

Potential Threats Facing Institutions of Higher Education



*Presentation to –
North Carolina Association of
Student Financial Aid Administrators
Spring 2024 Conference*

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

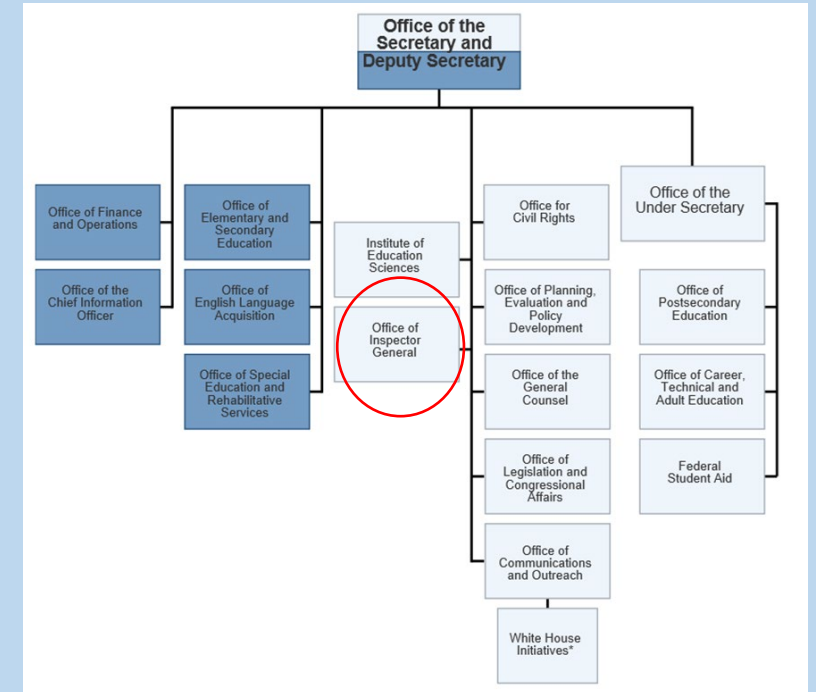
Agenda

- OIG Background and Mission
- Why Institutions are Targets
- External Fraud
- Internal Fraud
- Pathways to Success
- How to Report Fraud
- Questions

OIG Background and Mission

- “. . . promote economy, efficiency and effectiveness . . . [and] prevent and detect fraud and abuse . . .” in Department of Education programs and operations.
- The Office of Inspector General (OIG) is an independent component of the Department. We examine allegations of fraud, waste, and abuse, and pursue those who seek to enrich themselves by abusing Department programs at the expense of our nation’s taxpayers.

Inspector General Act of 1978





OIG Operational Components

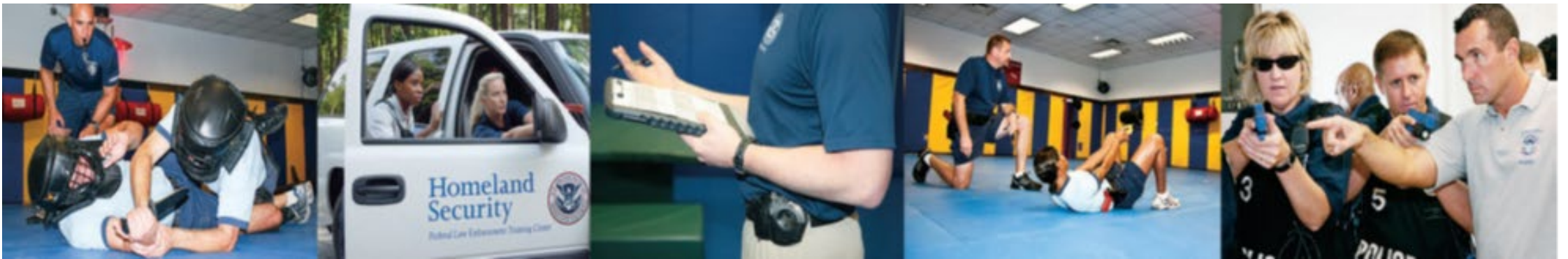
- Audit Services
- Technology Services
- Investigation Services

Investigation Services

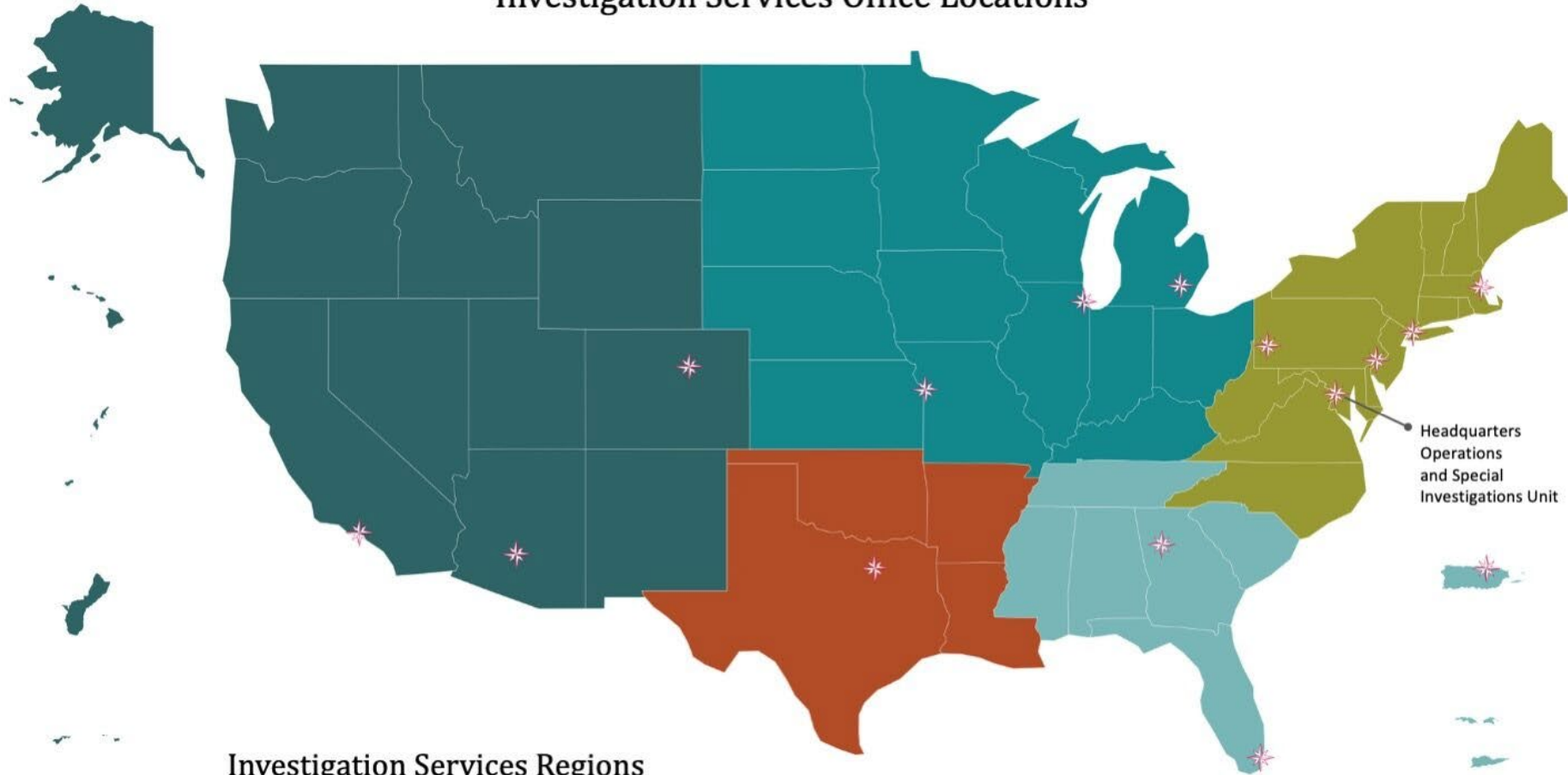
- Conduct criminal, civil, and administrative investigations—such as Federal student aid fraud, fraud and corruption in after-school programs, and grant and contract fraud
- Coordinate with other Federal, State, and local law enforcement agencies and Federal prosecutors at the U.S. Department of Justice
- Operate the OIG Hotline
- Work with the Department to develop appropriate enforcement actions and recommend fixes on programs vulnerable to fraud

OIG Special Agents

- Special Agents attend the Criminal Investigator Training Program at the Federal Law Enforcement Training Center, and receive training in the following areas:
 - Interviewing/Interrogation
 - Criminal Law
 - Civil Law
 - Program and Contract Fraud
 - Firearms/Defensive Tactics



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



Investigation Services Regions

- Eastern Region
- Midwestern Region
- Southeastern Region
- Southwestern Region
- Western Region



- Approximately 9.7 million students
- More than 5,400 participating postsecondary schools
- More than \$114 billion in Federal grants, loans, and work study funds
- Federal student loan portfolio exceeds \$1.6 trillion

Federal Student Aid by the Numbers

OIG and FSA Coordination

- OIG assists the Department in promoting the integrity of the Title IV programs
- Issues Management Information Reports to alert the Department about serious fraud and corruption trends
- Reviews and comments on all regulations with suggestions on areas for improvement
- Regularly exchanges information with FSA to identify current issues in compliance and abuse, and coordinates oversight and investigatory activities, when appropriate

Differences Between OIG and FSA Enforcement and PPO

OIG INVESTIGATION SERVICES

- Investigates any fraud impacting Department programs or operations
- Works with federal and state prosecutors to take criminal and civil actions
- Criminal investigators have statutory law enforcement authority to carry firearms and execute search and arrest warrants
- Operates independently of the Department in exercising its investigative authority

FSA ENFORCEMENT AND PARTNER PARTICIPATION AND OVERSIGHT (PPO)

- Conducts compliance reviews and administrative investigations of violations of HEA
- Takes administrative actions authorized by the HEA and program regulations
- Has program operating responsibilities
- Is required to send allegations of fraud to OIG

Why Institutions are Targets of Fraud



What is Fraud?

A deliberate distortion of the truth in an attempt to obtain something of value.

-or-

Lying and cheating.

Why Are You a Target For Fraud?

BECAUSE YOU HAVE WHAT CRIMINALS WANT!

- **\$\$\$ MONEY \$\$\$** - You are a financial institution that handles millions of dollars every year.
- Your “customers” do not typically consider the fraud threat.
- You have network resources and sensitive student and financial data that are of interest to commercial entities, insiders, hackers, terrorists, etc.
- Your infrastructure may not be configured for fraud detection, prevention, and deterrence. ID Theft Resource Center reports that in 2019, there were **1,473 breaches** of over **164 million records!** Of these breaches, 118 were in the education sector.



Why Are You Important to OIG?

You play a critical role in helping us achieve our mission by serving as the OIG's "eyes and ears" to help us detect and prevent fraud.

Little or no oversight
Weak controls
Lax rules



Debt
Addictions
Status
Greed

Rationalization

Everyone does it.

I was only borrowing the money.

I was underpaid and deserve it.

- One person in control
- No separation of duties
- Lack of internal controls / ignoring controls
- Services not rendered (false billing)
- Financial records not reconciled
- Questionable contracts (kickbacks, bribes, steering)
- Unexplained entries in records
- Unusually large amounts of cash payments
- Inadequate or missing documentation
- Altered records
- Unauthorized transactions
- Related party transactions

Fraud Risk Indicators

Sources of Allegations

- OIG Hotline
- OIG Audit Services
- Independent Auditors
- ED Program Offices
- School Employees and Officials
- Citizens and Parents/Students
- Competing Vendors/Schools
- Federal Bureau of Investigation
- Other Federal Agencies
- U.S. Attorney's Offices
- State and Local Education Agencies

Gathering Evidence

- Statutory and Regulatory Access to Records
- Consensual Search/Access
- Search Warrant
- Court Order
- Subpoenas
- Grand Jury
- Administrative
- Interviews

Criminal Remedies Used by OIG

- 18 USC 201 – Bribery
- 18 USC 1028 – Fraud and Related Activity in Connection with Identification Documents
- 18 USC 641 – Embezzlement
- 18 USC 666 – Theft
- 18 USC 1341 – Mail Fraud
- 18 USC 1343 – Wire Fraud
- 18 USC 1001 – False Statements
- 18 USC 371 – Conspiracy
- 20 USC 1097-Student Financial Aid Fraud (Title IV only)
- 18 USC 1516-Obstruction of a Federal Audit

Civil Remedies Used by OIG

Civil False Claims Act 31 U.S.C. § 3729

Knowingly presents, or causes to be presented, to the United States Government a false or fraudulent claim for payment or approval (no proof of specific intent to defraud is required)

...or makes, uses, or causes to be made or used, a false record or statement to get a false or fraudulent claim paid or to conceal, avoid, or decrease an obligation to the Government

Burden of Proof – “Preponderance of the Evidence” (More likely than not)

Specific Intent to Defraud the Government not required

Liable for Civil Penalties of between \$10K and \$20K per count **plus** 3 times the amount of actual damages

Types of Fraud Committed by Students

- FAFSA Fraud
- Identity Theft
- Falsification of Documents
- Distance Education Schemes

Types of Fraud
Committed by
School
Officials,
Contractors,
Grant
Recipients, etc.

- Ghost Students
- Theft/Embezzlement
- Obstruction of a Federal Audit or Program Review
- 90/10 Rule Manipulation
- Compromise of System Privileges or Protected Information
- Unauthorized or Exceeding Authorized Access of IT Systems or Protected Data

External Fraud

Clayton, North Carolina Man Enrolls Students Into Online Universities to Defraud ED

- Between 2016 and 2019, the subject used the PII of multiple individuals to fraudulently apply for federal student aid to attend several online universities.
- He submitted the FAFSAs for the straw students while concealing his identity as the preparer and completed coursework for straw students.
- He diverted over \$190,000 in federal student aid refunds to NC addresses under his control.
- The subject pled guilty to mail fraud and aiding and abetting.
- He was sentenced to 53 months in prison and three years of supervised release and ordered to pay \$289,403 in restitution.

Danville, Virginia Woman Uses PII of Others to Obtain Federal Student Aid

- The subject recruited others to provide her with personal identifying information, which she then used to prepare and submit fraudulent FAFSAs and enrollment applications to online universities.
- Most straw students did not participate or withdrew from their courses.
- The subject converted the federal student aid funds for her personal use.
- She pled guilty to student aid fraud and one count of unlawful transfer, possession or use of a means of identification.
- She was sentenced to three years of probation and ordered to pay \$264,730 in restitution.

Jacksonville, North Carolina Man Steals Identities to Defraud ED

- Between 2014 and 2020, the subject sought nearly \$300,000 in federal student aid funds in the names of 28 individuals.
- He tricked homeless people at a shelter to provide their personal information by falsely claiming he was collecting the information for the census. He also obtained personal information in exchange for illegal narcotics.
- He submitted false information on FAFSAs and recruited others to take GED exams for straw students.
- The subject profited by obtaining federal student aid refunds from a North Carolina Community College.
- The subject pled guilty to conspiracy to commit student aid fraud, aggravated identify theft, and possession of a firearm in furtherance of a drug trafficking offense.
- He was sentenced to 65 months in prison, five years of supervised release and ordered to pay \$243,032 in restitution.

Internal Fraud

Former University Financial Advisor

- The subject was an employee of a Maryland university from 2005 to 2007 and an employee at a federal agency since 2008.
- Between 2005 and 2021, he engaged in a scheme to recruit over 60 individuals to apply for and enroll in post-graduate programs at more than eight institutions of higher education for a fee.
- He paid individuals to complete coursework for the student participants. As a result, student participants fraudulently received credit for courses, and in many cases, degrees.
- The subject pled guilty to conspiracy to commit student aid fraud and wire fraud and student aid fraud.
- He was sentenced to four years in federal prison, three years of supervised release and ordered to pay over \$5.6 million in restitution.

Former Associate Registrar

- Former Associate Registrar (AR) at Delaware State University accepted over \$70k in bribes from a co-conspirator in exchange for her agreement to change the registration status of hundreds of out-of-state students, thereby allowing the students to qualify for in-state tuition.
- The AR used forged residency documents prepared by her co-conspirator to enable these students to pay reduced tuition.
- The estimated cost to the university of reduced tuition payments exceeded \$3 million.
- The AR pleaded guilty to a one count information of violating 18 U.S.C. 666 - Theft or Bribery Concerning Programs Receiving Federal Funds.
- On February 20, 2020, the AR was sentenced to fifteen months of confinement, three years of supervised release and ordered to pay \$3,202,300 in restitution and a \$100 special assessment.

Director of Financial Aid

- The former Director of Financial Aid (DFA) at a public community college in Virginia orchestrated a six-year scheme to defraud ED and the Commonwealth of Virginia of at least \$230,000 in student financial aid funds.
- The former DFA manufactured or boosted financial aid eligibility for individuals, often her family members, who were not eligible for financial aid. She also forged eligibility documents.
- She spent the financial aid funds on personal expenses.
- The former DFA was sentenced to 63 months of imprisonment followed by three years of supervised release and ordered to pay \$230,850 in restitution.

Pathways to Success



Best Practices

- Conduct a fraud risk assessment and assess potential threats
- Create a plan to mitigate risks and to evaluate potential fraud
- Coordinate with IT departments to identify common addresses (including IP and email), common bank accounts, common passwords and challenge questions, and anomalous geographic locations
- Participate in information sharing with other schools
- Require two-factor authentication to improve security of student accounts
- Formalize a process for reporting potential fraud, waste, and abuse to OIG

Your Role in Preventing and Detecting Fraud

- Review documents thoroughly, question/verify authenticity, and request additional information
- Ensure that staff receive necessary training
- Stay current on alerts and communication from the Office of Postsecondary Education and Federal Student Aid
- Stay current on types of fraud affecting IHEs by signing up for the OIG's free Notification Service, and follow us on Facebook ([@EducationOIG](#)) and Twitter ([ED OIG](#))
- Cooperate with the OIG in connection with an audit or investigation. Don't "tip off" subjects of an actual or pending investigation and continue normal course of business unless otherwise directed
- Contact the OIG if you suspect fraud

To participate in any Title IV program:

- *Schools must develop and apply “an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student’s application for financial aid under Title IV.” 34 C.F.R. § 668.16(f).*
- *Schools and their third party servicers must refer to the OIG “**any credible information**” indicating that a student, school employee, school, third party servicer, or other agent of the school “**may have engaged**” in fraud, criminal or other illegal conduct, misrepresentation, conversion, or breach of fiduciary duty involving Title IV. 34 C.F.R. § § 668.16(g) and 668.25(c)(2).*

- Meet statutory and regulatory requirements
- Comply with ethical responsibility
- Deter others from committing fraud and abuse
- Protect the integrity of the Title IV and HEERF Programs
- Avoid being part of a fraud scheme
- Avoid administrative, civil and criminal penalties

Why Report Fraud to the OIG?

How to Report Fraud



ED OIG HOTLINE

[OIGhotline.ed.gov](https://oig hotline.ed.gov)

or

Contact an [OIG regional office](https://www.ed.gov) at www.ed.gov

Secure Electronic Reporting

OIGHOTLINE.ED.GOV

OIG Hotline

Report Fraud Now!

The OIG Hotline is available for anyone who knows of or suspects fraud, waste, abuse, mismanagement, or violations of laws and regulations involving ED funds or programs. This includes allegations of suspected wrongdoing by ED employees, contractors, grantees, schools and school officials, persons in positions of trust involving ED funds or programs, collection agencies, recipients of student financial assistance, or lending institutions. If you have knowledge of any wrongdoing involving ED funds or operations, let us know! **Click the button below to get started.**

REPORT HERE

- [What to Report to the OIG Hotline](#)
- [What Not to Report to the OIG Hotline](#)

DISCLAIMER - U.S. Department of Education Office of Inspector General Hotline Portal

Warning

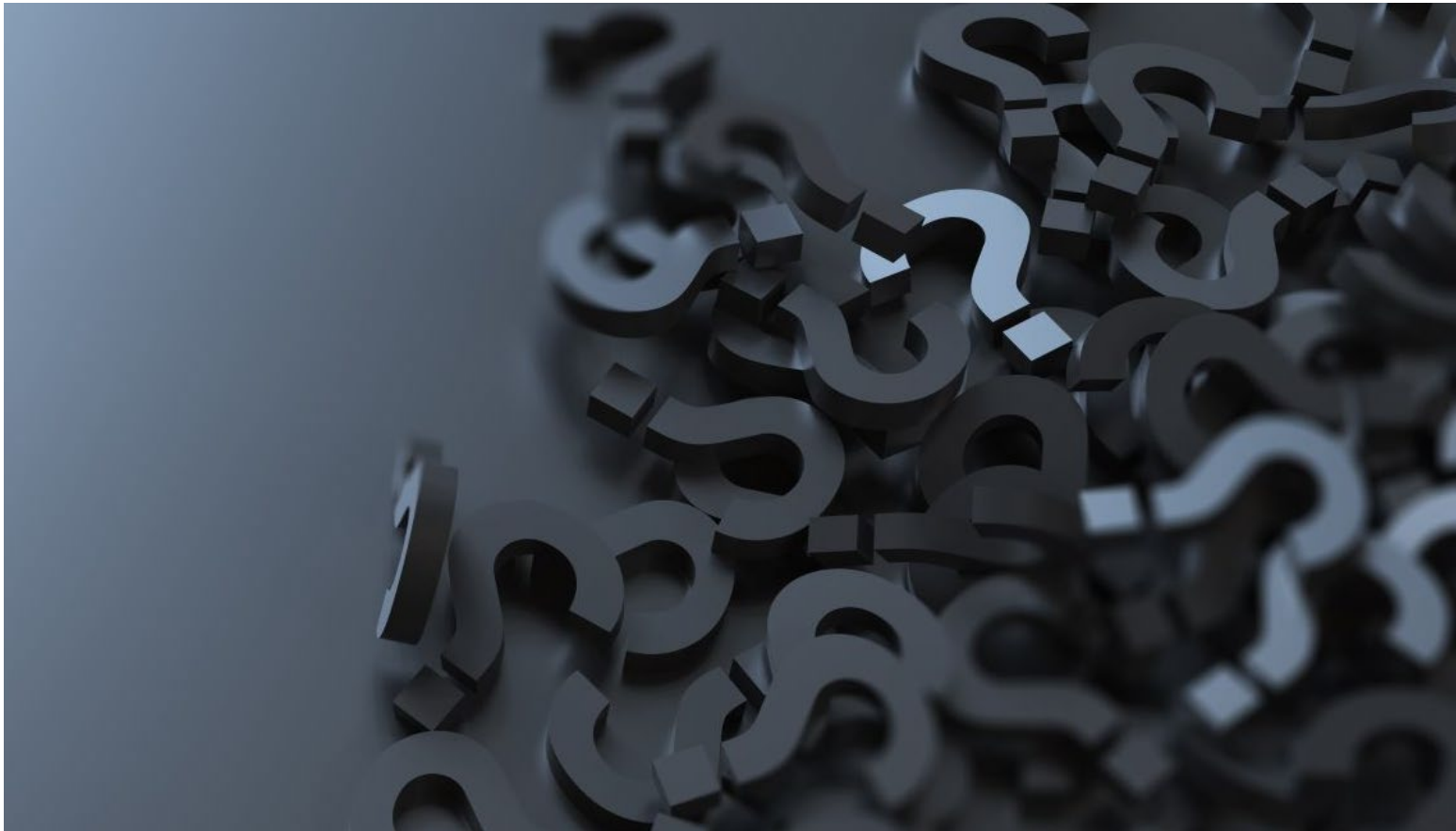
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Any access in furtherance of any criminal or tortious act in violation of the Constitution or laws of the United States or any State.

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Accept



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Questions?