FINANCIAL AID FRAUD

A Growing Problem

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Cabinet Presentation (adapted)

House Committee on Higher Education, Innovation and Workforce Development February 26, 2016

OIG report on F/A fraud

2011 OIG report:

"Education programs that are delivered solely through the Internet present unique opportunities for fraud ..."

2013 OIG report:

"... increased 82 percent from 2009 to 2012, ... probable loss during that time period of \$187 million in Federal student aid."

Source: OIG Semiannual Report to Congress No.66

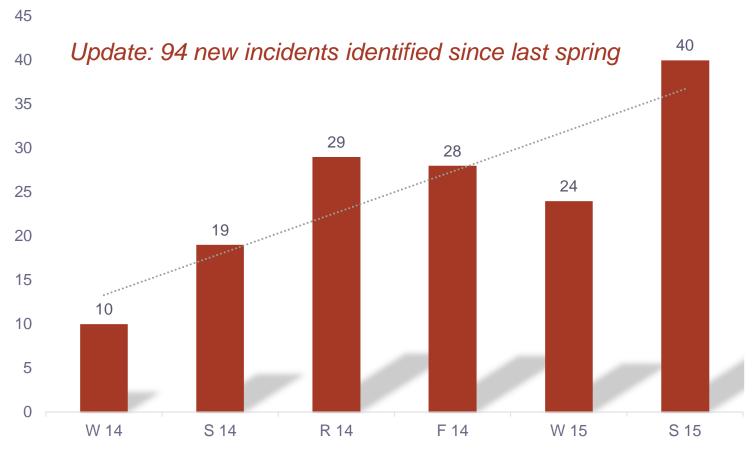
Common types of financial aid fraud

 Pell Runners: People who receive aid in their own name with little or no intent of academic engagement

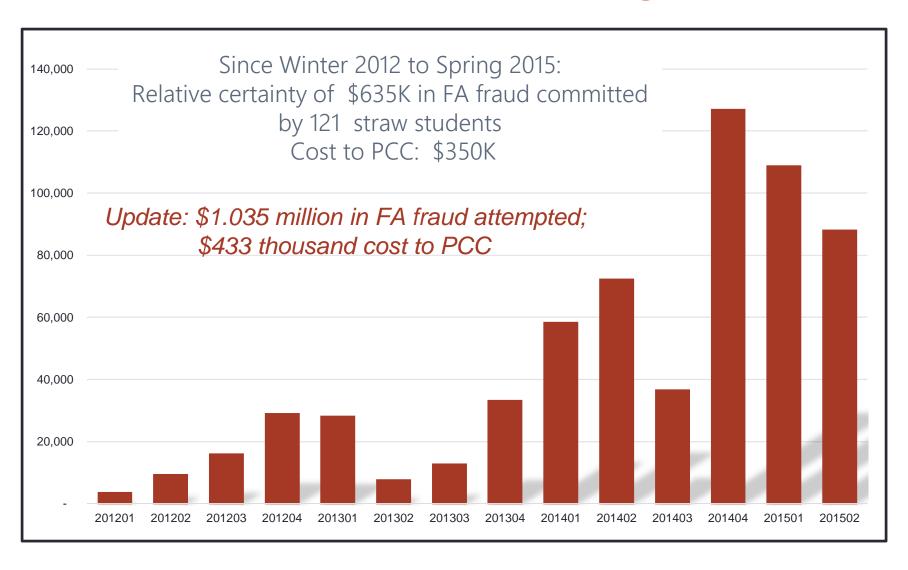
• Fraud rings: A ring leader creates multiple identities (a.k.a. straw students) using willing accomplices or victims of ID theft

What's happened at PCC recently?

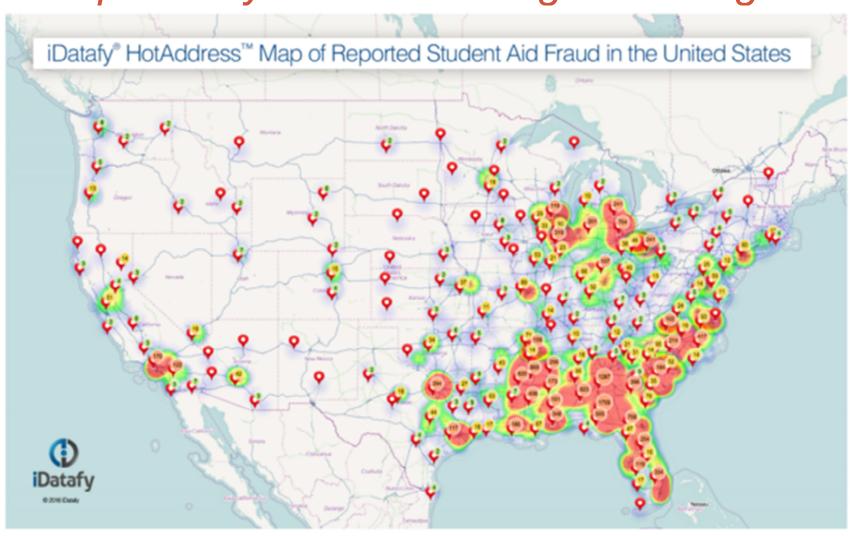




How much and for how long?



Fraud Hotspots as reported by national non-regional colleges



What are common characteristics?

General Indicators

- 1. Lack of testing or transfer credits
- 2. Zero completion
- 3. Common IP addresses
- 4. Student disappears following:
 - Superficial course activity
 - Request for reinstatement / late registration
- 5. Shared email or address
- 6. Conflicting or false information

Course or Enrollment Indicators

- 1. Online course w/no pre-req
- 2. Common or unusual patterns of enrollment
- 3. Late starting class
- 4. Late enrollment

Why target community colleges?

- ✓ Low tuition
- ✓ Large refunds
- ✓Open enrollment
- √Courses w/no pre-reqs
- Reciprocity agreements
- √ College policies



Fraud - What is PCC doing?

Red Flag Oversight Committee (legal requirement)

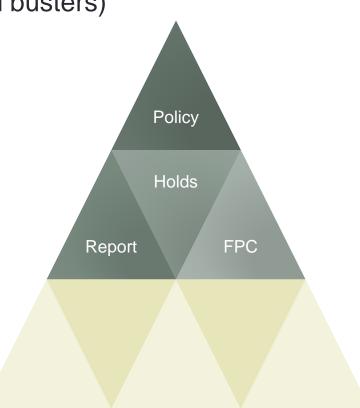
Fraud Prevention Committee (a.k.a. fraud busters)

Conflicting information report

• ID verification and denial of service holds

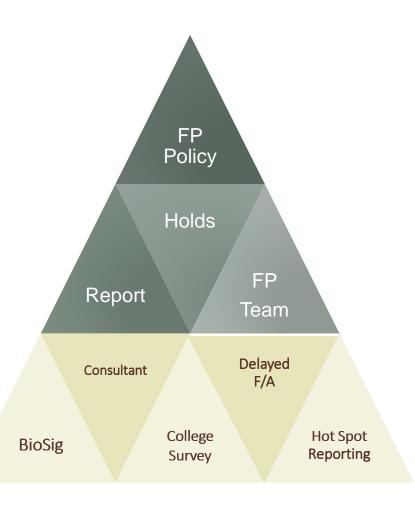
Mandatory online orientation

Fraud prevention policy



Recommended next steps

- Financial Delayed Disbursement
- Biometric signatures (expanded pilot)
- Position to assist with investigation & reporting
- Fraud hot spot reporting
- Survey colleges
- Hire consultant to identify national best practices



Recommended Reading

Preventing Abuse in Federal Student Aid: Community College Practices

David S. Baime and Christopher M. Mullin
April 2012

http://www.aacc.nche.edu/Publications/Reports/Documents/Preventing_Abuse.pdf

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