

# Preventing Federal Student Aid Fraud Organized Schemes

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## SFA Fraud in the News

**The Post and Courier** SFA Fraud in the News (Video)

7 fraud suspects are from Colleton

Edward Fennell | Posted: Tuesday, February 21, 2012 12:08  
Updated: Sunday, March 18, 2012 8:58 pm

Seventeen of the 15 people indicted last week by federal fraud are Colleton County residents, the U.S. Attorney announced.

**As Online Courses Grow, So Does Financial Aid Fraud**

While online courses usually are a benefit for students, they also have become a source of financial aid fraud, according to a report from the U.S. Department of Education.

Valley Residents Arrested in Student Aid Fraud Case

February 14, 2012

Updated Feb 14, 2012 at 2:30 PM PST

Released United States Attorney Benjamin B. Witgen announced the arrest of 15 individuals in a student aid fraud case. The defendants, including a 28-year-old Florida woman, a 39-year-old Florida woman, and a 41-year-old Florida woman, are accused of conspiring to commit student aid fraud and identity theft. The indictment charged Florida Witgen with 13 counts of fraud. The indictment was signed and filed on Tuesday.

ing to the indictment, the defendants conspired to defraud the U.S. Department of Education of student aid grants and loans by submitting false financial aid applications to Asia at the University of Phoenix and Capella University on behalf of students who did not intend to attend either institution. The indictment alleges that in some cases the defendants used stolen or wrongfully obtained personal information for persons who did not know their identities would be used to apply for college financial aid. The indictment alleges that as a result of the conspiracy, over \$200,000 in grants and loans were disbursed, of which approximately \$110,000 being paid to the defendants.




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## SFA Fraud in the News

### 11 metro Detroiters busted in student-loan crime ring

3:35 PM, March 20, 2013 | 5 Comments

The federal government has busted a massive student-loan crime ring, charging 11 people across Metro Detroit with orchestrating a scheme that raided more than \$1 million from the government by applying for bogus aid, the U.S. Attorney's office announced today.

FILED UNDER: Local News, Metro Detroit, Westland, Clinton Township, Barbara McQuade

One ringleader, the government said, recruited more than 40 people to apply as students for enrollment and aid, even though most had neither a high school diploma nor a GED, and were therefore ineligible to receive student aid. As a result, participants in that scheme alone received more than \$665,000 in federal student aid. Meanwhile, two of the same ringleader's brothers orchestrated a similar scheme.

**Related:** Pell Grant scammers ripping off Michigan colleges for millions

The case involves four separate crime rings that, authorities say, targeted mainly distance education programs, such as internet college courses, where students don't have to be physically present for courses. The groups operated independently of one another between 2009 and 2010.

ADS BY PULSE 360

8 Myths of Golf Swing? Pros Called Him "Straight Arrow" - Learn His Swing

PHOTO: (877) PICZ

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## Regulatory References In Summary

- Fighting Fraud With the Red Flags Rule
  - Issued by the Federal Trade Commission (FTC)
  - Requires many businesses and organizations to implement a written Identity Theft Prevention Program designed to detect the warning signs — or "red flags" — of identity theft in their day-to-day operations. By identifying red flags in advance, businesses will be better equipped to spot suspicious patterns that may arise -- and take steps to prevent a red flag from escalating into a costly episode of identity theft.

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## Fraud Scheme Characteristics

- Participants provide personal info to Ring Leader, who will register for school, apply for SFA, and "do all of the homework" to maintain attendance until SFA funds are disbursed
- Once funds are disbursed, Ring Leader and participant split the funds, stop attending, and student is not heard from again
- Scheme ring leaders often attend school themselves as well as helping recruits to attend fraudulently
- Ring leaders will also set up student accounts with stolen identities to avoid having to split the proceeds

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## Fraud Scheme Characteristics

- Schemes typically target online and the less-expensive and/or two-year "entry level" programs
- Fraud "Ring Leader" recruits participants enticing them with an opportunity for free money
- Scheme participants typically target vulnerable populations (e.g. younger persons and/or in economically depressed areas)
- Most participants never graduated high school or completed a GED program but falsify admissions
- Ring Leader often sets student accounts up with one or a few common addresses/phone numbers/emails

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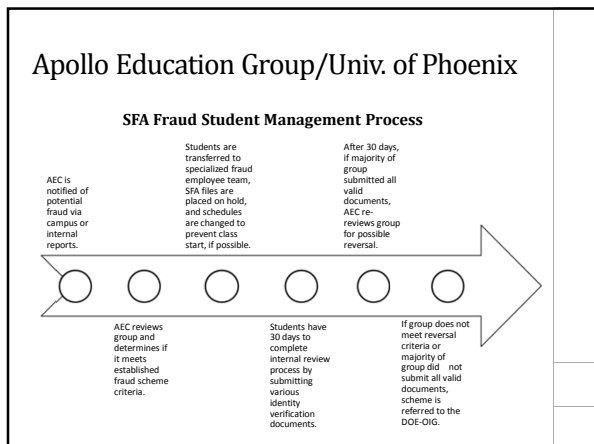
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- ### Apollo Education Group/Univ. of Phoenix
- #### Prevention Techniques: Fraud Student Management Process
- Dedicated team of counselors created to manage suspected fraud student population
  - Institution self-selects for additional verification: INTREV (internal review) process implemented requiring suspected fraud students to complete an extensive identity verification process to receive SFA
    - stops bad actors, permits good actors to proceed
  - If not initially flagged, reviewed students might still be put on "Watch" (regularly reviewed for new matches/info that might prompt later flag)

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- ### Apollo Education Group/Univ. of Phoenix
- #### Prevention Techniques: Referral to the OIG
- Referral info is burned to a DVD and shipped to the OIG (Personal Identifier Information protected). Referral package for each scheme includes but is not limited to:
    - Spreadsheet of student info
    - Student documents (e.g. admissions app, financial agreement, verification worksheet, etc.)
    - Student ISIRs, cancelled check copies, SFA refund transaction log
    - Internal Review (INTREV) documents (examples on next slide)
    - Any additional info (e.g. Student Code of Conduct charge letters, recorded phone calls, etc.)

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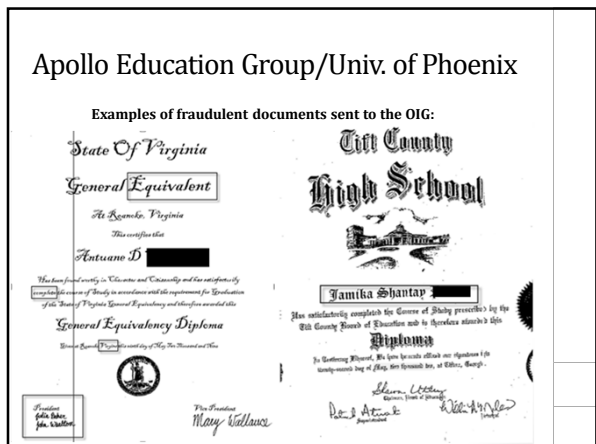
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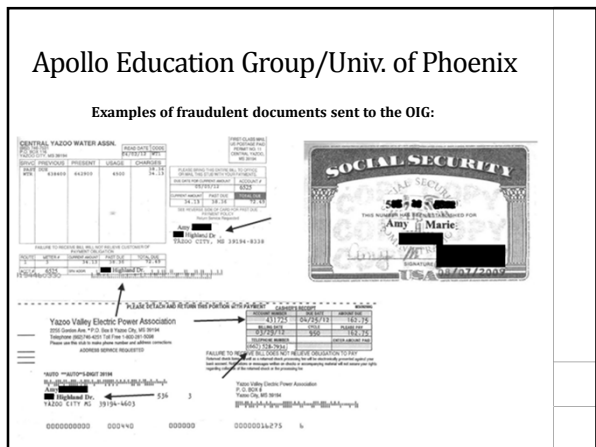
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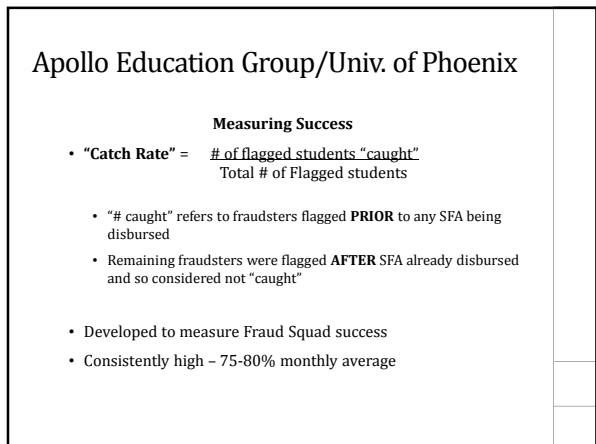
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## Apollo Education Group/Univ. of Phoenix

### Partnership with Law Enforcement

- Dedicate adequate resources to the effort
- Successful program demands healthy relationship with the OIG. Regular communication is key.
  - discuss national fraud trends and best practices
  - understand the types of information the OIG and the U.S. Attorney's office will need to identify and prosecute individuals involved
- "The squeaky wheel gets the grease", as do those cases with the best info
  - More detailed and higher quality referrals result in more prosecutions
- Many fraudsters also involved in numerous other crimes - mail fraud, passport fraud, mortgage fraud, social security fraud, ID theft, etc.
- Other investigative resources besides OIG - Postal Inspectors.

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## School Coalition



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Any questions?



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## Contact Information

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