FRAUD AND ABUSE OVERVIEW - CACCCRAO CONFERENCE APRIL 2012

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Office of Inspector General

Who Are We? ED-OIG

- Independent office within the Department
- Conducts audits, investigations & inspections of all
  142 Department programs, including Title IV
- Reports directly to Congress on ways to improve
  Department programs and OIG activities
- Presents findings to Federal prosecutors and
  Department officials for enforcement actions

U.S. Department of Education FACTS

- $55 billion in Title IV aid for the 2010-11 award year
- 6,000 domestic and international universities &
  colleges participate in ED financial aid programs
- During the last year, approximately 4 million
  students received Federal Student Aid to attend
  6,314 postsecondary institutions
Federal Pell Grant

- The Federal Pell Grant program, authorized by the Higher Education Act (HEA), is the single largest source of grant aid for postsecondary education attendance funded by the Federal government.
- The Federal Pell Grant program provided nearly $59 billion in aid for award year 2010-11.

What is the OIG's Mission?

- To prevent and detect fraud, waste, and abuse and improve the economy, efficiency and effectiveness of Education Department programs and operations.

U.S. Department of Education Office of Inspector General
OIG Investigation Services

- Federal Law Enforcement Officers (Referred to as Special Agents)
- Conduct criminal and civil investigations
- Execute arrest and search warrants
- Serve federal Grand Jury and administrative subpoenas
- Present findings to Grand Juries and prosecutors

Criminal Statute: 20 USC 1097(a)
Student Financial Assistance Fraud

Any person who knowingly and willfully
embezzles, misapplies, steals, obtains by fraud, false statement or forgery, or fails to refund any Title IV
funds, assets or property provided by or received under this subchapter or attempts to commit an offense
of embezzlement, misappropriation, etc...
- Shall be fined not more than $20,000 or imprisoned
for not more than 5 years, or both.

Attempts is defined as an undertaking to do an act that entails more than mere preparation but does not result in the successful completion of the act.

Subjects of Investigations

- Schools, school employees, officials and/or
owners
- State Agency employees
- ED employees and ED contractors
- Loan and collection agencies
- Financial aid processors
- ESA recipients

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Examples of Title IV Fraud Schemes

A. New Students
   1. Challenged
   2. Loan deficiency
   3. Fraudulent enrollment
   4. New student
   5. Doctoral degree
   6. Professional

B. False student, record
   1. False attendance
   2. False documents
   3. False degrees
   4. False employment
   5. False transcripts
   6. False grades
   7. False background nods

C. False student, works
   1. False employment
   2. False income
   3. False documentation
   4. False attendance
   5. False student records
   6. False involvement

Fraud Triangle

Opportunity
- Debt
- Addictions
- Status
- Greed

Rationalization
- Everyone does it
- I was only borrowing the money
- I was underpaid and deserve it
Types of Fraud Schemes Rising at Alarming Rates

- ID Theft Rings
- Fraud Ring Scams

Common Elements of Identity Theft/Fraud Ring Schemes

- A king who recruits co-conspirators to participate in the scheme
- Identities of friends, relatives, and/or acquaintances are used and/or stolen
- Relatives, friends, and/or people "on the street" are recruited to participate in the scheme
- Participants have no intention of going to school
- Most of the participants are not even eligible for financial aid because they don't possess a high school diploma or GED

Common Elements continued...

- Computers are used to enroll participants in online courses at various schools
- Computers are used to submit the participant's FAFSA and loan applications
- One or two common addresses and/or email addresses are utilized on FAFSA and/or loan applications
- King recruits create easily identifiable email addresses for each participant and uses them on FAFSA and loan applications
Common Elements continued...

- Financial aid is the requirement for the match to be determined. The institution must 
  demonstrate that it can provide the match.
- In the event of a student leaving the institution, the matching funds must be 
  returned.
- Financial aid dollars are not awarded as grants but as loans, which must be 
  repaid.
- Students must be enrolled in a degree program to participate.
- Prospective students must be eligible to participate in financial aid programs.
- All policies and regulations must be communicated in writing.
- Students must be informed of their rights and responsibilities.

Broad Access to Records

OG has broad access to all SFA-related records and documents under Regulation 34 CFR 
668.24:
- Taxpayer
- Search Warrant
- Grand Jury
- Exemptions from Privacy Act

Family Education Rights and Privacy Act of 1974 (FERPA) protected student

34 CFR 668.18 Standards of Accountability Capability

The Secretary considers an institution to have
accountability capability if the institution:
- Satisfies the reporting requirements of Title IV of the Higher Education Act of 1965, as amended.
- Maintains an admissions and enrollment system that is capable of accurately tracking student progress, enrollment status, and eligibility for financial aid.
- Keeps accurate and complete student records, including grade point averages, course materials, and attendance records.
- Provides timely and accurate reports to the Secretary, the State educational agency, and other relevant entities.
School Responsibility

- Report fraud, waste or abuse to the US Department of Education, Office of Inspector General.
- 34 CFR 669.4 examples:
  - False claims of citizenship
  - The use of false identities
  - Forging of signatures or certifications
  - False statements of income

Any credible information indicating that any employee, agent, contractor, or other person acting on behalf of an entity that received the educational funds involved in the presentation of the receipt of funds whose those programs may be derived in fraud...

Who is Responsible for Reporting Fraud?

- **EVERYONE** who deals with ED funding has a responsibility to help control fraud.

How you can help

- Review documents thoroughly.
- When verifying identity documents, ask leading questions.
- If a document appears suspicious, request additional forms of identification (if altered, whitewash, original not available).
- Compare information on different documents.
- Regularly run checks to identify similarities of address, phone, and/or e-mail between students.
- Ensure that staff receive necessary training.
  - Make referrals to the Office of Inspector General.