Coronado AYP results for 2009, 2010, 2011, and 2012, reconsider the previous AYP results, and take appropriate action; require TEA to develop policies, guidance, and internal controls and require TEA to direct El Paso to implement specific oversight mechanisms and internal controls; and work with the Assistant Secretary for Civil Rights to determine whether students’ civil rights were violated. TEA and El Paso concurred with our findings. El Paso provided corrective actions in response to recommendations. We issued this report on June 13, 2013.

- Former school president charged with theft of Government property, obstruction of a Federal audit, and aggravated identity theft.

On June 12, Michael Gagliano, the former president of Galiano Career Academy, was charged in U.S. District Court, Middle District of Florida, with theft of Government property, obstruction of a Federal audit, and aggravated identity theft. Gagliano allegedly used a high school diploma mill owned and operated by his wife to make ineligible students eligible for Federal student aid. During a Federal Student Aid (FSA) program review, Gagliano secretly made audio and video recordings of FSA staff as they conducted the review and allegedly tampered with student records. Galiano Career Academy received more than \$1.9 million in Federal student aid funds for students who allegedly were ineligible to receive them.

- Ohio resident pleads guilty for conspiracy involving student financial aid.

On June 10, Lori Martin pled guilty in U.S. District Court, Northern District of Ohio, to conspiracy to commit mail fraud and wire fraud. Between August 2006 and September 2011, Martin conspired with three others to obtain ineligible Federal student financial aid. They submitted fake eligibility documents to the University of Akron to gain access to Federal student financial aid funds. Approximately \$104,000 in Federal student aid was disbursed in connection with this conspiracy. Martin is the fourth and final defendant to plead guilty.

- Financial aid counselor charged for fraudulently obtaining Pell grants for her daughter.

On June 10, in U.S. District Court, Eastern District of Louisiana, Shanera Washington-Sylve was charged with financial aid fraud. While employed at Delgado Community College (DCC) and Our Lady of Holy Cross College, Washington-Sylve allegedly submitted fraudulent FAFSAs on behalf of her daughter for attendance at DCC and Southern University at New Orleans by falsely claiming that she was single and omitting her husband’s income, qualifying her daughter for approximately \$23,196 in Federal Pell Grant assistance.

- Orelena Hawks Puckett Institute agrees to \$142,000 civil fraud settlement.  
On June 10, the Orelena Hawks Puckett Institute (OHPI) entered into a False Claims Act settlement agreeing to pay \$142,000 and to a voluntary 1-year debarment to settle civil and administrative claims of misuse of Office of Special Education Program (OSEP) grant funds. Between 2003 and 2011, OHPI improperly billed approximately \$88,000 in unallowable expenses to OSEP grants, such as personal travel of OHPI's president, Dr. Carl Dunst, and OHPI's co-director, Dr. Carol Trivette, to Belize, England, and South Africa.
- Alabama fraud ring members indicted for conspiracy, mail fraud, and theft of public money.  
On May 30, 13 people were indicted in U.S. District Court, Middle District of Alabama, for conspiracy, mail fraud, and theft of public money. From 2008 to 2012, Telvin Brown, Bobbie Jean Chilsom, Sara Chilsom, Dennis Coleman, Edmond Harris, Jr., Sunquesha Gaston, Printice Johnson, Sharon Johnson, Shawn Johnson, Shirley Johnson, Samuella McMillian, Richard Pinkston, Jr., and Philanthia Roberts allegedly participated in a scheme to recruit people to enroll in distance education programs at various educational institutions for the purpose of fraudulently applying for financial aid and converting the funds for personal use. This alleged fraudulent activity caused the disbursement of more than \$500,000 in Federal financial aid.
- Former charter school CEO pleads guilty to tax evasion.  
On June 13, Dennis Bloom, former CEO and founder of the Pocono Mountain Charter School (PMCS), pled guilty to tax evasion in U.S. District Court, Middle District of Pennsylvania. Bloom substantially increased the lease payments PMCS paid to the Shawnee Tabernacle Church, where he is the founder and pastor, and diverted funds to himself and concealed the income to avoid paying appropriate Federal taxes.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending June 21, 2013**

Significant Events:

- Fraud ring leader pleads guilty in distance education fraud scheme.  
On June 18, Demetria Barefield pled guilty in U.S. District Court, Northern District of Alabama, to student aid fraud. Our investigation revealed that Barefield enrolled nine people in online courses at Columbia College and American Public University by submitting fraudulent Free Applications for Federal Student Aid, some without their knowledge or consent. Barefield also enrolled herself in at least eight different online schools without any intent of obtaining a degree. The total loss for this fraud scheme exceeds \$242,000.
  
- Arizona woman pled guilty to conspiracy involving Federal student aid.  
On June 13, Rita Pacchiana pled guilty in U.S. District Court, District of Arizona, to conspiracy to commit Federal student aid fraud. Between November 2007 and September 2009, Rita Pacchiana and her co-conspirators made false statements and used the identities of other persons to obtain Federal student aid from Rio Salado College. As a result of this scheme, approximately \$270,722 in aid was disbursed.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending June 28, 2013**

Significant Events:

Release of final audit report, "U.S. Department of Education's and Selected States' Oversight of the 21<sup>st</sup> Century Community Learning Centers Program."

We determined that the Department designed and followed a monitoring plan to provide oversight of State educational agencies' (SEAs) award and monitoring processes for the 21<sup>st</sup> Century Community Learning Centers (CCLC) program and relied on subgrantee data to track CCLC program performance. However, we found that the Department could improve its oversight. We recommended that the Department ensure that SEAs implement written policies, procedures, and monitoring instruments; revise its written guidance; provide training to its CCLC staff; provide sufficient monitoring and oversight of SEAs' processes to award and monitor CCLC grants to subgrantees; and enhance monitoring of SEAs to ensure they promptly resolve monitoring findings with subgrantees. The Department agreed with the findings and either agreed or partially agreed with all but one of the recommendations. Based on the Department's comments, we revised one recommendation. We issued this report on June 21, 2013.

Release of final audit report, "Florida: Final Recovery Act Expenditures Supplemental Report."

We found that Miami-Dade County Public Schools generally obligated and spent Recovery Act Title I, Education Stabilization Fund, and IDEA funds in accordance with applicable laws, regulations, guidance, and program requirements. However, we found that Miami-Dade could not reconcile about \$2.3 million in Recovery Act Title I funds and about \$1.2 million in IDEA funds with the Florida SEA's Cash Advance and Reporting of Disbursements System. As a result, we could not determine whether data that Miami-Dade reported to the Florida SEA, which was in turn reported on the Recovery Act website, was accurate. We also found that Miami-Dade improperly classified more than \$400,000 in transportation costs as supply costs. The Florida SEA agreed with the factual information we provided but did not state whether it agreed or disagreed with Miami-Dade's comments. We revised the draft finding and recommendations in response to the Florida SEA and Miami-Dade's comments. We issued this report on June 27, 2013.

Two sentenced in Puerto Rico Department of Education procurement corruption investigation.

On June 20, Olga Diaz, Puerto Rico Department of Education (PRDE) procurement officer, was sentenced to 2 years probation and 240 hours of community service, and Mario Rodriguez, a Certified Public Accountant, was sentenced to 4 months incarceration, 4 months home confinement, and 3 years probation. Our investigation revealed that from January 2008 to February 2010, Rodriguez and vendors School Solutions, Service Pro, and Teren paid money and provided goods to Diaz and other PRDE officials in exchange for favorable treatment in the awarding of \$7.65 million in procurement contracts and the expeditious payment of invoices. The vendors and Rodriguez also conspired to commit money laundering related to their bribery scheme. Of the 13 people indicted, 12 have been convicted. Diaz and Rodriguez are the sixth and seventh persons to be sentenced in this case.

One sentenced and two pled guilty in California fraud ring.

On June 10, Erisheniqua Dixon was sentenced to 48 months probation and was ordered to pay \$8,237 in restitution for her role in a financial aid fraud ring that targeted several community colleges in Central and Southern California. Dixon is one of five conspirators who fraudulently obtained approximately \$250,000 from April 2008 to March 2012. On June 17, Deana Nolen and Willie Prude each pled guilty to conspiracy to commit mail fraud. Nolen and Prude are the third and fourth defendants to plead guilty.

Man sentenced for mail fraud.

On June 24, James Penney was sentenced in U.S. District Court, Middle District of Pennsylvania, to 3 months imprisonment, 9 months home detention, and 3 years supervised release. The court deferred issuing a restitution order pending a hearing. Our investigation determined that between 2004 and 2008, Penney forged his father-in-law's signature on numerous student loan documents, causing a loss of more than \$400,000.

Former temporary employee of charter school pled guilty.

On June 10, Darlene Ford pled guilty to theft from a program receiving Federal funds. Ford was a temporary employee in the finance office at Cesar Chavez Public Charter Schools (CCPCS). Our investigation determined that from January through March 2010, Ford altered ten checks issued by CCPCS totaling \$75,350, by changing the names of legitimate vendors to fictitious names, forging the signature of the head of CCPCS' finance department, and cashing the checks.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending July 5, 2013**

Significant Events:

The Pennsylvania Department of Education agrees to a \$950,000 civil fraud settlement.  
On June 28, a settlement agreement was filed in U.S. District Court, Middle District of Pennsylvania, between the Department and the Pennsylvania Department of Education (PDE). A Migrant Education Program (MEP) recruiter from the Chester County Intermediate Unit submitted certificates of eligibility that contained false information and/or false signatures. Our investigation revealed that other MEP recruiters across Pennsylvania also submitted falsified eligibility certificates. This misrepresentation resulted in Pennsylvania drawing down funds that PDE was not eligible to receive.

East Texas woman indicted in identity theft scheme.

On June 26, Mindy Ritch was indicted in U.S. District Court, Eastern District of Texas, for student financial aid fraud and witness tampering. Allegedly Ritch, an employee of a public accounting firm, fraudulently used the identities of others to obtain Federal student aid, private student loans, credit cards, and Internal Revenue Service refunds that resulted in a loss of approximately \$564,447. Also, she allegedly persuaded a witness to lie to ED-OIG agents about knowledge and involvement in the scheme.

Four Texas College admission employees indicted for false statements.

On June 25, Clarissa Villalobos, Yolanda Hinojosa, Christina Perez, and Melinda Sanchez were indicted for conspiracy and false statements in U.S. District Court, Southern District of Texas. While working as admission representatives for South Texas Vocational Technical Institute (STVTI), the four women allegedly encouraged ineligible STVTI students to falsify their Free Application for Federal Student Aid to qualify for over \$486,476 in Federal student aid funds.

Student loan servicer collection agent charged with theft of public funds.

On May 9, in U.S. District Court, Southern District of Indiana, Carisa Thompson was charged with theft of public funds. Beginning in September 2009 through July 2010, Thompson, a default prevention agent at Student Assistance Corporation (a student loan servicer), allegedly forged and mailed 135 loan forbearance applications on behalf of student loan borrowers. As a result of submitting the forged forms, Thompson received \$9,125 in bonus payments for exceeding her default aversion goals. The 135 forbearances for student loans totaled \$8,048,553 and the resulting capitalized interest on that amount has been reversed.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending July 12, 2013**

*Significant Events:*

Release of Final Audit Report, “Review of Final Expenditures Under the American Recovery and Reinvestment Act for Selected Educational Agencies.”

We found that the local education agencies (LEAs) included in our audit generally obligated and spent Recovery Act funds in accordance with applicable laws, regulations, guidance, and program requirements for Title I, Part A, Individuals with Disabilities Education Act, and State Fiscal Stabilization Fund. However, we identified a few instances in which LEAs paid for obligations after the obligation deadline; unallowable expenditures at three LEAs—El Dorado, Christina, and Puerto Rico; fiscal and management control issues at another LEA—Miami-Dade; and internal control weaknesses at two LEAs—Little Rock and Puerto Rico. We issued separate reports to those LEAs’ respective State educational agencies (Delaware, Arkansas, Puerto Rico, and Florida). Because the report contains no formal recommendations, the Department was not required to comment. Based on Florida’s response, we removed an issue related to computer inventory from the report. We issued the report on July 8, 2013.

Former university financial aid director sentenced.

On June 27, Christina Miller, the former financial aid director at United States University (USU), was sentenced in U.S. District Court, Southern District of California, to four months of home detention, one year of supervised release, and was ordered to pay a \$4,000 fine. As a result of her actions, over \$343,000 in Pell Grants was fraudulently disbursed. In April 2013, USU agreed to pay \$686,720 in a civil fraud settlement that resulted from Miller’s fraudulent actions.

Financial aid advisor pleads guilty to stealing Federal refund checks.

On July 10, in U.S. District Court, District of Massachusetts, Ayana Bean, a former financial aid advisor at Sullivan and Cogliano Training Centers (SCTC), pled guilty to theft or bribery concerning programs receiving Federal funds for her role in a scheme to steal in excess of \$62,000 in Federal student financial aid. Between June 2010 and August 2012, Bean used her position to steal and endorse Federal student aid refund checks with her name and the name of her family members before depositing them into bank accounts controlled by her and her family members.

Fraud ring leader pled guilty in distance education fraud scheme.

On July 10, Rannya Cobb pled guilty in U.S. District, Northern District of Georgia, to student aid fraud. From September 2010 to December 2011, Cobb led a fraud ring that recruited and enrolled students in online courses at Rio Salado College by submitting fraudulent student admission and financial aid applications. Cobb knew that the recruits had no intention of attending college and were ineligible to receive the aid. The total loss for this fraud scheme exceeds \$950,000.

Detroit woman sentenced.

On July 10, in U.S. District Court, Eastern District of Michigan, Shirley Jimerson was sentenced to 12 months and 1 day in prison, 2 years supervised release, and was ordered to pay \$115,590.80 in restitution. From June 2007 thru March 2009, Jimerson submitted falsified FASFAs to the University of Phoenix for herself and at least 73 other friends and family

members. Most of them had no high school diploma or GED. Jimerson completed coursework for those she enrolled until funds were disbursed. She then received a portion of the funds.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending July 19, 2013**

Significant Events:

Puerto Rico Department of Education vendor entered into a pretrial diversion agreement.

On July 11, Puerto Rico Department of Education (PRDE) vendor Carlos Pescador entered into a pretrial diversion agreement in U.S. District Court, District of Puerto Rico, for his role in a conspiracy to commit bribery concerning programs receiving Federal funds. Under the agreement, Pescador will be under court supervision for 6 months and will complete 100 hours of community service. The investigation revealed that from January 2008 to February 2010, Pescador, who is president of Teren Corporation, conspired to pay PRDE officials in exchange for receiving favorable treatment associated with \$7.65 million in procurement contracts. Pescador is the last of 13 defendants to be convicted.

Former Oregon nonprofit executive director indicted.

On June 7, Janice Roberts, the former executive director for the Oregon Parent Training and Information Center (Oregon PTI), an Office of Special Education and Rehabilitation Services grantee was indicted for theft and identity theft. Roberts allegedly stole tens of thousands of dollars from Oregon PTI, resulting in a total loss of more than \$218,000. Oregon PTI was a Federal and State funded non-profit organization that provided services to families of children with disabilities.

Fraud ring member pleads guilty.

On June 25, Brandy Miner pled guilty in U.S. District Court, Eastern District of California, to conspiracy to commit Federal student aid fraud. Miner and her co-conspirators obtained over \$285,000 in Federal student aid funds by recruiting people to act as straw students and applying for financial aid on their behalf at eight California schools. Miner is the second of six people to plead guilty in this case.

Mississippi fraud ring members indicted.

On June 26, Shantel McClung and seven other co-conspirators were indicted in U.S. District Court, Northern District of Mississippi, for conspiracy, mail fraud, student loan fraud, and aggravated identity theft. McClung allegedly submitted false FAFSAs and other loan applications on behalf of her co-conspirators for online courses at Phoenix College. The co-conspirators allegedly had no intention of attending the college. McClung and her co-conspirators caused more than \$753,000 in Federal student aid to be disbursed.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending July 26, 2013**

Significant Events:

Release of final audit report, "Transparency of Proprietary Schools' Financial Statement Data for Federal Student Aid Programmatic Decisionmaking."

We determined that financial statements that proprietary schools submitted to the Department under 34 C.F.R. § 668.23 for fiscal year 2010 generally did not provide transparent information, because their presentation of instruction and marketing expenses was not consistent across schools, and generally did not enable the Department to identify how schools spent their Title IV funds or to compare financial information across schools. We recommended that the Department establish uniform account classification rules for all postsecondary schools, including proprietary schools, which would include the creation of a standard chart of accounts. If authority to do that does not exist, we recommended that the Department work with Congress to obtain statutory authority to establish such rules, and, in the interim, determine what detailed financial statement information would provide necessary insight into the operations of schools and develop common reporting requirements for that information. The Department did not state whether it concurred with our recommendations, but did describe the actions it plans to take to address two of the three recommendations. We issued the final report on July 23, 2013.

Release of final audit report, "Local Educational Agency Maintenance of Effort Flexibility Due to Recovery Act IDEA, Part B Funds."

We found that State educational agencies (SEAs) and local educational agencies (LEAs) included in our review did not always comply with applicable laws and regulations associated with exercising maintenance of effort (MOE) flexibility or using and accounting for freed-up funds resulting from exercising MOE flexibility. Three of the six SEAs covered by our review did not properly perform annual LEA determinations. As a result, we could not assess whether the LEAs we reviewed in these two States that exercised MOE flexibility used the freed-up funds appropriately. Also, some LEAs in four of the six States used Individuals with Disabilities Education Act funds for voluntary coordinated early intervening services by more than the maximum available. We made 12 recommendations for the Department to address including performing additional program monitoring, verifying that SEAs have implemented appropriate policies and procedures, and initiating fiscal recoveries as warranted. The Department concurred with three of the recommendations but did not concur with two other recommendations. Additionally, the Department partially concurred with two recommendations and withheld a decision on two other recommendations because it said it needed additional information regarding one State's administrative structure for special education programs, and only initially concurred with three other recommendations because it did not have sufficient information to finalize its concurrence pending its receipt of additional information from State officials. We issued the final report on July 25, 2013.

Former migrant education director convicted.

On July 22, based on her earlier guilty plea, Anna Catalan, the former director of the College Assistance Migrant Program (CAMP) at Santiago Canyon College, was convicted, in U.S. District Court, Central District of California for wire fraud. Catalan participated in a scheme to defraud CAMP, a school-based program funded by the ED Office of Migrant Education. From

June 2008 through April 2011, Catalan defrauded CAMP of approximately \$88,000 by awarding grant funds to students who were ineligible and converting stipend checks for her personal use.

Fraud ring member sentenced.

On July 1, Cheaney Lavell Key was sentenced in U.S. District Court, Eastern District of California, to 18 months incarceration, 36 months probation, and was ordered to pay \$26,782 in restitution for his role in a financial aid fraud ring involving five people who targeted several community colleges in Central and Southern California. To date, two of the four people who pled guilty have been sentenced and one is under indictment for their roles in the fraud ring, which fraudulently obtained approximately \$250,000.

Four convicted for participation in distance education fraud.

On July 11, Keith Woolridge was convicted and Piersha Woolridge pled guilty in U.S. District Court, Eastern District of California, for conspiracy to commit mail fraud, mail fraud, and aggravated identity theft. Earlier in the month, Yvette August and Kim Grey pled guilty. Keith Woolridge participated in a conspiracy to defraud the Department for more than \$200,000 in Federal student aid funds. The conspirators enrolled themselves and others as students in online courses at universities, even though they did not qualify for Federal student aid and did not intend to attend college. Keith Woolridge also stole the identity of a person to enroll her in college and collect student aid funds in her name, without the victim's knowledge.

TESST College-Baltimore, Maryland agrees to \$134,000 settlement.

On July 17, the Department entered into a \$134,000 settlement agreement with Kaplan, Inc., the parent company of TESST College of Technology. The settlement agreement resulted from our investigation that revealed that TESST improperly determined that dependent students were independent students for Title IV aid purposes. Earlier, in August 2012, TESST paid \$152,672 to the Department, after an FSA program review.

Admissions representative at All State Career pleads guilty.

On July 22, in U.S. District Court, District of Maryland, Barry Sugarman's October 2012 guilty plea to education program fraud was unsealed. Sugarman was an admissions representative for All State Career School. He helped approximately 150 prospective students pass the Ability-to-Benefit test so they could obtain Federal student aid, and advised students to understate their income on their Free Applications for Federal Student Aid so they could qualify for the maximum allowable amounts of Federal student aid. Sugarman will be sentenced in September 2013.

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**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending August 2, 2013**

Significant Events:

Two Puerto Rico Department of Education officials sentenced.

On July 24, Brenda Velazquez, Puerto Rico Department of Education (PRDE) procurement officer, was sentenced to 30 months incarceration and 3 years probation. Daniel Erazo, PRDE procurement supervisor, was sentenced to 18 months incarceration, 3 years probation, 360 hours of community service, and was ordered to forfeit \$26,355. From January 2008 to February 2010, PRDE vendors School Solutions, Service Pro, and Teren paid money and provided goods to Velazquez and Erazo and other PRDE officials in exchange for favorable treatment in awarding \$7.65 million in procurement contracts and the expeditious payment of invoices. All 13 people indicted in this case have been convicted and 3 remain to be sentenced.

Former software vendor sentenced.

On July 30, Joseph O'Hara, the former owner of Strategic Governmental Solutions, Inc., was sentenced in U.S. District Court, Western District of Texas, to 36 months incarceration, 36 months supervised release, and was ordered to pay \$2,890,388.35 in restitution, together with co-defendant Tomas Gabaldon. Our investigation revealed that O'Hara paid bribes to Sal Mena, an El Paso Independent School District (EPISD) School Board trustee and Gabaldon, the former EPISD associate superintendent for special education, in exchange for their assistance in the award of a multi-million dollar EPISD contract. O'Hara is the second of four defendants to be sentenced.

Two former Louisiana State University-Eunice officials charged with theft.

On July 24, a criminal information was filed in U.S. District Court, Western District of Louisiana, charging Dr. Marvette J. Thomas and Carra S. Sergeant with theft of Federal funds. From 2008 and 2012, Thomas and Sergeant, the former Director and Assistant Director, respectively, of Louisiana State University-Eunice's Office of Academic Assistance Programs, along with two other school officials, allegedly made nearly \$160,000 in fraudulent purchases with their university-issued procurement cards. They allegedly altered receipts to conceal their purchases of clothing, jewelry, electronics, and other items.

Virginia school employee/fire department chief indicted.

On July 25, Douglas Taylor was indicted for theft concerning programs receiving Federal funds, wire fraud, and filing false individual income tax returns. Taylor was employed by the Prince William County, Virginia, Public School System (PWCS) for 27 years and also served as the Chief of Remington Volunteer Fire & Rescue Department. Between August 2007 and May 2011, Taylor allegedly made unauthorized purchases with his PWCS credit card for materials unrelated to PWCS totaling approximately \$60,000. In addition, Douglas allegedly did not report his winnings from Virginia lotteries on his 2009 and 2010 income tax returns.

Fraud ring member pleads guilty.

On July 26, Philanthia Roberts pled guilty in U.S. District Court, Middle District of Alabama, to mail fraud for her role in a distance education fraud ring. Roberts, who did not possess a high school diploma or GED certificate, provided her personal information to a fraud ring to apply for Federal student aid at Capella University, American Public University System, and University of

Maryland University College. The total estimated loss from this fraud ring exceeds \$500,000. Roberts is the first fraud ring member to plead guilty.

Fraud ring members sentenced.

On July 11, Dontreal Jenkins and Trevayne Jones were sentenced in U.S. District Court, Middle District of Georgia, for conspiracy, embezzlement, and aggravated identity theft relating to their participation in distance education fraud and U.S. Treasury check schemes. They were each sentenced to 133 months incarceration, 3 years supervised release, and were ordered to pay \$713,000 in restitution. In addition, Jenkins was ordered to pay \$139,087 with co-defendants Princess Eatmon and Kevinall Wheeler, who were previously sentenced. Overall, their fraud caused more than \$335,000 in Federal student aid to be awarded. All four people convicted in this case have been sentenced.

Financial aid fraud ring leader pleads guilty.

On July 29, Stacey Kinyada Lee pled guilty in U.S. District Court, Eastern District of California, to conspiracy to commit mail fraud. Lee is the final member to plead guilty for her role as leader in a financial aid fraud ring that fraudulently obtained approximately \$250,000 from April 2008 to March 2012.

Arizona man pleads guilty to conspiracy.

On July 25, Deno Easter pled guilty in U.S. District Court, District of Arizona, to conspiracy to commit Federal student aid (FSA) fraud. Between November 2007 and September 2009, Deno Easter conspired to obtain FSA funds to which he was ineligible. Specifically, Deno Easter and his co-conspirators made false statements and used the identities of other persons to receive approximately \$270,722 in FSA funds from Rio Salado College. He is the second of three defendants to plead guilty.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending August 9, 2013**

Significant Events:

Financial aid counselor pleads guilty.

On July 25, Shanera Washington-Sylve pled guilty in U.S. District Court, Eastern District of Louisiana, to financial aid fraud. Our investigation found that Washington-Sylve, while employed at Delgado Community College (DCC) and later at Our Lady of Holy Cross College in New Orleans, submitted fraudulent FAFSAs on behalf of her daughter for attendance at DCC and Southern University at New Orleans. She falsely claimed to be single and omitted her husband's income, qualifying her daughter for approximately \$23,196 in Federal Pell Grant assistance from 2009 to 2013.

Former Detroit public school accountant and teacher found guilty.

On August 5, Sandra Campbell, a former Detroit public school contract accountant and school board candidate, and her daughter, Domonique Campbell, a Detroit public school teacher, were convicted in U.S. District Court, Eastern District of Michigan, of program fraud conspiracy, money laundering conspiracy, and tax charges, following a five-week jury trial. Between 2004 and 2008, they obtained in excess of \$530,000 from Detroit public schools by ordering books and other educational materials through their sham company, which were never provided to the schools. They conspired to launder the fraudulent proceeds and defraud the Internal Revenue Service by failing to report the money as income on their tax returns.

A New York City school teacher/SES tutor charged with conspiracy.

On August 5, Sandra Allen, a New York City school teacher and tutor for TestQuest Inc., was charged with conspiracy in U.S. District Court, Southern District of New York, for allegedly conspiring with others to defraud the Department by falsifying attendance records. From 2008 through 2011, Allen and others allegedly falsified documents to make it appear that TestQuest provided SES tutoring when it did not. TestQuest improperly received hundreds of thousands of dollars in Title I funds. Allen also allegedly directed students to sign daily student attendance sheets claiming they attended SES classes when they had not, and also directed four students to get other students to do the same. Allen rewarded the students by buying them food.

Postsecondary vocational school vice-president sentenced.

On August 6, Victoria Vargas, vice-president of Universal Careers Community College (UCCC), was sentenced in U.S. District Court, District of Puerto Rico to 1 year home confinement, 2 years probation, and was ordered to pay \$201,868 in restitution. Our investigation revealed that Vargas falsified student records so UCCC could maintain more Pell Grant funds than it was entitled to. Vargas failed to refund approximately \$201,868 in Pell Grant funds.

Two plead guilty in Alabama fraud ring.

On August 6, Sunquhesha Gaston and Telvin Brown pled guilty in U.S. District Court, Middle District of Alabama, to mail fraud for their roles in a distance education fraud ring. Gaston and Brown, who did not possess high school diplomas or GED certificates, provided their personal information to a fraud ring to apply for Federal student aid at American Public University System and Ashford University. The total estimated loss from this fraud scheme exceeds \$500,000. Gaston and Brown are the second and third members of the fraud ring to plead guilty.



Two Detroit fraud ring leaders sentenced.

On August 5, Candace Watkins and Jason Watkins were each sentenced in U.S. District Court, Eastern District of Michigan, to 2 years probation after a previous guilty plea to theft of public funds. Candace Watkins also was ordered to pay \$82,040 in restitution and Jason Watkins was ordered to pay \$65,714 in restitution. Between 2007 and 2009, the Watkins recruited people to apply for Federal student aid funds for purported attendance at Strayer University. Those recruited were not students and did not intend to complete their online courses.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending August 16, 2013**

*Significant Events:*

Release of final audit report, "The Office of Elementary and Secondary Education's Process of Awarding Discretionary Grants."

We concluded that for the grant programs that we reviewed, OESE complied with applicable laws, regulations, and guidance when selecting recipients to be awarded discretionary grants and that internal controls were sufficient to ensure a fair and objective competition. We issued the final report on August 12, 2013.

Education Affiliates subsidiary ordered to pay Department nearly \$2 million.

On July 30, the Department's Administrative Law Judge ordered Fortis College in Miami, FL, a subsidiary of Education Affiliates, to pay the Department \$1,952,919. Fortis College relied upon high school diplomas issued by Atlantic Southeastern Academy (ASA) to make Title IV eligibility determinations for 378 students. FSA and the OIG determined that ASA's diplomas were not valid high school diplomas for Title IV purposes.

Supplemental Education Service provider agrees to pay \$1.725 million.

On August 5, in U.S. District Court, Southern District of New York, TestQuest, Inc., a Supplemental Educational Services provider, agreed to pay the Department \$1.725 million to settle a civil fraud case involving TestQuest falsifying student attendance records and submitting claims for reimbursement for tutoring services that it did not provide. TestQuest also agreed to a 3-year debarment from all Federal programs. TestQuest president Tiffany Hott agreed to a personal lifetime debarment from Federal programs. Michael Logan, a former TestQuest manager, admitted that he instructed tutors and aides to falsify entries on daily student attendance sheets and inflate the number of students who attended TestQuest's after-school program. He agreed to a civil judgment of \$2.3 million. In addition, the United States filed an amended civil fraud complaint naming three New York City school teachers, Sandra Allen, Sylvia Brathwaite, and Quenton Gittens, alleging that they participated in the fraud scheme by signing instructor certifications on bogus daily attendance sheets for TestQuest. Allen was also criminally charged with conspiracy to defraud the United States.

Former charter school CEO pleads guilty to fraud.

On August 13, Masai Skief, the former chief executive officer of Harambee Institute and Harambee Institute of Science and Technology, pled guilty in U.S. District Court, Eastern District of Pennsylvania, to wire fraud. Our investigation revealed that Skief improperly withdrew \$9,000 from a private scholarship fund to purchase a house and converted approximately \$79,000 of Harambee Institute funds for other personal uses.

Two former Louisiana State University-Eunice officials plead guilty.

On August 8, Dr. Marvette J. Thomas and Carra S. Sergeant pled guilty in U.S. District Court, Western District of Louisiana, to theft of Federal funds. From 2008 to 2012, Thomas and Sergeant, who were the former director and assistant director, respectively, of Louisiana State University-Eunice's Office of Academic Assistance Programs, along with two other school officials, made nearly \$160,000 in fraudulent purchases with their university-issued procurement cards. They altered receipts to conceal their purchases, which were paid with Upward Bound and Student Support Services program funds.

Arizona woman pleads guilty to conspiracy.

On August 12, Leah Houghton pled guilty in U.S. District Court, District of Arizona, to conspiracy to commit Federal student aid fraud. Between November 2007 and September 2009, Houghton and co-conspirators made false statements and used other peoples' identities to apply for and receive approximately \$270,722 in Federal student aid funds from Rio Salado College. She is the last of three defendants to plead guilty.

Puerto Rico Department of Education vendor sentenced.

On August 6, Puerto Rico Department of Education (PRDE) vendor Ruben Mattei was sentenced to 2 years' probation, 250 hours of community service, and was ordered to pay a fine of \$12,500. Our investigation revealed that from January 2008 to February 2010, Mattei conspired to corruptly pay PRDE officials in exchange for favorable treatment associated with \$7.65 million in procurement contracts.

Former New Orleans charter school CPA charged with theft.

On August 9, in U.S. District Court, Eastern District of Louisiana, Lauren R. Hightower was charged with theft from a program receiving Federal funds. Between July and October 2011, Hightower, who was a senior CPA for Lusher Charter School in New Orleans, allegedly forged five school checks totaling \$25,000, cashed them for her personal use, and concealed the theft by manipulating the school's financial accounting software. Hightower has relinquished her CPA license to the State of Louisiana.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending August 23, 2013**

Significant Events:

Release of final audit report, "Federal Student Aid's Award and Administration of the Title IV Additional Servicers Contracts."

We determined that Federal Student Aid (FSA) appears to have negotiated the most efficient and cost-effective servicing rates with the Title IV Additional Servicers (TIVAS). The final awarded contracts included negotiated rates that were generally lower than the lowest proposed bid. We could not determine whether FSA selected the most efficient and cost-effective prices for changes made to the contracts because FSA did not properly document that. FSA modified the contracts to include a requirement that should have been included in the base contracts and did not adequately monitor TIVAS compliance with the contract requirements. FSA agreed or partially agreed with all of the recommendations. We issued the final audit report on August 20, 2013.

Former Alabama State Department of Education director and husband indicted on ethics charges.

On August 20, Dr. Deann Stone, the former director of Federal programs for the Alabama State Department of Education, and her husband, Dave Stone, an executive officer at Information Transport Solutions, Inc. (ITS), were indicted on State ethics law charges. An OIG audit conducted in February 2012 disclosed a conflict of interest related to the 2010 award of Title I School Improvement Grants (SIG) to local education agencies (LEAs). A subsequent OIG investigation determined that Dr. Stone allegedly diverted over \$24 million in SIG funds to the LEAs doing business with her husband's employer, ITS. The Stones allegedly misused a State computer and email account and solicited gifts from a vendor in exchange for favorable official action.

Former school president in Florida pleads guilty.

On August 16, Michael Gagliano, former president of Galiano Career Academy, pled guilty in U.S. District Court, Middle District of Florida, to theft of government property, obstruction of a Federal audit, and aggravated identity theft. Gagliano used a high school diploma mill owned and operated by his wife to make students eligible for financial aid when they otherwise would not have been eligible. He tampered with student records and secretly made audio and video recordings of Federal student aid staff as they conducted a program review at his school. He illegally used the name and social security number of a student to obtain student aid. Galiano Career Academy received more than \$1.9 million in Federal student aid funds for ineligible students.

Pennsylvania couple pled guilty.

On August 14, Stephanie and Ronzell Mitchell pled guilty in U.S. District Court, District of New Jersey, to conspiracy to commit mail fraud. The Mitchells ran an identity theft fraud scheme at on-line universities by posing as students and keeping their student refund checks for personal gain. As a result of this scheme, the Mitchells fraudulently obtained approximately \$272,000 in ED funds for which they were not entitled.

Louisiana school board member convicted of bribery.

On August 21, in U.S. District Court, Western District of Louisiana, Quincy Richard, Sr., a St. Landry Parish school board member, was convicted for conspiring with fellow school board member John Miller to receive a bribe from a superintendent candidate. Our investigation disclosed that Richard and Miller solicited and accepted \$5,000 each for their votes in support of the candidate for superintendent. Miller pled guilty to conspiracy to commit bribery on July 1, 2013.

Alabama fraud ring member pleads guilty.

On August 20, Printice Johnson pled guilty in U.S. District Court, Middle District of Alabama, to mail fraud for her role in a distance education fraud ring. Johnson did not possess a high school diploma or GED certificate and knowingly provided her personal information to a fraud ring member to receive Federal student aid from Rio Salado College, American Public University System, Tiffin University, Ashford University, University of Phoenix, and Rasmussen College. The total estimated loss from this fraud scheme exceeds \$500,000. Johnson is the fourth of thirteen defendants indicted in this scheme to plead guilty.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL (OIG)**

**For the week ending August 30, 2013**

*Significant Events:*

***Civil settlement reached with for-profit school chain.***

- On August 22, the Department of Justice reached a settlement in two civil fraud lawsuits filed against ATI Enterprises in the U.S. District Courts of Northern District of Texas and Southern District of Florida. ATI agreed to pay \$3,700,000 to the U.S. Government and provide an additional \$2,000,000 to satisfy student refunds and closed school discharges. Our investigation determined that ATI misrepresented job placement statistics at three of its Dallas-area campuses in order to maintain State approval and Title IV eligibility. ATI also enrolled ineligible students, falsified high school diplomas, kept students enrolled who should have been dropped, and made false representations to students regarding future employability and potential earnings.

***Founder and Former CEO of Pennsylvania Cyber Charter School and his accountant indicted.***

- On August 21, Nicholas Trombetta was indicted in U.S. District Court, Western District of Pennsylvania, for mail fraud, theft concerning programs receiving Federal funds, conspiracy, fraud, and false statements on a tax return. Neal Prence, Trombetta's accountant, was indicted on conspiracy. According to the indictment, Trombetta, the founder and CEO of the Pennsylvania Cyber Charter School, allegedly created a series of connected for-profit and not-for-profit entities to siphon taxpayer funds out of Pennsylvania Cyber to avoid Federal income tax liabilities. From 2006 through 2012, Trombetta and Prence allegedly shifted more than \$8,000,000 of Trombetta's income to other people's Federal income tax returns to conceal Trombetta's true income.

***Fraud ring members plead guilty.***

- On August 26 & 27, Brittany Washington, Willis Floyd, Stacy Adams, Belinda Pickney, Parish Pickney, and Belverly A. Graham pled guilty in U.S. District Court, District of South Carolina, to conspiracy to commit wire fraud and student loan fraud. From April 2008 to March 2011, they were part of a fraud ring where they provided their personal information to ring leaders to enroll in online courses at the University of Phoenix and Western Governors University to make it appear they would be attending classes. The total estimated loss from this fraud ring exceeds \$100,000. These defendants identified are the final members of the fraud ring to plead guilty.

***Two Supplemental Educational Services (SES) providers and a former Oklahoma City school counselor indicted.***

- On August 21, in U.S. District Court, Western District of Oklahoma, Rebecca E. Cotton, owner of Foundations Tutoring, Patricia A. Burns, owner of A+ Tutoring, and Bobbie J. Dailey, former counselor at U.S. Grant High School, were indicted for conspiracy and false statements. Cotton was also charged with wire fraud, money laundering, and

aggravated identity theft. During the 2009-2010 academic year, Cotton, Burns, and Dailey allegedly caused false invoices to be submitted to the Oklahoma City Public Schools District (OKCPS) by forging parent signatures and submitting falsified attendance rosters for tutoring services not performed. OKCPS paid A+ Tutoring \$884,548.13 and Foundations Tutoring \$351,621 for billed services.

***Texas school board president, city mayor, and school district official indicted.***

- On August 21, in U.S. District Court, Southern District of Texas, Michael Vela, Progreso Independent School District (PISD) school board president; Omar Vela, Progreso Mayor; and Jose Guadalupe Vela, PISD director of maintenance and transportation, were indicted for conspiracy, mail fraud, Travel Act-State law bribery, and theft concerning programs receiving Federal funds. The indictment alleged that the Velas conspired to obtain bribes and kickbacks from several service providers and the local counsel to PISD. Omar Vela was also charged with bribery concerning programs receiving Federal funds.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending September 6, 2013**

Significant Events:

***Alabama fraud ring members plead guilty.***

- On August 29 and September 3, Shirley Johnson and Dennis Coleman, respectively, pled guilty in U.S. District Court, Middle District of Alabama, to conspiracy for their roles in a distance education scheme to defraud various education institutions. Johnson and Coleman made false statements and used personal information to obtain financial aid funds from several institutions. These individuals did not have a high school diploma or GED and had no intention of completing their online coursework. The total loss from this fraud scheme exceeds \$500,000. Johnson and Coleman are the fifth and sixth defendants to plead guilty.

***Three Ohio residents sentenced for conspiracy.***

- In U.S. District Court, Northern District of Ohio, on August 26, Teresa Scott, and on August 29, Raheem Martin and Tina Mileca were sentenced for conspiracy to commit mail fraud and wire fraud. Teresa Scott was sentenced to 1 day in prison, 12 months home confinement, 3 years supervised release, and was ordered to pay \$26,855 in restitution. Martin was sentenced to 16 months in prison, 3 years supervised release, and was ordered to pay \$125,884.61 in restitution. Mileca was sentenced to 3 years probation and was ordered to pay \$45,030.68 in restitution. Our investigation revealed that between August 2006 and September 2011, the defendants conspired with one other individual to obtain Federal student financial aid to which they were ineligible by submitting false eligibility documents to the University of Akron.



**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending September 13, 2013**

Significant Events:

***Three subjects sentenced in student aid fraud ring.***

- On August 21, Kenrico Antonio Scott and Dajon Cross were sentenced in U.S. District Court, District of Arizona, to time served and 3 years of probation for their role in a fraud scheme that led to the disbursement of \$328,089 in student aid funds. Scott was ordered to pay \$22,828.50 in restitution and Cross was ordered to pay \$9,707. On August 29, Dorothy Granberry was sentenced to 13 months in prison, 3 years probation, and was ordered to pay \$184,665.50 in restitution.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending September 20, 2013**

Significant Events:

***Former admissions representative sentenced for fraud.***

- On September 13, Katie Champion, former admissions representative for Empire Beauty School, was sentenced to 6 months home confinement, 60 months probation, and 300 hours of community service in U.S. District Court, District of New Jersey, for her participation in this student aid fraud scheme. Our investigation revealed that Champion enrolled ineligible students for classes, resulting in the improper disbursement of approximately \$279,000 in Federal student aid.

***Fraud ring leaders indicted.***

- On August 15, in U.S. District Court, Northern District of California, Kyle Moore, Marcel Bridges, Derricka Fluker, and Cortio Wade were indicted for conspiracy, wire fraud, and Federal student aid fraud. Between 2009 and 2012, Moore allegedly conspired with Wade, Bridges, and Fluker to recruit straw students to fraudulently obtain student financial aid. Moore and his co-defendants allegedly shared over \$1,000,000 of ineligible Federal aid among themselves and with straw students.

***Three Alabama fraud ring members plead guilty.***

- On September 16, Sharon Johnson, Shawn Johnson, and Edmond Harris pled guilty in U.S. District Court, Middle District of Alabama, for their roles in a distance education fraud ring. Sharon Johnson and Shawn Johnson made false statements and used their personal information and the personal information of others to apply for and receive student financial aid. They did not have a high school diploma or GED and they had no intention of completing their online coursework. The total loss from this fraud scheme exceeds \$500,000. To date, 10 people have pled guilty.

***Fraud ring leader sentenced in distance education fraud scheme.***

- On September 19, Demetria Barefield was sentenced in U.S. District Court, Northern District of Alabama, to 30 months incarceration, 36 months supervised release, and was ordered to pay \$114,000 in restitution. Barefield enrolled 9 people in distance education courses at Columbia College and American Public University by submitting fraudulent student aid applications. Barefield also enrolled herself in at least 8 distance education schools in a two-year period without any intent of obtaining a degree. This fraud scheme caused over \$242,000 of ineligible Federal aid to be disbursed.

***Ohio resident sentenced for conspiracy involving student financial aid.***

- On September 10, Lori Martin was sentenced in U.S. District Court, Northern District of Ohio, for conspiracy to commit mail and wire fraud. Martin was sentenced to 6 months in prison and was ordered to pay \$125,884 in restitution jointly with the three other defendants. Between August 2006 and September 2011, Martin and the other defendants

obtained ineligible Federal student financial aid funds by submitting false eligibility documents to the University of Akron. Martin is the final defendant to be sentenced.

***New Orleans woman charged with theft.***

- On August 30, Renata Foreman was charged in U.S. District Court, Eastern District of Louisiana, with theft of government funds, mail fraud, and aggravated identify theft. Foreman allegedly received nearly \$200,000 in Federal student aid at multiple colleges by using the identities of at least nine people without their consent and misrepresenting that she and others were high school graduates.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending September 27, 2013**

Significant Events:

***Issuance of final audit report, “The Texas Education Agency’s System of Internal Control Over Statewide Test Results.”***

- Our audit concluded that the Texas Education Agency (TEA) and La Joya Independent School District (La Joya) need to improve their systems of internal control regarding inaccurate, unreliable, or incomplete Statewide test results. TEA could improve its system of internal control by using reviews of test results and analyses of erasure data to identify local educational agencies (LEA) and schools to monitor; identifying ways LEAs and schools can improperly influence the State of Texas Assessments of Academic Readiness test results and designing mitigating controls; and documenting the corrective actions that it recommends and verifying that the LEAs implement the corrective actions. La Joya could strengthen its system of internal control by properly administering the tests; adequately documenting its reviews of potential test administration irregularities; retaining records of all reviews of potential test administration irregularities; and reporting all test administration irregularities to TEA. We also reviewed Lufkin and Marion Independent School Districts and did not identify any significant control deficiencies at either. Both TEA and La Joya agreed with our findings and recommendations. We issued the final audit report on September 26, 2013.

***Issuance of final audit report, “Arkansas State University’s Administration of Selected Aspects of the Title IV Programs.”***

- Our audit determined that Arkansas State University’s (ASU’s) default prevention and management to address its rising cohort default rate was reasonable; some information ASU reported to the Integrated Postsecondary Education Data System was accurate; and ASU properly measured quantitative satisfactory academic progress for students. However, we found that ASU did not provide employment and continuing education data for all degree and certificate programs and provided unsupported job placement rates and inaccurate graduation data on its Web site for students that graduated in 2008–2009 and 2009–2010. ASU concurred with our finding and recommendations. We issued the final audit report on September 26, 2013.

***Former charter school employee sentenced.***

- On September 16, Darlene Ford, a former temporary employee in the finance office at Cesar Chavez Public Charter School (CCPCS), was sentenced in U.S. District Court, District of Columbia, to 60 months probation, a special assessment of \$100, and was ordered to pay \$75,350 in restitution. Our investigation found that Ford altered ten checks issued by CCPCS totaling \$75,350, altered the names on checks from legitimate vendors to names of fictitious vendors, forged the signature of the head of CCPCS’ finance department, and cashed checks for her own personal benefit.

***Two California residents sentenced in fraud scheme.***

- On September 16, Yvette August and Kim Gray were sentenced in U.S. District Court, Eastern District of California, for their role in a scheme to defraud the Department of over \$200,000 in Federal student aid. August was sentenced to 25 months in prison and Gray to 28 months in prison. August and Gray submitted false financial aid applications to Axia College and Capella University on behalf of students who did not intend to attend school and used stolen or wrongfully obtained personal identifying information to apply for financial aid.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending October 25, 2013**

Significant Events:

***One sentenced and others plead guilty in distance education fraud case.***

- On September 17, Brandy Miner was sentenced in U.S. District Court, Eastern District of California, to 36 months' probation and was ordered to pay \$10,835 in restitution, for her previous guilty plea. On September 17, Janeigh Mendoza, and on October 1, Michelle Wright, Kenneth Wright, and Jaymar Brown, pled guilty. Mendoza pled guilty to conspiracy to commit Federal student aid fraud and aggravated identity theft. Michelle Wright pled guilty to conspiracy to commit student aid fraud and aggravated identity theft. Kenneth Wright pled guilty to false statements related to his receipt of financial aid. Brown pled guilty to conspiracy to commit student aid fraud. The defendants obtained over \$285,000 in Federal student aid funds by recruiting straw students and receiving financial aid on their behalf at eight California schools. Earlier in our investigation, Kenneth Wright told local media that a heavy-handed "SWAT team" executed a search warrant at his house because his wife was behind on her loan payments. This was false, but was widely reported by the media and bloggers.

***Distance education ring members indicted.***

- On September 17, Bobbie Robertson-Meneses, Dorothy Taylor, Ramon Meneses, and Jardon Laforcade were indicted in U.S. District Court, District of Arizona, for conspiracy, theft of public funds, mail fraud, and aggravated identity theft in an alleged scheme that resulted in a loss of approximately \$255,000 in Federal student aid funds. Bobbie Meneses allegedly applied for Federal student aid funds on behalf of her imprisoned husband, Ramon Meneses. Ramon Meneses and his cellmate, Laforcade, allegedly obtained the identities of other inmates and provided them to Bobbie Meneses. She allegedly then enrolled the inmates in courses at community colleges in Arizona. From 2010-2012, Taylor allegedly helped Bobbie Meneses submit the applications for Federal student aid funds.

***Two Alabama fraud ring members plead guilty.***

- On September 24 and 30, Richard Pinkston and Bobbie Chilsom each pled guilty to mail fraud in U.S. District Court, Middle District of Alabama, for their roles in a distance education scheme to defraud various education institutions. Chilsom made false statements and used the personal information of others to receive financial aid funds from several institutions. Pinkston made false statements on his Federal financial aid applications. Neither defendant had a high school diploma, GED, or any intention of completing their online coursework. The total loss from this fraud scheme exceeds \$500,000. To date, 12 people have pled guilty.

***Contract collection agent sentenced.***

- On October 11, in U.S. District Court, Southern District of Indiana, default prevention agent for Student Assistance Corporation Carisa Thompson pled guilty to theft of public

funds and was sentenced to 2 years' probation and was ordered to pay \$9,125 in restitution. Between September 2009 and July 2010, Thompson submitted 135 forged loan forbearance applications on behalf of student loan borrowers without their knowledge. As a result, Thompson received \$9,125 in bonus payments for exceeding her default aversion goals.

***Pennsylvania man sentenced for student aid fraud.***

- On October 8, Robert Price was sentenced in U.S. District Court, Middle District of Pennsylvania, to 14 months' incarceration and was ordered to pay \$47,353 in restitution. Between 2005 and 2007, Price conspired with his former wife, a former employee of the Harrisburg Area Community College to apply for approximately \$105,000 in financial aid. Price used the aid to purchase illegal drugs, jewelry, tattoos, and vehicles.

***Final member of fraud ring sentenced.***

- On October 8, Stacey Kinyada Lee was sentenced in U.S. District Court, Eastern District of California, to 36 months' incarceration, 36 months' probation, and was ordered to pay \$203,409 in restitution. Lee pled guilty to conspiracy to commit mail fraud for her role in a financial aid fraud ring that targeted several community colleges in Central and Southern California, resulting in a loss of approximately \$250,000. Four other ring members have been sentenced.

***Former St. Louis charter school board chairman sentenced.***

- On September 17, in U.S. District Court, Eastern District of Missouri, Fred W. Robinson, former chairman of the board of directors for the now defunct Paideia Academy Charter School, was sentenced to 24 months' incarceration, 3 years' supervised release, and was ordered to pay \$419,333 in restitution. During 2009 and 2010, Robinson diverted Federal and State educational grant funds from Paideia Academy's operating account to purchase and renovate a building in St. Louis that was to be used for the development and operation of a daycare center that Robinson owned.

***Education Consulting Company owner pleads guilty to conspiracy to commit bribery.***

- On October 7, Edna Goble pled guilty in U.S. District Court, Northern District of Mississippi, to conspiracy to commit bribery concerning programs receiving Federal funds. From 2010 to 2011, Goble paid over \$275,000 in kickbacks and bribes to Harvey Franklin, the former Superintendent of Greenville, Mississippi Public Schools, to receive a \$1.4 million contract for her company, Teach Them to Read, which was funded entirely with a Department grant.

***Fraud ring leader sentenced in distance education fraud scheme.***

- On September 30, Rannya Cobb was sentenced in U.S. District Court, Northern District of Georgia, to 42 months' incarceration, 36 months' supervised release, and was ordered to pay \$548,550 in restitution. From September 2010 to December 2011, Cobb led a fraud ring that recruited and enrolled students in online courses at Rio Salado College by submitting fraudulent student admission and financial aid applications. Cobb knew that the recruits had no intention of attending college and were ineligible to receive the aid. The total loss for this fraud scheme exceeds \$950,000.

***Financial aid advisor sentenced for stealing Federal refund checks.***

- On October 16, Ayana Bean, a former financial aid advisor at Sullivan and Cogliano Training Centers, was sentenced in U.S. District Court, District of Massachusetts to 1 year and 1 day incarceration, 2 years' supervised release, and was ordered to pay \$86,725 in restitution for her role in a scheme to steal Federal financial aid. Between 2010 and 2012, Bean stole and negotiated over 100 Federal student refund checks in her name and the name of family members.

***Former charter school administrator pleads guilty.***

- On October 21, Planet Abacus Charter School CEO Joan Chalker pled guilty in U.S. District Court, Eastern District of Pennsylvania, to obstructing justice. Earlier, on July 24, Chalker, along with June Brown, former CEO and founder of four Philadelphia-area charter schools, Michael Slade, CEO of Laboratory Charter School (Laboratory), Courteney Knight, former CEO of Ad Prima Charter School, and Anthony Smoot, Laboratory's former business manager, were indicted. Chalker and the other defendants allegedly falsified documents that resulted in \$5.6 million in fraudulent payments to Brown's private management companies, and Laboratory allegedly illegally paid Chalker and Brown approximately \$214,095 in compensation.

***Former New Orleans charter school CPA pleads guilty.***

- On October 23, in U.S. District Court, Eastern District of Louisiana, Lauren Hightower pled guilty to theft from a program receiving Federal funds. Our investigation found that between July and October of 2011, Hightower, who was the CPA for Lusher Charter School, forged five school checks totaling \$25,000, cashed them for her personal use, and concealed the theft by manipulating the school's financial accounting software.

***Arizona woman sentenced for conspiracy.***

- On October 21, Rita Pacchiana was sentenced in U.S. District Court, District of Arizona, for conspiring to commit Federal student aid fraud. Pacchiana previously pled guilty for her role in a conspiracy to illegally obtain student aid funds. Pacchiana and her co-conspirators made false statements and used the identities of other people to receive student aid from Rio Salado College. Pacchiana was sentenced to 34 months' confinement, 3 years' probation, and was ordered to pay \$264,397 in restitution. She is the first of three defendants to be sentenced.



**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending November 8, 2013**

*Significant Events:*

***Test Proctor and Admissions Representative plead guilty to conspiring to defraud a student financial aid program.***

- On November 6, Jacquelyn Caldwell and Jesse Moore pled guilty in U.S. District Court, District of Maryland, to education program fraud. Caldwell proctored Ability-to-Benefit (ATB) tests at All State Career School (ASC), a for-profit trade school located in Baltimore, from 2008 through 2011. The OIG investigation determined that Caldwell conspired with ASC admissions representatives, including Moore, to manipulate the ATB test scores of prospective students to ensure students could apply for Federal financial aid. Caldwell changed ATB answer sheets for approximately 170 prospective students. Approximately 72 of those students enrolled at ASC and received financial aid totaling approximately \$572,255. Moore learned through another admissions representative at ASC that Caldwell could ensure that students who failed the ATB the first time would pass it on their second attempt. Caldwell agreed to Moore's multiple requests to help prospective students pass the test the second time.

***Former Federal programs compliance officer pleads guilty.***

- On October 31, Anthony Mayhan, a former San Antonio Independent School District Federal programs compliance monitor, pled guilty in U.S. District Court, Western District of Texas, to bribery involving Federal programs. The OIG investigation found that from 2005 through 2011, Mayhan misused his position by soliciting and accepting money from vendors he oversaw. The vendors provided janitorial and maintenance services to Title I portable buildings placed at private schools in San Antonio. The loss is estimated at over \$200,000.

***Arizona Man Sentenced for Conspiracy.***

- On November 4, Deno Easter was sentenced in U.S. District Court, District of Arizona, for conspiring to commit Federal student aid fraud. Easter previously had pled guilty. The OIG investigation found that Easter and his co-conspirators made false statements and used the identities of other people to apply for and receive student aid from Rio Salado College. Easter was sentenced to 27 months in prison, 3 years of probation, and was ordered to pay \$264,397 in restitution. He is the second of three subjects to be sentenced.

***Special education services provider arrested.***

- On November 6, OIG agents arrested Cheon Park, owner of Bilingual SEIT, Inc. (SEIT), for conspiracy to commit mail fraud. SEIT offered special education services and preschool programs that were funded with Department and State funds to New York City children. Park allegedly conspired with others to claim inflated costs on financial forms in order to receive more public funds than SEIT was entitled to receive. The alleged inflated costs were based on Park allegedly using funds to pay employees who performed little to no work for SEIT and in return, received kickbacks of as much as 50 percent; pay

his ex-wife and ex-sister-in-law for work they did not perform; and pay employees who cleaned his house and tutored his children. From 2005 through 2012, SEIT received approximately \$94 million in public funds.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending November 15, 2013**

Significant Events:

***Issuance of final audit report, “The U.S. Department of Education’s Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2013.”***

- We found that the Department made progress in remediating issues identified in previous FISMA reviews. It complied with 4 of 11 metrics designed to assess its information security program (continuous monitoring, plan of action and milestones, contractor systems, and security capital planning). However, we found deficiencies with the remaining seven metrics configuration management, identity and access management, incident response and reporting, risk management, security training, remote access management, and contingency planning. These represent repeat or modified repeat findings from OIG reports issued in fiscal years 2010 through 2012. We recommended that OCIO assist the Department in establishing and sustaining an effective information security program—one that complies with FISMA, OMB, and NIST requirements. We issued this report on November 13, 2013.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending November 22, 2013**

Significant Events:

***Co-founder and former executive director of DC charter school pleads guilty to theft of Federal funds.***

- On November 13, Monique Murdock, former executive director of Nia Community Public Charter School, pled guilty in U.S. District Court, District of Columbia, to theft from a program receiving Federal funds. Our investigation disclosed that in 2006, Murdock opened a Uniform Transfer to Minors Act (UTMA) savings account in the name of a minor and listed herself as the custodian. Between March 2008 and August 2008, five checks from Nia, totaling \$29,000 were made out to the minor and deposited into the UTMA account. The checks were allegedly endorsed by the minor and \$28,900 of the funds was transferred from the UTMA account to Murdock's account. As part of her plea, Murdock also admitted that while employed with the Cody Development Center in 2012, she used her Government purchase card to make \$11,773 in unauthorized gift card purchases.

***Former Mississippi school district superintendent sentenced for conspiracy, bribery, and embezzlement.***

- On November 13, former superintendent of Greenville Public School District Dr. Harvey Franklin was sentenced in U.S. District Court, Northern District of Mississippi, to 76 months' imprisonment, 3 years' probation, 300 hours of community service, and was ordered to pay \$1,201,247 in restitution. Our investigation revealed that between January 2010 and June 2011, Greenville Public Schools paid Edna Goble, owner of Teach Them to Read, Inc., approximately \$1.4 million for services and materials provided through Teach Them to Read. Goble paid Franklin approximately \$275,000 in bribes and kickbacks to influence and reward him for steering the contracts to her company.

***Former owner of SES provider pleads guilty to theft of public property.***

- On November 19, in U.S. District Court, Eastern District of Michigan, Brian Flaggs, the former owner of Flaggs and Associates Educational Services, pled guilty to theft of Government property. Our investigation determined that in August 2010, parents of ninth grade students received letters and enrollment forms from Dolores Reid, sister-in-law of Flaggs and the former Director of State and Federal Programs for the River Rouge School District, which falsely stated that attendance in the Jump Start program, which was run by Flaggs' company, was mandatory. Consequently, many parents enrolled their children in the program and Flaggs improperly received Federal Title I funds.

***Supplemental educational services company owner pleads guilty.***

- On November 13, Ashkir Ali, owner of WAISS Network Technologies, pled guilty in U.S. District Court, Southern District of Ohio, to making false statements and aggravated identity theft. Our investigation determined that Ali defrauded the Department's supplemental education services program by billing the program for tutoring sessions that

were never provided. Also, Ali submitted forms with forged tutor and parent signatures and submitted written claims for payments that falsely represented the number of tutoring hours WAISS provided. The loss for this scheme was approximately \$120,000.

***Western Pennsylvania woman sentenced for bank fraud and mail fraud.***

- On November 18, Meredith Shuster was sentenced in U.S. District Court, Western District of Pennsylvania, to 15 months' incarceration, 5 years' supervised release, and was ordered to pay \$632,613.75 in restitution. Shuster previously had pled guilty to bank fraud and mail fraud. Our investigation determined that Shuster used the identities of her parents to obtain educational loans in excess of \$720,000. From August 2004 through July 2010, she forged her parents' signatures and used their social security numbers on student loan applications, forged their signatures on the resulting loan checks, and deposited the funds into her personal bank account.

***Alabama fraud ring member pleads guilty.***

- On November 8, Sara Chilsom pled guilty to mail fraud in U.S. District Court, Middle District of Alabama, for her role in a distance education fraud ring. Chilsom, who did not possess a high school diploma or GED certificate, knowingly provided her personal information to another fraud ring member to apply for Federal student aid. The total loss from this fraud scheme exceeds \$500,000. Chilsom was the last member of this fraud ring to plead guilty.

***Fraud ring leader charged.***

- On October 31, in U.S. District Court, Central District of California, Meon Smith was charged with theft of public funds for her role as the ring leader of a financial aid fraud ring. Smith allegedly used the identity information of individuals to enroll them into online educational programs at Rio Salado College and obtain Federal student aid funds on their behalf, even though the individuals had no intention of attending school. The loss to the Department is approximately \$461,615.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending November 29, 2013**

*Significant Events:*

***Fraud ring member surrenders.***

- On November 21, Sherise Woolridge surrendered as a result of an indictment returned on November 7, 2013, for multiple counts of mail fraud, aggravated identity theft, and student aid fraud in U.S. District Court, Eastern District of California. Woolridge allegedly participated in a scheme to defraud the Department of approximately \$200,000 in Federal student aid by submitting false financial aid applications to various colleges on behalf of students who did not attend the schools. Woolridge also allegedly used the identities of individuals who were unaware of the scheme to receive Federal student aid in their names.

***Restitution ordered in amended judgment of identity thief.***

- On November 12, in U.S. District Court, Middle District of Pennsylvania, James Penney was ordered to pay \$436,994.56 in restitution for mail fraud under a prior guilty plea. Penney was sentenced to 3 months' imprisonment, 9 months' home detention, and 3 years' supervised release. The investigation determined that between 2004 and 2008, Penney forged his father-in-law's signature to cosign numerous student loan documents and submitted them in connection with funding the college educations of his four children.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending December 6, 2013**

*Significant Events:*

***Oregon charter school management company and two former executives reach civil settlement.***

- On November 21, the Oregon Attorney General's office reached a civil settlement with EdChoices and former EdChoices director Tim King and chief financial officer Norm Donohoe for their misuse of Oregon education funds and Federal charter school start-up grant funds. The settlement requires King and Donohoe to pay \$475,000, agree to exclusion from soliciting, managing, or administering Oregon public funds for educational purposes, not apply for any teaching or educational licenses in Oregon; never operate, administer, or consult with any public charter school for compensation, and dissolve EdChoices. Our joint investigation with the Oregon Attorney General's office revealed that EdChoices violated various Oregon statutes which caused the Oregon Department of Education to continue to allow EdChoices to receive Federal grant funds.

***Georgia SES provider indicted.***

- On November 26, (b) (6), (b) (7)(C) [REDACTED], was indicted in Fulton County, Georgia, for forgery and false statements. A Love of Learning provided tutoring services under the Supplemental Educational Services (SES) program to multiple school districts in Georgia between January 2010 and September 2011. (b) (6), (b) (7)(C) [REDACTED] allegedly submitted falsified financial documents to the Georgia Department of Education as part of her SES provider program application. As a result, she received approximately \$410,000 in SES funds from several public school districts in Georgia.

***Kenneth Wright sentenced for fraud ring activity.***

- On November 13, Kenneth Wright was sentenced in U.S. District Court, Eastern District of California, to 6 months' time served and 36 months' supervised release for making a false statement. Wright and other defendants were indicted for conspiracy to commit financial aid fraud, mail fraud, and aggravated identity theft. Wright is the third defendant to be sentenced. Wright was the person who falsely claimed to the media in 2011 that an OIG "SWAT team" executed a search warrant on his home because of unpaid student loans.

***Guilty plea in University of Nebraska computer intrusion.***

- On December 3, Daniel Stratman pled guilty to knowingly causing the transmission of a program, information, code, or command that intentionally caused damage to a protected computer without authorization. Our joint investigation with the FBI Omaha Resident Agency and the University of Nebraska – Lincoln Police Department revealed that Stratman's intrusion into the computer system that administers Federal student aid for the entire Nebraska State college and university network exposed the personal identifying information and student financial aid data of over 650,000 people and resulted in over \$400,000 in damages.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending December 13, 2013**

Significant Events:

***Two former Louisiana State University-Eunice officials sentenced to prison for theft of Federal funds.***

- On December 12, Dr. Marvette Thomas and Carra Sergeant were sentenced in U.S. District Court, Western District of Louisiana, to 14 and 12 months' incarceration, respectively, and were ordered to pay, \$159,167 in restitution, jointly. From 2008 to 2012, Thomas and Sergeant, who formerly were the director and assistant director of the Office of Academic Assistance Programs at Louisiana University-Eunice, along with two other school officials, made nearly \$160,000 in fraudulent purchases using Upward Bound and Student Support Services program funds. They altered receipts to conceal their purchases of clothing, jewelry, electronics, and other items unrelated to the programs.

***Ohio school owners and employee indicted in \$2.3 million education fraud.***

- On December 12, in U.S. District Court, Northern District of Ohio, John Ceroni and Adale Ceroni, co-founders of Carnegie College, and Tammy Pyle, a Carnegie employee, were charged with conspiracy to commit mail fraud and wire fraud, and John Ceroni was also charged with making a false statement. The Ceronis were also charged with conspiracy to launder money and engaging in monetary transactions in property derived from unlawful activity. From June 2007 through May 2012, the three allegedly fraudulently obtained approximately \$2.3 million from the Department by submitting applications for student financial aid funds that stated students at Carnegie College had obtained valid high school diplomas, and falsely told prospective students they would earn a valid high school diploma at the same time they attended Carnegie College to increase enrollment and access to student financial aid funds. The Ceronis allegedly recruited students who had not earned high school diplomas or G.E.D. certificates and submitted fraudulent financial aid documents to the Department. They also allegedly used online high schools to purchase fake high school diplomas and transcripts for students who were not required to attend any classes or complete any coursework. Pyle allegedly took high school diploma tests for some students and provided test answers to other students.

***Three Alabama fraud ring members sentenced.***

- On November 14, Sunquesha Gaston, Telvin Brown, and Philanthia Roberts were sentenced in U.S. District Court, Middle District of Alabama, for their roles in a distance education fraud scheme. Gaston was sentenced to 3 years' probation, 75 hours of community service, and was ordered to pay \$7,976 in restitution. Brown was sentenced to 3 years' probation and was ordered to pay \$2,342 in restitution. Roberts was sentenced to 4 years' probation, 75 hours of community service, and was ordered to pay \$5,242 in restitution. Between 2008 and 2012, the three participated in a scheme with others to submit financial aid applications containing false statements causing them to



receive student aid they were ineligible to receive. The loss from this fraud ring exceeds \$500,000.

***New Jersey woman sentenced in student aid fraud scheme.***

- On December 11, Tomica Cooper was sentenced in U.S. District Court, District of New Jersey, for her role in a \$200,000 bankruptcy fraud scheme. Cooper was sentenced to 30 months' incarceration, 3 years' supervised release, and was ordered to pay \$12,961 in restitution. Cooper applied for new social security numbers for purported daughters who did not exist and used the social security numbers to obtain Federal student aid at Thomas Edison State College.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending December 27, 2013**

Significant Events:

**AUDITS**

***Final audit reports issued, “U.S. Department of Education’s Financial Statements for Fiscal Year 2013.”***

- On December 11<sup>th</sup>, OIG transmitted the final audit report covering the Department’s FY 2013 comparative financial statements. CliftonLarsenAllen, LLP, Certified Public Accountants, conducted the audit and the OIG monitored it for compliance with *Government Auditing Standards* and its timely completion. CliftonLarsenAllen found: the fiscal year 2013 financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S.); two significant deficiencies in internal control over financial reporting; and no instances of reportable noncompliance with certain provisions of laws and regulations tested or other matters, except for noncompliance with the Federal financial management systems requirement of the Federal Financial Management Improvement Act of 1996. The Department concurred with the findings and recommendations in the report.

***Final audit reports issued, “Federal Student Aid’s Financial Statements for Fiscal Year 2013.”***

- On December 11<sup>th</sup>, OIG transmitted the final audit report covering FSA’s FY 2013 comparative financial statements. CliftonLarsenAllen, LLP, Certified Public Accountants, conducted the audit and OIG monitored it for compliance with *Government Auditing Standards* and timely completion. CliftonLarsenAllen found: the fiscal year 2013 financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the U.S.; two significant deficiencies in internal control over financial reporting; and no instances of reportable noncompliance with certain provisions of laws and regulations tested or other matters. FSA concurred with the findings and recommendations in the report.

***Release of final audit report, “FY 2013 Closing Package Financial Statements for the U.S. Department of Education.”***

- On December 16<sup>th</sup>, OIG transmitted the final audit report covering the Department’s FY 2013 closing package financial statements. CliftonLarsenAllen, LLP, Certified Public Accountants, conducted the audit and the OIG monitored it for compliance with *Government Auditing Standards* and timely completion. The audited statements provide the Department of the Treasury with required fiscal year end data that will be used to prepare the financial statements of the Government. CliftonLarsenAllen found: the closing package financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the U.S.; no material weaknesses in internal control over financial reporting; and no instances of reportable noncompliance with selected provisions of laws or regulations tested. The Department concurred with the report.

## **INVESTIGATIONS**

### ***Criminal information filed against former DCPS employee.***

- On December 11<sup>th</sup>, Donnie Dukes was charged under a criminal information in the U.S. District Court, District of Columbia, with wire fraud and conflict of interest. Dukes is a former employee for the District of Columbia Public Schools (DCPS) and owner of a private transportation company, Joyce Thomas Children Services (JTCS). JTCS provided secure transportation for children and parents enrolled in out-of-state residential facilities. October 2009 through October 2010, Dukes allegedly referred students and parents in need of interstate transportation to JTCS and improperly earned over \$163,000. Additionally, from October 2010 through January 2012, JTCS allegedly falsely billed the Office of State Superintendent for Education approximately \$300,000 for reimbursement of transportation services that never occurred. Dukes allegedly created invoices, along with the supporting documentation, and forged signatures of parents and employees of various residential facilities in order to receive the reimbursement.

### ***Owner of a Long Island construction company sentenced in conspiracy and tax fraud case.***

- On December 20<sup>th</sup>, Biagio Vigliotti, owner and President of Luvin Construction and FML Contracting Inc., was sentenced for conspiracy to commit mail, wire, and tax fraud in U.S. District Court, Eastern District of New York. Vigliotti was sentenced to 90 days incarceration, 2 years supervised release, and ordered to pay \$224,243 in restitution. From January 2002 through December of 2008, Vigliotti defrauded Federally funded construction projects for various Government entities, including the Patchogue-Medford and the Harborfields Union Free School Districts, by submitting false certifications that the prevailing wage had been paid and failing to account for and pay Federal Insurance Contributions Act taxes.

### ***Former migrant education director at California Community College sentenced.***

- On December 2<sup>nd</sup>, in U.S. District Court, Central District of California, Anna Catalan, the former director of the College Assistance Migrant Program (CAMP) at Santiago Canyon College, was sentenced under her previous guilty plea to wire fraud for her participation in a scheme to defraud CAMP. Catalan was sentenced to 27 months incarceration, 2 years supervised release, assessed a \$100 special assessment, and ordered to pay \$89,000 in restitution. From June 2008 through April 2011, Catalan caused the issuance of stipend checks to current and former CAMP students and converted them to personal use without the students' knowledge.

### ***Fraud ring leader pleads guilty.***

- On December 12<sup>th</sup>, Michael Huddleston pled guilty in U.S. District Court, Eastern District of California, to conspiracy to commit financial aid fraud. Huddleston's guilty plea came as a result of an August 30, 2012, indictment against Huddleston and Brent Wilder for conspiracy to commit financial aid and mail fraud. Huddleston and Wilder caused the fraudulent disbursement of over \$200,000 in Federal student aid funds by recruiting people to act as straw students and applying for financial aid on their behalf at three California schools. Michael Huddleston is the last of the two to plead guilty.

***Four Alabama fraud ring members sentenced.***

- On December 5<sup>th</sup>, Printice Johnson, Samuella McMillian, Dennis Coleman, and Shirley Johnson were sentenced in U.S. District Court, Middle District of Alabama, for their roles in a distance education fraud scheme. Printice Johnson was sentenced to five years of probation and ordered to pay \$33,580 in restitution. McMillian was sentenced to four years of probation and ordered to pay \$12,061 in restitution. Coleman was sentenced to two months incarceration, three years of probation, and ordered to pay \$9,154 in restitution. Shirley Johnson was sentenced to 8 months of home confinement, 52 months of probation, and ordered to pay \$212,206 in restitution. Between 2008 and 2012, these four conspired with others to submit financial aid applications containing false statements causing them to illegally receive student aid. The loss from this fraud ring exceeds \$500,000.

***Two fraud ring members pled guilty.***

- On December 19<sup>th</sup>, Valencia Jenkins and Sharondalynn Lathan pled guilty in the U.S. District Court, Western District of Wisconsin, to mail fraud. Jenkins and Lathan engaged in a scheme to obtain more than \$400,000 in Federal and State student financial aid. Jenkins and Lathan fraudulently applied for aid by falsifying eligibility documents for themselves and others and used the funds for non-educational purposes.

***Former financial aid employee sentenced.***

- On December 9<sup>th</sup>, Katrina Turner was sentenced to 60 months of probation and ordered to pay \$57,279 in restitution. Turner previously pled guilty to theft of government property for fraudulently obtaining Federal student aid for family members and friends who were ineligible due to incarceration or not having a high school diploma or GED. Turner worked as a financial aid employee at Apollo College in 2003.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending January 3, 2014**

Significant Events:

***Final audit reports issued, “U.S. Department of Education’s Financial Statements for Fiscal Year 2013.”***

- On December 11<sup>th</sup>, OIG transmitted the final audit report covering the Department’s FY 2013 comparative financial statements. CliftonLarsenAllen, LLP, Certified Public Accountants, conducted the audit and the OIG monitored it for compliance with *Government Auditing Standards* and its timely completion. CliftonLarsenAllen found: the fiscal year 2013 financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S.); two significant deficiencies in internal control over financial reporting; and no instances of reportable noncompliance with certain provisions of laws and regulations tested or other matters, except for noncompliance with the Federal financial management systems requirement of the Federal Financial Management Improvement Act of 1996. The Department concurred with the findings and recommendations in the report.

***Final audit reports issued, “Federal Student Aid’s Financial Statements for Fiscal Year 2013.”***

- On December 11<sup>th</sup>, OIG transmitted the final audit report covering FSA’s FY 2013 comparative financial statements. CliftonLarsenAllen, LLP, Certified Public Accountants, conducted the audit and OIG monitored it for compliance with *Government Auditing Standards* and timely completion. CliftonLarsenAllen found: the fiscal year 2013 financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the U.S.; two significant deficiencies in internal control over financial reporting; and no instances of reportable noncompliance with certain provisions of laws and regulations tested or other matters. FSA concurred with the findings and recommendations in the report.

***Release of final audit report, “FY 2013 Closing Package Financial Statements for the U.S. Department of Education.”***

- On December 16<sup>th</sup>, OIG transmitted the final audit report covering the Department’s FY 2013 closing package financial statements. CliftonLarsenAllen, LLP, Certified Public Accountants, conducted the audit and the OIG monitored it for compliance with *Government Auditing Standards* and timely completion. The audited statements provide the Department of the Treasury with required fiscal year end data that will be used to prepare the financial statements of the Government. CliftonLarsenAllen found: the closing package financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the U.S.; no material weaknesses in internal control over financial reporting; and no instances of reportable noncompliance with selected provisions of laws or regulations tested. The Department concurred with the report.

***The release of final audit report, “The Department’s Monitoring of Race to the Top Program Recipient Performance.”***

- We determined that all States in our audit sample experienced delays in at least 45 percent of their Race to the Top (RTT) projects, with many States still in the planning phase when implementation activities were supposed to be taking place. However, we found that each State improved timelines in Year 2 of the grant. We also found that results varied among States for achieving annual targets for student outcomes. In many cases, there were improvements from baseline to Year 2, even when performance measure targets were not met. We found that the Department’s process for monitoring RTT program recipients was extensive and effective. As a result, the Department has been able to readily identify issues related to the timeliness and quality of States’ implementation of their RTT plans. However, the Department has not issued comprehensive RTT annual report—an overview of RTT efforts across all grantees, to include trends and statistics across all States, successes and accomplishments, common challenges, and lessons learned, as described in its RTT program review guide. By not producing this annual report, the Department is missing the opportunity to provide valuable information to the States. The Department generally concurred with our finding on States’ timeliness and progress in achieving outcomes and agreed with our recommendation that it continue to maintain its robust monitoring efforts. However, the Department did not concur with our recommendation that it produce an annual report. We issued this report on January 3, 2014.

***Criminal information filed against former DCPS employee.***

- On December 11<sup>th</sup>, Donnie Dukes was charged under a criminal information in the U.S. District Court, District of Columbia, with wire fraud and conflict of interest. Dukes is a former employee for the District of Columbia Public Schools (DCPS) and owner of a private transportation company, Joyce Thomas Children Services (JTCS). JTCS provided secure transportation for children and parents enrolled in out-of-state residential facilities. October 2009 through October 2010, Dukes allegedly referred students and parents in need of interstate transportation to JTCS and improperly earned over \$163,000. Additionally, from October 2010 through January 2012, JTCS allegedly falsely billed the Office of State Superintendent for Education approximately \$300,000 for reimbursement of transportation services that never occurred. Dukes allegedly created invoices, along with the supporting documentation, and forged signatures of parents and employees of various residential facilities in order to receive the reimbursement.

***Owner of a Long Island construction company sentenced in conspiracy and tax fraud case.***

- On December 20<sup>th</sup>, Biagio Vigliotti, owner and President of Luvin Construction and FML Contracting Inc., was sentenced for conspiracy to commit mail, wire, and tax fraud in U.S. District Court, Eastern District of New York. Vigliotti was sentenced to 90 days incarceration, 2 years supervised release, and ordered to pay \$224,243 in restitution. From January 2002 through December of 2008, Vigliotti defrauded Federally funded construction projects for various Government entities, including the Patchogue-Medford and the Harborfields Union Free School Districts, by submitting false certifications that the prevailing wage had been paid and failing to account for and pay Federal Insurance Contributions Act taxes.

***Former migrant education director at California Community College sentenced.***

- On December 2<sup>nd</sup>, in U.S. District Court, Central District of California, Anna Catalan, the former director of the College Assistance Migrant Program (CAMP) at Santiago Canyon College, was sentenced under her previous guilty plea to wire fraud for her participation in a scheme to defraud CAMP. Catalan was sentenced to 27 months incarceration, 2 years supervised release, assessed a \$100 special assessment, and ordered to pay \$89,000 in restitution. From June 2008 through April 2011, Catalan caused the issuance of stipend checks to current and former CAMP students and converted them to personal use without the students' knowledge.

***Fraud ring leader pleads guilty.***

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***Four Alabama fraud ring members sentenced.***

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***Two fraud ring members pled guilty.***

- On December 19<sup>th</sup>, Valencia Jenkins and Sharondalynn Lathan pled guilty in the U.S. District Court, Western District of Wisconsin, to mail fraud. Jenkins and Lathan engaged in a scheme to obtain more than \$400,000 in Federal and State student financial aid. Jenkins and Lathan fraudulently applied for aid by falsifying eligibility documents for themselves and others and used the funds for non-educational purposes.

***Former financial aid employee sentenced.***

- On December 9<sup>th</sup>, Katrina Turner was sentenced to 60 months of probation and ordered to pay \$57,279 in restitution. Turner previously pled guilty to theft of government property for fraudulently obtaining Federal student aid for family members and friends who were ineligible due to incarceration or not having a high school diploma or GED. Turner worked as a financial aid employee at Apollo College in 2003.

*Contact: Chaun Eason, (202) 245-7001*



**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending January 10, 2014**

*Significant Events:*

***Site manager at New York City tutoring company pleads guilty to conspiracy.***

- On January 9, Edwin Guzman, a former site manager for the Academic Advantage, a Supplemental Educational Services (SES) provider, pled guilty in U.S. District Court, Southern District of New York, to conspiracy to make false statements in connection with the SES program. Guzman conspired with others to submit false attendance records claiming that Academic Advantage had provided SES tutoring to students at two New York City public schools. During the period that the fraud occurred, Academic Advantage received \$14.5 million in SES funding.

***Former Detroit public schools contract accountant sentenced on fraud, money laundering, and tax charges.***

- On December 18, Sandra Campbell, a former Detroit public schools contract accountant, was sentenced in U.S. District Court, Eastern District of Michigan, to 70 months' imprisonment, 2 years' supervised release, and a \$500 special assessment, and was ordered to pay \$530,091.38 in restitution with a co-defendant for program fraud conspiracy, money laundering conspiracy, and tax charges. Between 2004 and 2008, Campbell obtained education funds from the Detroit public schools by placing fraudulent orders for books and educational materials through her sham company that were never provided to the schools. Campbell also failed to report this money as income on her tax returns.

***Two Texas school officials indicted for fraud.***

- On January 8, Beaumont Independent School District (BISD) officials Devin McCraney and Sharika Allison were charged in U.S. District Court, Eastern District of Texas, with fraud upon programs receiving Federal funds and conspiracy. McCraney, director of finance, and Sharika Allison, former comptroller, allegedly devised schemes to embezzle \$4,041,705 from BISD by transferring funds to bank accounts under their control. To conceal part of the wrongdoing, they allegedly created a bogus vendor with a similar name to a company that does business with the district.

***New York City school teacher pleads guilty to a conspiracy.***

- On January 7, Sandra Allen, a New York City school teacher and employee of TestQuest Inc. (TestQuest), a Supplemental Educational Services (SES) provider, pled guilty in U.S. District Court, Southern District of New York, to conspiracy. Allen conspired with others to falsify attendance records to make it appear as if more students had received after-school tutoring at two Bronx high schools. TestQuest received \$2.3 million for purportedly providing tutoring at those two public high schools alone. Additionally, Allen directed four students to advise other students to sign daily attendance sheets falsely claiming that they had received tutoring. As part of her plea agreement, Allen also agreed to a civil forfeiture of \$32,287. In August of 2013, TestQuest agreed to pay the United States \$1.725 million in damages and penalties under the False Claims Act in connection with their repeated submission of false claims for reimbursement.

***Financial aid employee sentenced.***

- On December 9, Katrina Turner, a financial aid employee at Apollo College, was sentenced to 60 months' probation and was ordered to pay \$57,279 in restitution. Turner had previously pled guilty to theft of Government property for fraudulently obtaining student aid for family members and friends who were ineligible.

***Former director of maintenance, operations, and transportation for School District pleads guilty to felony bribery charges.***

- On January 9, Adam Delgado, the former director of maintenance, operations, and transportation for the El Monte Union High School District (EMUHSD), pled guilty to theft of Federal program funds in U.S. District Court, Central District of California. Between 2006 and 2010, Delgado, acting as an agent of EMUHSD, accepted kickbacks from a district vendor for approval of EMUHSD purchase orders.

***Alabama fraud ring member sentenced.***

- On December 20, Edmond Harris was sentenced in U.S. District Court, Middle District of Alabama, to four years' probation and was ordered to pay \$14,031 in restitution for his role in a distance education fraud scheme. Between 2008 and 2012, Harris conspired with others to submit financial aid applications containing false statements causing him to receive student aid that he was ineligible to receive. The loss from this fraud ring exceeds \$500,000. Harris is the eighth of thirteen fraud ring members to be sentenced.

***Fraud ring member pled guilty.***

- On January 6, in U.S. District Court, Central District of California, Meon Smith pled guilty to theft of public funds for her role as the ring leader of a financial aid fraud ring. Smith used the identity information of people to enroll them in online educational programs at Rio Salado College and to apply for and obtain Federal student aid funds on their behalf, even though the people had no intention of attending school. The loss to the Department is approximately \$461,615.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending January 17, 2014**

*Significant Events:*

***Florida woman sentenced in student aid fraud and tax fraud.***

- On January 9, Katherine Rumph was sentenced in U.S. District Court, Middle District of Florida, to 48 months' incarceration, and 3 years' supervised release and was ordered to pay \$22,350 to the Department and \$110,971 to the Internal Revenue Service (IRS) in restitution. Rumph previously pled guilty to charges of student financial aid fraud and filing a false claim to the IRS.

***Former ATI employees plead guilty.***

- On January 6, Clarissa Villalobos, former ATI admissions director, and Melinda Sanchez and Yolanda Hinojosa, former ATI admissions representatives, pled guilty in U.S. District Court, Southern District of Texas, to conspiracy to make materially false statements and representations to the United States. Villalobos, Sanchez, Hinojosa, and others coached over 80 prospective students to provide false information on the Free Application for Federal Student Aid to qualify for approximately \$486,476 in Title IV assistance while attending ATI's South Texas Vocational Technical Institute. Villalobos, Sanchez, and Hinojosa were three of the four defendants charged in the case.

***Jaymar Brown sentenced in fraud ring.***

- On December 18, Jaymar Brown was sentenced in U.S. District Court, Eastern District of California, to conspiracy to commit student loan fraud for a previous guilty plea. Brown was sentenced to 6 months' time served, 36 months' supervised release, and was ordered to pay \$6,731 in restitution, with co-defendants Janeigh Mendoza and Jennifer Brown. The defendants obtained over \$285,000 in Federal student aid funds by recruiting people to act as straw students and applying for financial aid on their behalf at eight California schools.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending January 24, 2014**

*Significant Events:*

***Pennsylvania school district agrees to civil settlement.***

- On January 21, Millcreek Township School District (MTSD) agreed to pay \$350,000 in a civil settlement. From 2005 through 2007, MTSD improperly submitted claims for Federal reimbursement to the Pennsylvania School Based Access Program that did not satisfy program requirements. These included claims for services that were not provided to anyone, claims for non-compensable and unlisted services, and claims that lacked adequate documentation.

***Former ATI employees plead guilty.***

- On January 6, Clarissa Villalobos, former ATI admissions director, and Melinda Sanchez and Yolanda Hinojosa, former ATI admissions representatives, pled guilty in U.S. District Court, Southern District of Texas, to conspiracy to make materially false statements and representations to the United States. They coached over 80 prospective students to provide false information on their FAFSAs to qualify for \$486,476 in Title IV assistance while attending ATI's South Texas Vocational Technical Institute. They were three of four defendants charged in this case.

***Former District of Columbia public school employee pleads guilty.***

- On January 22, Donnie Dukes pled guilty to wire fraud and conflict of interest in U.S. District Court, District of Columbia. Dukes is a former employee of District of Columbia Public Schools (DCPS) and the owner of a private transportation company, Joyce Thomas Children Services (JTCS). JTCS provided transportation for children or their parents who were enrolled in out-of-state residential facilities and was paid for these services by the District of Columbia Office of State Superintendent for Education (OSSE). From October 2009 through October 2010, Dukes referred DCPS students and parents to JTCS and improperly earned over \$163,000. Additionally, from October 2010 through January 2012, Dukes billed OSSE approximately \$300,000 for transportation services that never occurred, including submitting false invoices that included forged signatures of parents and employees of residential facilities.

***Former New Orleans charter school CPA sentenced for theft.***

- On January 22, in U.S. District Court, Eastern District of Louisiana, Lauren Hightower was sentenced to 5 years' probation and was fined \$2,000. Our investigation found that between July and October 2011, Hightower, who was CPA for Lusher Charter School, forged five school checks totaling \$25,000, cashed them for her personal use, and concealed the theft by manipulating the school's financial accounting software. Prior to sentencing, Hightower relinquished her CPA license to the State of Louisiana and repaid the funds.

***California man sentenced in fraud ring.***

- On December 18, Jaymar Brown was sentenced in U.S. District Court, Eastern District of California, for conspiracy to commit student loan fraud. He was sentenced to 6 months'

time served, 36 months' supervised release, and was ordered to pay \$6,731 in restitution, with co-defendants Janeigh Mendoza and Jennifer Brown. The defendants obtained over \$285,000 in Federal student aid funds by recruiting people to act as straw students and applying for financial aid on their behalf at eight California schools. Jaymar Brown was part of the fraud ring involving Kenneth Wright, who wrongly claimed to the media that the OIG searched his home because of his wife's failure to pay her student loans.

***Florida woman sentenced in student aid fraud and tax fraud.***

- On January 9, Katherine Rumph was sentenced in U.S. District Court, Middle District of Florida, to 48 months' incarceration, 3 years' supervised release, and was ordered to pay \$22,350 to the Department and \$110,971 to the Internal Revenue Service (IRS) in restitution. Rumph previously pled guilty to charges of student financial aid fraud and filing a false claim to the IRS. She received a Stafford loan to attend Walden University, but did not attend the school, and claimed over \$500,000 in refundable tax credits on behalf of four fictitious corporations she had created.

*Contact: Chaun Eason, (202) 245-7001*

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending January 31, 2014**

Significant Events:

***Final audit report issuance, “The Department’s Implementation of the Government Performance and Results Act Modernization Act.”***

- We found that the Department generally implemented the Government Performance and Results Act (GPRA) Modernization Act, including for the most part, identifying and clearly articulating agency priority goals (APGs), milestones, and performance indicators, and conducting and reporting on quarterly performance reviews of its APGs. However, the Department could have better maintained supporting documents. Also, the Department did not describe on the government-wide website, Performance.gov, how it incorporated congressional views when establishing its APGs. In addition, although the Department established processes for ensuring the accuracy and reliability of data, it did not accurately or adequately disclose relevant information in its Annual Performance Plan or Annual Performance Report as required. The Department generally concurred with our findings and provided information on progress made related to the recommendations. It did not concur with the wording used to describe one of the findings and recommendations. No changes were made to the report as a result of the response. We issued this report on January 27, 2014.

***Tutoring company owner indicted for embezzlement of 21<sup>st</sup> Century Community Learning Centers program funds.***

- On March 6, Kwame Ali Askia was indicted in U.S. District Court, Western District of Arkansas, for theft from an organization receiving Federal funds. Askia received \$149,280 in 21<sup>st</sup> Century Community Learning Centers program funds to provide educational services at Strong High School, but allegedly failed to provide the required services and misapplied and embezzled the funds.

***Two admissions representatives sentenced.***

- On January 28, Barry Sugarman and Jesse Moore Sr. were each sentenced in U.S. District Court, District of Maryland, for their involvement in an Ability-to-Benefit admissions scheme. Sugarman was sentenced to 2 years’ probation, 50 hours’ community service, and was ordered to pay a \$5,000 fine and a \$25 special assessment. Moore was sentenced to 4 years’ supervised probation, 50 hours’ community service, and was ordered to pay a \$2,000 fine and a \$25 special assessment.

***Fraud ringleader sentenced.***

- On January 27, in U.S. District Court, Eastern District of Michigan, Nina Cooks, the leader of a fraud ring, was sentenced to 1 day incarceration, 2 years’ supervised release, and was ordered to pay \$665,604.85 in restitution to the Department. Cooks recruited 40 people to apply for Federal student aid funds for purported attendance at two online schools between 2006 and 2010. The recruited people were not students, did not intend to complete their online courses, and did not possess high school diplomas or GEDs.

Contact: Chaun Eason, (202) 245-7001

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending February 7, 2014**

Significant Events:

***Release of final report, "OIG's Independent Report on the Department's Detailed Accounting of Fiscal Year 2013 Drug Control Funds."***

- The purpose of our review was to authenticate the Department's accounting of fiscal year 2013 drug control funds by expressing a conclusion about the reliability of each assertion made in the Department's accounting report. Based upon our review, nothing came to our attention that caused us to believe that management's assertions contained in the Department's detailed accounting report are not fairly stated in all material respects. The Department's fiscal year 2013 accounting report, and the accompanying OIG authentication, is required to be submitted to the Office of National Drug Control Policy by February 1, 2014. We issued this report on January 31, 2014.

***Arizona woman sentenced for conspiracy.***

- On January 27, Leah Houghton was sentenced in U.S. District Court, District of Arizona, for conspiring to commit Federal student aid fraud, for her role in a conspiracy to obtain Federal student aid funds for which she was ineligible. Leah Houghton and her co-conspirators made false statements and used the identities of other people to apply for and receive Federal student aid from Rio Salado College. Houghton was sentenced to three years' probation and was ordered to pay \$264,397 in restitution and a \$100 special assessment. She is the last of three defendants to be sentenced.

***Fraud ring leader pled guilty.***

- In a separate case, on February 3, Cheryl Jones pled guilty to wire fraud in U.S. District Court, District of Arizona, for her role in recruiting and registering straw students for a Federal student aid fraud scheme of more than \$500,000 that targeted the distance education program at Rio Salado College. Approximately 48 students claimed Jones' address as their primary residence and as a result, more than 100 Federal student aid refund checks and Citibank prepaid debit cards were mailed directly to Jones' home or post office boxes.

***Louisiana school board member sentenced.***

- On February 4, Quincy Richard, Sr., former St. Landry Parish School Board member, was sentenced in U.S. District Court, Western District of Louisiana, to 33 months' incarceration and was ordered pay a \$10,000 fine for conspiring with fellow school board member John Miller to receive a bribe from a superintendent candidate. Richard and Miller approached the candidate and solicited and accepted \$5,000 each for their votes in support of the candidate. Miller has already been sentenced for his role in the conspiracy.

Contact: Chaun Eason, (202) 245-7001

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending February 14, 2014**

Significant Events:

***Michelle Wright sentenced.***

- On February 6, Michelle Wright was sentenced in U.S. District Court, Eastern District of California, after pleading guilty to conspiracy to commit student loan fraud and aggravated identity theft. Wright was sentenced to 36 months' incarceration and 36 months' supervised release, and was also ordered to pay \$129,171.95 in restitution. Wright and others obtained over \$285,000 in Federal student aid funds by recruiting people to act as straw students and applying for financial aid on their behalf at eight California schools. Wright is the last person to be sentenced in this case.

***Former charter school CEO sentenced.***

- On February 10, Masai Skief, the former Chief Executive Officer of Harambee Institute Inc. and Harambee Institute of Science and Technology Charter School, was sentenced in U.S. District Court, Eastern District of Pennsylvania, to 36 months' incarceration and 3 years' probation, and was ordered to pay \$88,000 in restitution. Skief previously pled guilty to embezzling more than \$79,000 of Harambee Institute funds, part of which was Federal funds and \$9,000 from a private scholarship fund for his personal use. Skief also fraudulently used a Harambee Institute debit card to pay for approximately \$12,000 in personal purchases.

***New Orleans woman sentenced to prison.***

- On February 12, Renata Foreman was sentenced in U.S. District Court, Eastern District of Louisiana, to 33 months' incarceration and was ordered to pay \$191,617 in restitution for theft of government funds, mail fraud, and aggravated identity theft. Foreman was also ordered to forfeit \$111,916.88, which constituted the proceeds traceable to the violations. Foreman received nearly \$200,000 in Federal student aid by using the identities of at least nine people without their consent and misrepresenting that she and the others were high school graduates.

***Individual indicted for numerous fraud schemes.***

- On January 21, George Maurice Walker was indicted in U.S. District Court, District of Arizona, for making false statements, bank fraud, and aggravated identity theft. Walker allegedly made false statements to the Department by using someone else's social security number to obtain nearly \$80,000 in direct PLUS loans to help fund his daughter's education at Pepperdine University.



**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending February 21, 2014**

Significant Events:

***PRDE official sentenced for conspiracy to commit bribery.***

- On February 13, in U.S. District Court, District of Puerto Rico, Richard Marcano, Puerto Rico Department of Education (PRDE) payment officer, was sentenced to 1 year probation, 100 hours' community service, and was ordered to forfeit \$11,000 he received in bribe payments. From January 2008 to February 2010, vendors School Solutions, Service Pro, and Teren paid money and provided goods to Marcano and other PRDE officials in exchange for favorable treatment in awarding \$7.65 million in procurement contracts and the expeditious payment of invoices. Thirteen people involved in this case have been convicted.

***Alabama fraud ring member sentenced.***

- On February 5, Richard Jamar Pinkston, Jr. was sentenced in U.S. District Court, Middle District of Alabama, to 8 months' imprisonment, 3 years' probation, and was ordered to pay \$3,842 in restitution for his role in a distance education fraud scheme. Between 2008 and 2012, Pinkston conspired with others to submit fraudulent financial aid applications causing them to illegally receive student aid. The loss from this fraud ring exceeds \$500,000. To date, nine fraud ring members have been sentenced.

***Oakland area fraud ring leader and two recruiters pled guilty.***

- On February 14, in U.S. District Court, Northern District of California, Kyle Moore, Cortio Wade, and Marcel Bridges pled guilty to conspiracy and wire fraud. Moore and his co-defendants recruited approximately 260 people to serve as straw students to obtain Title IV funds from three community colleges even though they had not obtained high school diplomas or GEDs and had no intention of attending school. Moore, Wade, and Bridges admitted to defrauding the Department of \$771,268, \$136,088, and \$114,734, respectively.

***Financial aid co-conspirators pled guilty.***

- On January 13, Dorothy Taylor, and on January 31, Bobbie Robertson-Meneses, pled guilty in U.S. District Court, District of Arizona, to conspiracy of theft of Government funds. Taylor helped Robertson-Meneses apply for financial aid for inmate straw students. As a result, the Department disbursed nearly \$255,000 in financial aid.

***Oklahoma City school counselor pleads guilty.***

- On January 29, Bobbie J. Dailey, former counselor at U.S. Grant High School, pled guilty in U.S. District Court, Western District of Oklahoma, to making false statements to a Federal agency. During the 2009-2010 academic year, Dailey and Rebecca E. Cotton, owner of Foundations Tutoring and co-owner of A+ Tutoring, caused false invoices to be submitted to Oklahoma City Public Schools (OKCPS) by forging parents' signatures and submitting falsified attendance rosters for tutoring services not performed. As a result of these false invoices, OKCPS paid A+ Tutoring \$884,548.13 and Foundations Tutoring, \$351,621.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending February 28, 2014**

Significant Events:

***Release of final report, “OIG’s Independent Report on the Department’s Performance Summary Report for Fiscal Year 2013.”***

- The purpose of our review was to authenticate the Department’s performance measures for key drug control programs by expressing a conclusion about the reliability of each assertion made in the Department’s performance report. Based upon our review, nothing came to our attention that caused us to believe that management’s assertions contained in the Department’s performance summary report are not fairly stated in all material respects. The Department’s fiscal year 2013 performance report, and the accompanying OIG authentication, is required to be submitted to the Office of National Drug Control Policy by March 1, 2014. We issued the final report on February 25, 2014.

***Release of final audit report, “Title IV of the Higher Education Act Programs: Additional Safeguards Are Needed to Help Mitigate the Risks That Are Unique to the Distance Education Environment.”***

- We concluded that the regulations related to verifying student identity before disbursing Title IV funds should be strengthened; current regulations defining attendance at an academically related activity should also apply to student eligibility and disbursement requirements; the cost of attendance components for distance education students should be revised; FSA could improve its monitoring of schools’ compliance by targeting its reviews on high-risk areas; and more useful data on distance education is needed to adequately assess risk and direct monitoring efforts. In its response, the Department agreed, in principle, that additional safeguards and risk assessment strategies are needed to mitigate the unique risks associated with distance education and it agreed with all but one of our recommendations. We issued the final audit report on February 21, 2014.

***Fraud leader pled guilty.***

- On February 10, Enrico Montegrosso, Jr., pled guilty in U.S. District Court, District of Arizona, to financial aid fraud and conspiracy to commit mail fraud. Montegrosso devised a scheme to obtain \$147,209 in Federal student aid from the Department by enrolling straw students in various Maricopa Community Colleges. Montegrosso submitted and directed others to submit assignments for courses on behalf of straw students so they would appear to be legitimate students. Montegrosso used the proceeds to run his limousine company, invest in penny stocks, and pay the straw students.

***Fraud ring leader sentenced.***

- On February 14, Brent Wilder was sentenced in U.S. District Court, Eastern District of California, after pleading guilty to conspiracy to commit student loan fraud. Wilder was sentenced to 33 months in prison, 36 months’ supervised release, and was ordered to pay \$19,411 in restitution. Wilder and another defendant obtained over \$200,000 in Federal student aid funds by recruiting people to act as straw students and applying for financial aid on their behalf at three California schools. Wilder is the first of two defendants to be sentenced.

***Four Alabama fraud ring members sentenced.***

- On February 21, Bobbie Jean Chilsom, Shawn A. Johnson, Sharon Johnson, and Sara Chilsom were sentenced in U.S. District Court, Middle District of Alabama, for their involvement in a conspiracy to defraud the Department and various colleges and universities. Bobbie Chilsom was sentenced to 24 months' imprisonment, 3 years' supervised release, and was ordered to pay \$276,734.27 in restitution. Shawn A. Johnson was sentenced to 5 years' probation, 12 months' home confinement, 10 weekends in jail, and was ordered to pay \$222,068.41 in restitution. Sharon Johnson was sentenced to 5 years' probation, 12 months' home confinement, 3 weekends in jail, and was ordered to pay \$397,963.22 in restitution. Sara Chilsom was sentenced to 3 years' probation and was also ordered to pay \$10,845 in restitution. From 2008 to 2012, the defendants applied for financial aid using false diplomas or false GED certificates. As a result of the fraudulent applications, the defendants and others illegally received approximately \$1,152,994 in Federal funds for tuition, enrollment fees, and living expenses.

***Detroit fraud ring member sentenced.***

- On February 24, Ulysses Hampton was sentenced in U.S. District Court, Eastern District of Michigan, to 60 days' incarceration, 1 year probation, and was ordered to pay \$107,901 in restitution and a \$100 special assessment for his participation in a financial aid fraud scheme. Ulysses Hampton, along with his brother, Luther Hampton, recruited straw students to receive Federal funds and received a portion of the proceeds. As a result of this scheme, over \$400,000 in Federal student aid was disbursed.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending March 7, 2014**

*Significant Events:*

***Release of final report, “Federal Student Aid’s Plans for School Closures by a For-Profit Entity.”***

- We found that Federal Student Aid’s (FSA’s) risk assessment, contingency planning, and procedures for the closure of schools by a for-profit entity were generally adequate, except regarding student outreach. We determined that FSA performed risk assessments and developed strategies to mitigate identified risks associated with for-profit schools closing but did not implement those strategies. However, it put in place contingency plans in the event of school closures. We noted that information posted to FSA’s public website was located in multiple places and was not as comprehensive as it could have been. Finally, we noted that although FSA has developed procedures that describe the steps that it must take when it is notified or otherwise becomes aware that a school or school location has closed or will close, those procedures do not provide clear guidance. In its response, FSA agreed in part with our recommendations and described its planned corrective actions. We issued the final report on February 28, 2014.

***Former proprietary school president sentenced.***

- On February 25, Michael Gagliano, former president of Galiano Career Academy, was sentenced in U.S. District Court, Middle District of Florida, to 48 months’ incarceration, 3 years’ supervised release, 25 hours’ community service, and was ordered to pay \$2,105,761 in restitution and a \$300 special assessment. Gagliano previously pled guilty to theft of Government property, obstruction of a Federal audit, and aggravated identity theft. Galiano Career Academy received more than \$1.9 million in Federal student aid funds for students who were ineligible to receive them.

***Detroit fraud ring member sentenced.***

- On March 3, Ulysses Hampton Jr., was sentenced in U.S. District Court, Eastern District of Michigan, to 4 months’ incarceration, and was ordered to pay \$22,500 in restitution and a \$100 special assessment fee for his participation in a financial aid fraud scheme. Hampton participated in a financial aid fraud ring with his father and uncle, which caused more than \$400,000 in Federal financial aid to be fraudulently disbursed.

***East Texas woman pleads guilty in identity theft scheme.***

- On March 5, Mindy Ritch pled guilty in U.S. District Court, Eastern District of Texas, to student financial aid fraud. Ritch, an employee of a public accounting firm, fraudulently used the identities of others to obtain Federal student aid, private student loans, credit cards, and IRS refunds that resulted in a loss of approximately \$564,447.

***Site manager for NYC tutoring company charged with conspiracy.***

- On March 5, Arlette Hernandez, a former site manager for the Academic Advantage (Academic), a Supplemental Educational Service (SES) provider, was charged in U.S. District Court, Southern District of New York, with conspiracy to make false statements in connection with the SES program. Hernandez allegedly conspired with others to

submit false attendance records claiming that Academic had provided SES tutoring to students at several New York City public schools, when in fact no SES tutoring had been provided. This alleged scheme enabled Academic to obtain Title I funds it was not entitled to receive.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending March 14, 2014**

Significant Events:

***Owner of NYC provider of services to special needs preschool children pleads guilty to fraud charges.***

- On March 7, Cheon Park, owner of Bilingual SEIT, Inc. (SEIT), a private for-profit company, pled guilty in U.S. District Court, Southern District of New York, to mail fraud in connection with a scheme to defraud the Department of Education's Special Education Pre-School Grants program. SEIT offered special education services and preschool programs to New York City children ages 3 to 5. Park inflated costs incurred by SEIT to give himself proceeds, deliberately overpaid certain employees of SEIT to receive portions of the overpayment, and used SEIT funds for his personal benefit. SEIT, funded by the Department, New York State, and New York City funds, received approximately \$94 million in public funds from 2005 through 2012.

***Fraud ring member pleads guilty.***

- On March 6, Ricco Jenkins pled guilty in U.S. District Court, Western District of Wisconsin, to mail fraud. Jenkins fraudulently applied for Federal and State financial aid by falsifying her and others' eligibility. Jenkins fraudulently used the personal identifiers of more than 20 people and defrauded the United States of more than \$400,000. Jenkins is the final defendant in this case to plead guilty.

***Fraud ring members sentenced for distance education conspiracy.***

- On February 5, Brittany Washington, Willis Floyd, Stacy Adams, Belinda Pinckney, Pharish Pinckney, and Belverly Graham were sentenced in U.S. District Court, District of South Carolina. Each defendant was sentenced to 60 months' probation and was ordered to pay a \$100 special assessment and jointly pay restitution totaling \$37,835. From April 2008 to March 2011, the defendants provided their personal information to ring leaders to enroll in online courses at the University of Phoenix and Western Governors University even though they had no intention of attending classes. The total estimated loss from this fraud ring exceeds \$100,000. These are the final six members of the ring to be sentenced.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending March 28, 2014**

Significant Events:

***Court orders The Institute for College Access and Success to comply with IG subpoena.***

- On March 19, the U.S. District Court, District of Columbia, granted a petition for enforcement of an IG subpoena against The Institute for College Access and Success (TICAS). In doing so, the court disagreed with a magistrate's earlier ruling that the subpoena was not enforceable because TICAS was not a contractor of the Department and did not otherwise receive Department funds. The court held that the OIG has the authority to subpoena records from *anyone* as long as the information sought relates to the OIG's statutory duties under the IG Act. In this case, the subpoena relates to an OIG investigation of a former Department official.

***Man sentenced for theft of mail, aggravated identity theft and wire fraud.***

- On March 13, Torron Perpall was sentenced in U.S. District Court, Middle District of Alabama, to 65 months' incarceration, 36 months' supervised release, and was ordered to pay \$58,782 in restitution and a \$300 special assessment. Perpall devised a scheme to steal the identities of over 200 people, used some of the identities to obtain credit cards, rerouted over \$98,000 in student loan credit balances to prepaid debit cards, and stole and cashed checks from various company post office boxes. The total estimated loss from this scheme exceeds \$120,000.

***Two Dallas-area tutoring company owners charged with fraud.***

- On March 20, in U.S. District Court, Northern District of Texas, Florine Mati and David Mbugua were charged with mail fraud and aiding and abetting. The two owned four SES tutoring companies, Diverse Learning, Wise Links, Boost Academy, and Avenue Academy. They and their employees allegedly falsified student sign-in sheets, invoices, and improperly billed several Texas school districts for tutoring services that were not provided. Also, Mati and Mbugua allegedly "enrolled" thousands of fake students for SES tutoring services with their companies using several different Internet Protocol addresses originating in Kenya, and wired thousands of dollars overseas.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending April 4, 2014**

Significant Events:

***Release of final audit report, “The U.S. Department of Education’s and Five State Educational Agencies’ Systems of Internal Control Over Statewide Test Results.”***

- We concluded that the Department and all five State Educational Agencies (SEAs) had systems of internal control designed to prevent and detect inaccurate, unreliable, or incomplete Statewide test results. However, these systems did not always require corrective action. Steps could be taken by both the Department and SEAs to improve the effectiveness of these systems. The Department could improve its monitoring of States’ test results by requiring SEAs to provide an explanation for data that the ED*Facts* system flagged, resume reviews of test administration procedures, and evaluate SEAs’ systems of internal control. The Department could help SEAs improve their systems of internal control by issuing updated and additional guidance that highlights best practices in these areas. The Department agreed with the findings and all but two of the recommendations. We issued the final audit report on March 31, 2014.

***Fraud ring leader sentenced for mail fraud conspiracy.***

- On March 25, in U.S. District Court, Eastern District of Michigan, Luther Hampton Jr. was sentenced to 18 months’ incarceration, 24 months’ probation, and was ordered to pay \$448,838.62 in restitution and a \$100 special assessment for organizing and operating a financial aid fraud scheme in the Detroit metropolitan area. Hampton Jr., along with his brother, Ulysses Hampton, recruited straw students to receive Federal funds. Hampton Jr. also took straw students to cash their financial aid refund checks and received a portion of the proceeds.

***Former Plano Independent School District security manager pleads guilty to embezzlement.***

- On April 1, Kris Wilson Gentz, former security and fire systems manager at Plano Independent School District (PISD), pled guilty to conspiracy to commit Federal program fraud in U.S. District Court, Eastern District of Texas. From 2009-2013, Gentz, along with two co-conspirators, embezzled over \$2.5 million from PISD by filing false invoices for nonexistent materials and services as well as materials and services already paid for by the district.

***Financial aid employee and alleged conspirators indicted for theft.***

- On March 31, October King, a financial aid employee at Lone Star College, was indicted for theft by a public servant and identity theft in Harris County District Court of Texas. Donnie Carter, Diamond Chatman, and Diamond Hunter were also indicted for identity theft. King allegedly accessed Lone Star College’s computer systems and fraudulently obtained identifying information of Lone Star College students. She allegedly provided the student information to Carter, Chatman, and Hunter who allegedly diverted financial aid refunds to various bank accounts they controlled. King and her conspirators allegedly stole over \$110,000 in Federal student financial aid.



**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending April 11, 2014**

Significant Events:

***Mayor/truancy officer pleads guilty to conspiracy and bribery.***

- On April 2, Omar Vela, the mayor of Progreso and truancy officer for Progreso Independent School District (PISD), pled guilty in U.S. District Court, Southern District of Texas, for his role in a bribery scheme. He, his brother Michael Vela, PISD School Board President, and their father, Jose Guadalupe Vela Jr., PISD director of maintenance and transportation, allegedly conspired to obtain bribes and kickbacks from several service providers. To date, four people have been charged in the case.

***Former director of maintenance, operations, and transportation sentenced.***

- On April 3, in U.S. District Court, Central District of California, Adam Delgado, the former director of maintenance, operations, and transportation for the El Monte Union High School District (EMUHSD), was sentenced to three years' probation and was ordered to pay \$4,500 in restitution to EMUHSD and a special assessment and fine totaling \$2,100 to the United States for theft or bribery concerning programs receiving Federal funds. Between 2006 and 2010, Delgado, acting as an agent of EMUHSD, accepted kickbacks from a district vendor in connection with his approval of EMUHSD purchase orders.

***Wisconsin school district employee sentenced.***

- On April 3, in U.S. District Court, Eastern District of Wisconsin, Donna Sternke, a former Shorewood, Wisconsin school district instructional services and special education department employee, was sentenced to 12 months and 1 day incarceration, 2 years' supervised release, and was ordered to pay \$310,264.44 in restitution. Over a 13-year period, Sternke, an administrative assistant who handled purchasing for her department, created bogus purchase orders to use school district funds for vacations and household items.

***Former executive director of non-profit center for independent living convicted.***

- On April 3, Robert Eugene Bruist was found guilty of aggravated white collar crime, grand theft, and communications fraud. Bruist was the former executive director for the now defunct Center for Independent Living of Southwest Florida (CILSWFL), which provided services to persons with disabilities in various counties in Florida. Our investigation revealed that Bruist improperly used in excess of \$900,000 intended for CILSWFL to fund an extravagant lifestyle.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending April 18, 2014**

Significant Events:

***Release of final audit report, "U.S. Department of Education's Compliance with the Improper Payments Elimination and Recovery Act of 2010 for Fiscal Year 2013."***

- We found that the Department complied with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) in FY 2013. However, we found that it needed to improve improper payment rate estimation methodologies for its Pell Grant and Direct Loan programs, as it is not currently reporting estimated improper payment rates that are as complete as possible. We also found that the Department could improve the reporting of improper payments information in its agency financial report (AFR), but has shown progress in reducing and recapturing improper payments. The Department concurred with some findings and generally concurred with others. We issued this report on April 15, 2014.

***Mayor/truancy officer pleads guilty to conspiracy and bribery.***

- On April 2, Omar Vela, the mayor of Progreso and truancy officer for Progreso Independent School District (PISD), pled guilty in U.S. District Court, Southern District of Texas, for his role in a bribery scheme. He, his brother Michael Vela, PISD School Board President, and their father, Jose Guadalupe Vela Jr., PISD director of maintenance and transportation, allegedly conspired to obtain bribes and kickbacks from several service providers. To date, four people have been charged in the case.

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***Former executive director of non-profit center for independent living convicted.***

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provided services to persons with disabilities in various counties in Florida. Our investigation revealed that Bruist improperly used in excess of \$900,000 intended for CILSWFL to fund an extravagant lifestyle.

***\$2 million civil settlement reached with NYC SES provider and nine former employees charged.***

- On April 14, in U.S. District Court, Southern District of New York, Academic Advantage (Academic), a Supplemental Educational Services (SES) provider in New York City agreed to pay \$2 million to the United States to settle a civil fraud complaint. Academic and two of its former employees admitted to falsifying student attendance records and submitting claims for reimbursements between 2010 and 2012 for tutoring services that were not provided. The two former employees, Luz Mercedes and Edwin Guzman, agreed to civil settlements in the amount of \$101,758 and \$61,819, respectively, and also plead guilty to criminal fraud. A third former employee, Arlette Hernandez, was charged with conspiracy to commit fraud. The complaint is still pending against six other former Academic employees--Teresa Osorio, Ayesha Young, Rayvon Jones, Kristin Joyner, Nilsa DalMasi, and Alicia McKay.

***Former Beaumont Independent School District officials plead guilty to embezzlement.***

- On April 14, Beaumont Independent School District (BISD) officials Devin McCraney and Sharika Allison pled guilty to Federal program fraud in U.S. District Court, Eastern District of Texas. McCraney, BISD's former director of finance, and Allison, BISD's former comptroller, embezzled over \$4 million from BISD by transferring funds to bank accounts under their control. They created a bogus vendor that had a similar name to a company that does business with the district.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending April 25, 2014**

Significant Events:

***Fraud ring member sentenced.***

- On April 15, in U.S. District Court, Western District of Wisconsin, Sharonda Lynn Lathan was sentenced to 6 months' incarceration, 6 months' home confinement, 3 years' supervised release, and was ordered to pay \$417,722 in restitution along with her two other co-defendants and a \$100 special assessment fee. From January 2003 through March 2011, Lathan and the other defendants used the personal identifiers of more than 20 people to fraudulently apply for Federal student financial aid.

***Former owner of SES provider sentenced for theft of public monies.***

- On April 9, in U.S. District Court, Eastern District of Michigan, Brian Flaggs, the former owner of Flaggs and Associates Educational Services, was sentenced to 24 months' probation and was ordered to pay a \$1,500 fine and a \$25 special assessment fee for his role in a scheme to defraud the River Rouge school district and the Title I program. Our investigation revealed that Flaggs provided his sister-in-law, Dolores Reid, the school district's former director of State and Federal programs, money and other things of value in return for preferential treatment for his tutoring company. Reid falsely informed parents of students entering River Rouge High School that student participation in the tutoring program was mandatory.

***Co-founder and former executive director of DC public charter school sentenced for theft of Federal funds.***

- On April 24, in U.S. District Court, District of Columbia, Monique Murdock, co-founder and former executive director of Nia Community Public Charter School (Nia), was sentenced to 9 months' incarceration, 3 years' supervised release, and 3 months' home confinement after pleading guilty to theft from a program receiving Federal funds. As part of her guilty plea, Murdock also admitted to using a Government purchase card to make \$11,773 in unauthorized gift card purchases after leaving Nia and working at another employer, Cody Development Center, a U.S. military child care center in Ft. Myer, Virginia. The court ordered Murdock to pay \$29,000 in restitution to the Department, \$11,774 in restitution to the Department of Defense, and an additional forfeiture of \$29,000 as part of the judgment. Our investigation, which involved Nia, revealed that Murdock opened a Uniform Transfer to Minors Act (UTMA) savings account in the name of a minor and herself as the custodian of the account. Between March 2008 and August 2008, five checks from Nia totaling \$29,000 signed by Murdock were deposited into the UTMA account. \$28,900 of the funds were later transferred to accounts belonging solely to Murdock.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending May 2, 2014**

Significant Events:

***Supplemental Educational Services (SES) providers and school district officials indicted.***

- On April 24, in U.S. District Court, Northern District of Illinois, Jowhar Soultanali, Kabir Kassam, Arturo Martinez, Cedric Petersen, Armando Rodriguez, and Brian Harris were indicted for mail fraud and bribery concerning Federal programs. Soultanali and Kassam, were the director of operations and president, respectively at tutoring companies Brilliance Academy, Inc. and Babbage Net School, Inc. Allegedly, Soultanali and Kassam fraudulently obtained over \$33 million from school districts by misrepresenting tutoring services, providing substandard educational materials to students, falsely inflating invoices for tutoring services, and distributing false student progress and improvement reports. Of the \$33 million, Soultanali and Kassam allegedly received between \$8 million and \$13.6 million for themselves and their families.

***New York City (NYC) school teacher sentenced in connection with Supplemental Educational Services program fraud.***

- On April 25, Sandra Allen, a New York City public school teacher and former employee of TestQuest Inc., a Supplemental Educational Services provider was sentenced in U.S. District Court, Southern District of New York, to 3 years' probation, 1500 hours' community service, and was fined \$12,000. Allen conspired with others to falsify attendance records to enhance the number of students supposedly receiving after-school tutoring. TestQuest received tens of millions of dollars of Federal funding for tutoring. TestQuest agreed to pay the United States \$1.725 million in damages and penalties under the Civil False Claims Act in connection with repeated submission of false claims for reimbursement.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending May 9, 2014**

Significant Events:

***Release of final audit report, "Los Angeles Unified School District's Internal Controls Over Nonpayroll Purchases Using U.S. Department of Education Funds."***

- We concluded that the Los Angeles Unified School District (LAUSD) designed internal controls that provided reasonable assurance that district personnel used Department funds for nonpayroll purchases during our audit period in accordance with applicable Federal requirements. No findings were identified during the audit. The LAUSD did not have any comments. The final report was issued on May 6, 2014.

***Four more charged in financial aid refund theft scheme.***

- On April, 28, Ashley Jones, Laria Lee, Markeela Jones, and Richard Boudreaux were indicted for fraudulent use or possession of identifying information. On March 31, October King, a financial aid employee at Lone Star College, was indicted for theft by a public servant and fraudulent use or possession of identifying information. King allegedly obtained identifying information of students by accessing the College's computer systems, provided that information to the other defendants, and diverted students' financial aid refunds to the defendants' bank accounts. Defendants allegedly stole over \$110,000 in Federal student financial aid.

***Owner of postsecondary school indicted in Puerto Rico.***

- On May 8, Elba I. Bonilla-Bayón was charged in U.S. District Court, District of Puerto Rico, with theft of government property, concealment of bankruptcy assets, student assistance program fraud, money laundering, and aggravated identity theft. Bonilla-Bayón, president and chairman of the board for Avance, Inc., an educational services corporation, allegedly defrauded the Department, as well as the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. She allegedly failed to refund \$13,185 in Federal Pell grant funds to the Department for students at Centro de Capacitación y Asesoramiento Vetelba, an Avance subsidiary.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending May 16, 2014**

**Significant Events:**

***New York City school teacher sentenced in connection with Supplemental Educational Services program fraud.***

- On May 14, Michael Logan, a New York City public school teacher and former manager of TestQuest Inc., a Supplemental Educational Services provider, was sentenced in U.S. District Court, Southern District of New York, to 24 months' incarceration, 3 years' supervised release, and a forfeiture judgment of \$250,000. Logan conspired with others to falsify attendance records to make it appear as if more students received after-school tutoring at two public high schools. TestQuest received tens of millions of dollars of Federal funding for tutoring, including more than \$2.3 million for purportedly providing tutoring at the two public high schools. TestQuest previously agreed to pay \$1.725 million in damages and penalties under the False Claims Act in connection with its repeated submission of false claims for reimbursement.

***Fraud ring leader sentenced.***

- On May 5, Cheryl Jones was sentenced to 24 months' incarceration, 36 months' probation, and was ordered to pay \$166,841 in restitution in U.S. District Court, District of Arizona. Jones previously pled guilty to wire fraud for her role in recruiting and registering straw students in a Federal student aid fraud scheme of more than \$500,000 at Rio Salado College. Approximately 48 students claimed Jones' address as their primary residence and more than 100 Federal student aid refund checks and Citibank prepaid debit cards were mailed directly to Jones' home or P.O. Boxes.

***Fraud ring members plead guilty.***

- On April 17, Jaron Laforcarde, and on April 21, Ramon Meneses, pled guilty to conspiracy in U.S. District Court, District of Arizona. Laforcarde and Meneses were previously indicted with Bobbie Robertson-Meneses and Dorothy Taylor for conspiracy and theft of public funds, mail fraud, and aggravated identity theft. Bobbie allegedly applied for Federal student aid on behalf of her imprisoned husband, Ramon. Ramon and his cell mate, Laforcarde, obtained the identities of other inmates and provided them to Bobbie to obtain Federal student aid by enrolling the inmates in courses at community colleges from 2010-2012. As a result, there was a loss of approximately \$255,000 in Federal student aid.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending May 23, 2014**

*Significant Events:*

***Former University of Great Falls student and parents indicted for financial aid fraud.***

- On April 18, Brenden Leischner, Mark Leischner, and Tammy Leischner were indicted in U.S. District Court, District of Montana, for conspiracy, false statements, theft of Government money, and aggravated identity theft. Between July 2010 and February 2014, the Leischners allegedly provided false information on multiple Free Applications for Federal Student Aid, failing to disclose over \$700,000 in household income, and forged a family member's signature on a PLUS loan. As a result, over \$98,000 in student financial aid was fraudulently disbursed on behalf of Brenden Leischner. This case is part of a multi-agency investigation to uncover public corruption and theft of Government funds on Indian lands in Montana.

***Former financial aid director indicted for theft of public money.***

- On May 13, Kathy Wilson was indicted in U.S. District Court, District of South Carolina, for theft of public money. Between March and October 2013, Wilson, financial aid director at Sherman College of Chiropractic, allegedly improperly dispersed Federal student loan checks under the guise of clerical error. Wilson asked Sherman College students to negotiate their student loan checks and return the funds to her. This scheme caused a loss in excess of \$70,000.

***Charter school owner indicted for embezzlement.***

- On May 7, Benita Dinkins-Robinson was indicted in U.S. District Court, District of South Carolina, for embezzlement of public money. From 2007 to 2012, Dinkins-Robinson, owner of Mary L. Dinkins Higher Learning Academy Charter School, allegedly received funding from the U.S. Department of Education and other Federal agencies in excess of \$1.4 million. Dinkins-Robinson diverted Federal funds into personal life insurance policies and various properties.

***Corporation and school president plead guilty to fraud.***

- On May 22, American Commercial Colleges, Inc. (ACC), a postsecondary educational institution, and Doyle Brent Sheets, ACC President, pled guilty in U.S. District Court, Northern District of Texas, to Title IV fraud. ACC pled guilty to theft of public money; and Sheets pled guilty to misprision of a felony. Our investigation revealed that ACC and several of its officials fraudulently increased its non-Federal revenue by forcing students to get private loans to repay them with Title IV funds. ACC officials recorded the loans as cash transactions on student ledgers and then repaid those same loans using Title IV funds. In their annual financial statements submitted to ED, ACC reported the altered non-Federal revenue figures to appear to be in compliance with the 90/10 rule, which allowed ACC to continue to receive millions of dollars in Federal student aid. ACC previously entered into a civil settlement agreement with DOJ and agreed to pay up to \$2.4 million to settle False Claims Act violations involving the manipulation of its 90/10 calculation.



***Two individuals charged with fraudulently obtaining Pell Grants.***

- On May 20, in U.S. District Court, District of Nevada, Frederick V. Williams and Jacqueline L. Gentle, were charged with theft of Government money and implicated in a multi-agency investigation of over \$305,000 in Federal monies. Between 2009 and 2013, Williams and Gentle allegedly were fraudulently awarded over \$21,000 in Pell Grants by falsely claiming to be U.S. citizens. Williams and Gentle were also charged with false statements in applications for passports, false citizenship claims, aggravated identity theft, conspiracy to commit mail fraud, and mail fraud. In addition, Gentle was charged with misuse of a U.S. Passport and social security number.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending May 30, 2014**

Significant Events:

***Former chief operating officer and campus director plead guilty.***

- On May 23, Michael J. Otto, the former chief operating officer and former Lubbock campus director, and Bruce A. Reed, the San Angelo campus director, of American Commercial Colleges, Inc. (ACC), pled guilty in U.S. District Court, Northern District of Texas, to Title IV fraud. Our investigation found that ACC (through Otto and Reed and several other officials) fraudulently increased the non-Federal revenue it reported in order to demonstrate compliance with the 90/10 rule (under which for-profit colleges must receive at least 10 percent of their revenue from sources other than the Department). ACC forced students to get private loans and then repaid them using Title IV funds, allowing ACC to receive millions of dollars in Federal student aid it was not entitled to. ACC previously entered into a settlement agreement to pay up to \$2.54 million to the United States to resolve civil fraud claims. To date, Otto, Reed, and one other ACC official have been convicted in the case.

**OFFICE OF INSPECTOR GENERAL (OIG)**  
**For the week ending June 6, 2014**

Significant Events:

***Former Detroit public school employee sentenced.***

- On May 6, Domonique Campbell, a former Detroit public school teacher, was sentenced in U.S. District Court, Eastern District of Michigan, to 36 months' incarceration and 36 months' supervised release, and she and her mother, a former Detroit public school accountant, were ordered to pay \$530,091 in restitution with co-defendants, for program fraud conspiracy, money laundering conspiracy, and tax charges. Between 2004 and 2008, Campbell and her mother, Sandra Campbell, fraudulently obtained education funds from Detroit public schools by placing orders with a sham company for books and educational materials never provided to the schools. The Campbells conspired to launder the fraudulent proceeds and failed to report them as income on tax returns. Sandra Campbell is currently serving a 6-year prison sentence.

***Corporate financial aid director and business manager plead guilty.***

- On June 4, Trecia McNelly, the corporate financial aid director, and Mary Angelyn Summers, the corporate business manager of American Commercial Colleges, Inc. (ACC), pled guilty in U.S. District Court, Northern District of Texas, to Federal student financial aid fraud and aiding and abetting. Our investigation found that ACC (through McNelly, Summers, and several other officials) fraudulently increased the non-Federal revenue it reported in order to demonstrate compliance with the 90/10 rule (under which for-profit colleges must receive at least 10 percent of their revenue from sources other than the Department). ACC forced students to get private loans and then repaid them using Title IV funds, allowing ACC to receive millions of dollars in Federal student aid it was not entitled to. ACC previously entered into a settlement agreement to pay up to \$2.54 million to the United States to resolve civil fraud claims. To date, ACC, McNelly, Summers, and three other ACC officials have been convicted in the case.