# Preventing Federal Student Aid Fraud

**Organized Schemes** 

Joe Agins Director Ethics and Compliance Investigations Apollo Education Group/University of Phoenix









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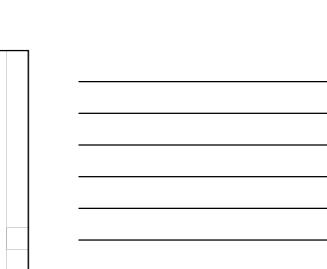
SFA Fraud in the News East St. Louis couple faked their way to 16 student loans worth \$46,000 mend (2) MTweet (2) Qut (2) DShare (4)

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## **Regulatory References In Summary**

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- US Department of Education > Standards of Administrative Capability > Resolving Conflicting Data
- C.F.R § 668.16(f) An institution 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, HEA programs...
- C.F.R § 668.16(g) An institution has an obligation to refer to the Office of the Inspector General of the Department of Education for investigation any credible information indicating that an applicant for Title IV may have engaged in fraud or other criminal conduct...

## **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-today 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.

# 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

# Fraud Scheme Characteristics

- Schemes typically target online and the less-expensive and/or twoyear "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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#### **Prevention Techniques: General Actions Taken**

- · AEC team consisting of four FTEs dedicated to the anti-fraud effort
- Ancillary benefit of University Orientation course: Deterrent to fraud
- University Orientation is a 3 week, no cost, non-credit course required for all new students with less than 24 college credits. Opportunity to "test drive" the University to determine if they are ready for the academic rigor.
- · SFA suspected fraud scheme intake form created for employees to submit issues or suspicious activity
- · Employee education and awareness campaign launched including numerous trainings, teleconferences, job aids, compliance alerts, etc. regarding how to detect and report suspected SFA fraud students

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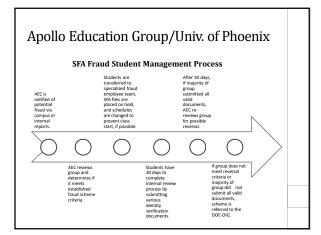
#### **Prevention Techniques: IT Initiatives**

· Datamart developed to house suspected fraud student information

- · Fraud-detection reports developed for regular delivery and review:
- Duplicate Demographic Report: identifies 4+ matches on address, phone, or email (all 4 must have completed an app)
  Duplicate Direct Deposit Report: identifies 3+ students with same bank account info on FAW
- (for receipt of SFA refunds) Duplicate IP Address Report: identifies 4+ students using the same IP address to e-sign the .
- admissions application Reverse Look-up (RL) Reports: three weekly RL reports identify new matches to current fraudsters on the matching elements mentioned above •
- SVP Match Report: identifies groups of students sharing the same SVP (Student Verification Process) PIN numbers and security question answers
  Death Master File: compares student SSNs with SSNs on the Social Security Administration
- (SSA)'s Death Master list- if there is a match, and that match has positive attendance that occurred >10 days after the date of death (per the SSA), student is identified on the DMF report
- Other potential "linking " elements: students being on each other's FERPA releases or verification worksheets, submitting the same schoolwork, etc.

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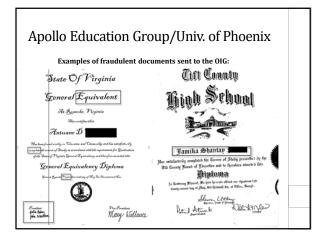
#### Prevention Techniques: Fraud Student Management Process

- 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)

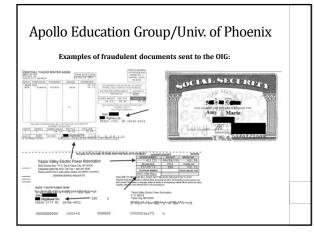
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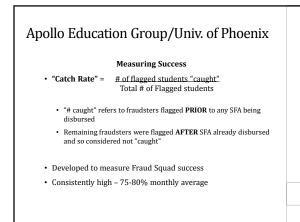
#### Prevention Techniques: Referral to the OIG

- 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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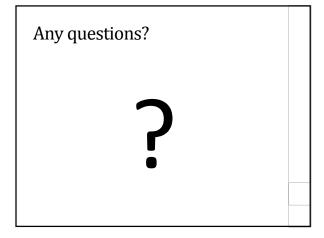
### Partnership with Law Enforcement

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.







# **Contact Information**

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