


**FRAUD AND ABUSE OVERVIEW-  
CACRAO CONFERENCE APRIL  
2012**

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Office of Inspector General




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**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 on OIG activities
- ▣ Presents findings to Federal prosecutors and Department officials for enforcement actions

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**U.S. Department of Education FACTS**

- ▣ ED disbursed approximately \$145 billion in Title IV aid for the 2010-11 award year
- ▣ 16,000 domestic and international universities & colleges participate in ED financial aid programs
- ▣ During this last year approximately 14 million students received Federal Student Aid to attend 6,314 postsecondary institutions




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### 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.

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### 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.



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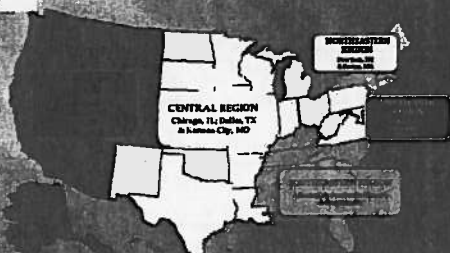
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### U.S. Department of Education Office of Inspector General



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### 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




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### 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 insured under this subchapter or attempts to embezzle, misapply, steal...
- *Shall be fined not more than \$20,000 or imprisoned for not more than 5 years, or both*
- Attempt 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."

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### Subjects of Investigations

- Schools, school employees, officials, and/or owners
- State Agency employees
- ED employees and ED contractors
- Lenders and collection agencies
- Financial aid preparers
- FSA recipients




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### Examples of Title IV Fraud Schemes

- FAFSA enrollment fraud
- Falsification of entrance exams
- Falsification of GEDs/HS diplomas
- Falsification of attendance
- Falsification of grades
- Failure to make refund
- Obstruction of Federal audit or program review
- Ghost students
- Loan theft/forgeries
- Fraud/Theft by school employees
- Default rate fraud
- Financial statement falsification
- ATB test fraud
- Falsified last date of attendance to get additional FSA funds

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State	2009	2010	2011
Alabama	17,875,000	18,000,000	18,000,000
Arizona	4,200,000	4,200,000	4,200,000
Arkansas	1,000,000	1,000,000	1,000,000
California	1,700,000	1,700,000	1,700,000
Colorado	1,000,000	1,000,000	1,000,000
Connecticut	1,000,000	1,000,000	1,000,000
Delaware	1,000,000	1,000,000	1,000,000
District of Columbia	1,000,000	1,000,000	1,000,000
Florida	1,000,000	1,000,000	1,000,000
Georgia	1,000,000	1,000,000	1,000,000
Hawaii	1,000,000	1,000,000	1,000,000
Idaho	1,000,000	1,000,000	1,000,000
Illinois	1,000,000	1,000,000	1,000,000
Indiana	1,000,000	1,000,000	1,000,000
Iowa	1,000,000	1,000,000	1,000,000
Kansas	1,000,000	1,000,000	1,000,000
Kentucky	1,000,000	1,000,000	1,000,000
Louisiana	1,000,000	1,000,000	1,000,000
Maine	1,000,000	1,000,000	1,000,000
Maryland	1,000,000	1,000,000	1,000,000
Massachusetts	1,000,000	1,000,000	1,000,000
Michigan	1,000,000	1,000,000	1,000,000
Minnesota	1,000,000	1,000,000	1,000,000
Mississippi	1,000,000	1,000,000	1,000,000
Missouri	1,000,000	1,000,000	1,000,000
Montana	1,000,000	1,000,000	1,000,000
Nebraska	1,000,000	1,000,000	1,000,000
Nevada	1,000,000	1,000,000	1,000,000
New Hampshire	1,000,000	1,000,000	1,000,000
New Jersey	1,000,000	1,000,000	1,000,000
New Mexico	1,000,000	1,000,000	1,000,000
New York	1,000,000	1,000,000	1,000,000
North Carolina	1,000,000	1,000,000	1,000,000
North Dakota	1,000,000	1,000,000	1,000,000
Ohio	1,000,000	1,000,000	1,000,000
Oklahoma	1,000,000	1,000,000	1,000,000
Oregon	1,000,000	1,000,000	1,000,000
Pennsylvania	1,000,000	1,000,000	1,000,000
Rhode Island	1,000,000	1,000,000	1,000,000
South Carolina	1,000,000	1,000,000	1,000,000
South Dakota	1,000,000	1,000,000	1,000,000
Tennessee	1,000,000	1,000,000	1,000,000
Texas	1,000,000	1,000,000	1,000,000
Utah	1,000,000	1,000,000	1,000,000
Vermont	1,000,000	1,000,000	1,000,000
Virginia	1,000,000	1,000,000	1,000,000
Washington	1,000,000	1,000,000	1,000,000
West Virginia	1,000,000	1,000,000	1,000,000
Wisconsin	1,000,000	1,000,000	1,000,000
Wyoming	1,000,000	1,000,000	1,000,000

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Why do we  
commit?

- Lack of no oversight
- Tax rules

**Fraud Triangle**

- Debt
- Addictions
- Status
- Greed

*Rationalization*

- Everyone does it.
- I was only borrowing the money.
- I was underpaid and deserve it.

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Types of Fraud Schemes Rising at Alarming Rates

- ▣ ID Theft Rings
- ▣ Fraud Ring Scams




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Common Elements of Identity Theft/Fraud Ring Schemes

- ▣ One ring leader who recruits co-conspirators to participate in fraud scheme
- ▣ Identities of friends, relatives and/or acquaintances are used and/or stolen
  - Relatives, friends and/or people "off the street" are recruited to participate in 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

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Common Elements continued...

- ▣ Computers are used to enroll participants in online courses at various schools
- ▣ Computers are used to submit the participants FAFSAs and loan applications
- ▣ One or two common addresses and/or email addresses are utilized on FAFSAs and/or loan applications
- ▣ Ringleader creates easily identifiable email addresses for each participant and uses them on FAFSA and loan applications




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**Common Elements continued...**

- Financial aid checks are usually sent to the ring leader's and/or associate's residences or PO boxes
- Refund money is split between ring leader and other co-conspirators
- Ring leader and associate deposit the refund checks in one or two bank accounts, or cash them and immediately split the money
- Funds are now loaded on pre-paid debit cards
- Fraud linked to organized street gangs or individuals with extensive criminal records
- Colleges are running proactive queries to pull multiple applications at the same address, same email, and/or phone number

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**Broad Access to Records**

• **OIG has broad access to all SFA related records and documents under Regulation 34 CFR 668.24**

- Subpoena
- Search Warrant
- Consent Search
- Exempt from Privacy Act

Family Education Rights and Privacy Act- 34 CFR 99.51- non-disclosure to students

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**34 CFR 668.16 Standards of Administrative Capability**

• **The Secretary considers an institution to have administrative capability if the institution:**

- **g) Refers to the Office of Inspector General... any credible information indicating that an applicant for Title IV, FIEA program assistance may have engaged in fraud or other criminal misconduct in connection with his or her application**
- **Reporting obligation further applied to fraud on the part of employees, third party servicers or other agents of the institution**

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### School Responsibility

- Report fraud, waste or abuse to the US Department of Education, Office of Inspector General
- 34 CFR 668.16 examples:
  - (i) False claims of independent student status
  - (ii) False claims of citizenship
  - (iii) Use of false identities
  - (iv) Forgery of signatures or certifications; and
  - (v) False statements of income; and

Any credible information indicating that any employee, third party servicer, or other agent of the institution that acts in a capacity that involves the administration of Title IV, HEA programs, or the receipt of funds under those programs, may have engaged in fraud...

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### Who is Responsible for Reporting Fraud?

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



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### How you can help



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

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**Is Your Suspect**  
A Suspect?

*What is the Suspect's  
Relationship to the OIG Office?*

Give as much detail  
about the allegation  
as possible



Provide any  
documentation  
supporting the  
allegation

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**Website**

www.ed.gov/oig

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**OFFICE OF INSPECTOR GENERAL  
WESTERN REGION**



Special Agent Christopher H. Edge, 604-610-1000  
Special Agent in Charge, 4100 North Fremont Street, 4100

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