Averting Danger - Combatting Fraud in Higher Education

Bill Ayers
College Ave
Thursday, May 23, 2024
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FOR IMMEDIATE RELEASE
April 24, 2024

COMMITTEE ON EDUCATION & THE WORKFORCE

PRESS RELEASE

CONTACT: Press Office
(202) 226-9440

Foxx, Steel Warn of Considerable Fraud Within Student Financial Aid System

Lawmakers request briefing, answers on Department’s efforts

WASHINGTON – Today, Education and the Workforce Committee Chairwoman Virginia Foxx (R-NC) and Rep. Michelle Steel (R-CA) sent a letter to Department of Education Inspector General Sandra Bruce raising concerns about considerable fraud within the federal student financial aid system and demanding answers on the Department’s efforts to prevent and remedy these issues.

In the letter the lawmakers write: “We write to express our concerns about an issue that continues to plague the federal student financial aid system: student aid fraud. Loosely affiliated groups of criminals have been exploiting low cost or free programs by using the identities of others (with or without their consent) to obtain federal student aid fraudulently. … From the fall of 2021 through the present, over $5 million in federal student aid has been fraudulently paid to individuals who enrolled at California community colleges, received financial aid, and did not attend college. … The personal toll on students who are prevented from improving their lives through education, as well as the financial toll on this nation, is unacceptable.”
The lawmakers continue: “This type of fraud is not new: in Fiscal Year 2011, the Office of Inspector General at the Department of Education (Department) investigated federal student aid programs and discovered that the fraud included ‘enroll[ing] numerous times under different names,’ ‘falsify[ing] information on the Free Application for Federal Student Aid,’ and ‘initiate[ing] other schemes to receive [student federal aid] funds illegally.’ When financial aid requirements were reinstated after having been earlier relaxed to make it easier for students to qualify for financial aid during the COVID-19 pandemic, ‘college officials said they expected fraud to subside.’ Unfortunately, the fraud has continued to increase.”

The lawmakers conclude: “Fraud is unacceptable. It is important that the Department takes all necessary steps to increase fraud detection and preventative measures. We request a briefing for our staff no later than May 8, 2024, to understand better what your work has revealed and the steps the Department is doing to prevent, manage, and reduce fraud in the federal student financial aid system.”
Expectations for this session:

- Why is this happening now?
- Types of financial aid fraud
- Examples of fraudulent documents
- Trends to be aware of
- Preventative best practices
- Industry response
Types of fraud

Identifying Types of Fraud:

<table>
<thead>
<tr>
<th>Family Fraud</th>
<th>Identity Theft</th>
<th>Synthetic Fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Most common</td>
<td>• Suspect steals borrower/co-signer information</td>
<td>• Borrower does not exist</td>
</tr>
<tr>
<td>• Self-reported by alleged</td>
<td>• Borrower listed on application is not attending school</td>
<td>• Fabricated identity</td>
</tr>
<tr>
<td>victim</td>
<td>• Schools typically identify the fraud</td>
<td>• Sophisticated criminal activity complex to uncover</td>
</tr>
<tr>
<td>• Victim knows the suspect</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


### Types of financial aid fraud

<table>
<thead>
<tr>
<th>Phishing for Refunds</th>
<th>Private Loan Scams</th>
<th>Title IV Identity Theft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students receive a typical phishing email</td>
<td>Identity theft (either student or cosigner)</td>
<td>Large numbers of fraudulent applications</td>
</tr>
<tr>
<td>Account information is used to access Self-Service and other systems</td>
<td>Guest students</td>
<td>ISIR frequently come in clean, having passed all database checks</td>
</tr>
<tr>
<td>Demographic information is updated</td>
<td>Requesting a small amount in the first semester, followed by very large amounts</td>
<td>Submission of fraudulent documents</td>
</tr>
<tr>
<td>Refund preference is changed, redirecting the students refund to a new account</td>
<td>Student enrolls at multiple institutions, borrowing max amounts at both places</td>
<td>Amount of interaction is dependent upon the ring</td>
</tr>
<tr>
<td></td>
<td>Common at community colleges, but increasing at the graduate level</td>
<td>Enrollment in classes that do not have pre-requisite requirements</td>
</tr>
</tbody>
</table>
Early Fraudulent Document Submissions
UTILITY BILL

Account No.
12345678910

Account Name

Address

Cedar Park, TX 78613

Statement Date
November 15, 2022

Period Statement from
November 1, 2022

Period Statement until
November 13, 2022

Meter Information

<table>
<thead>
<tr>
<th>Date</th>
<th>Usage (kWh)</th>
<th>Cost (per kWh)</th>
<th>Amount ($)</th>
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<tbody>
<tr>
<td>1</td>
<td>11/01/2022</td>
<td>300</td>
<td>10</td>
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</tbody>
</table>

Bill Summary

Previous Charges ($) $1.00
Current Charges ($) $3,000.00
Total Amount ($) $3001
Due Date November 19, 2022
Sample Fraud ID
Are these people real?
AI Generated ID

Link to a face generator: https://generated.photos/face-generator
AI Generated Face

https://tineye.com/ verifies this image as a stock image used at several different websites.
AI Photo Made in Seconds

this-person-does-not-exist.com
AI ID Made in Seconds
ID Card Manufactured

Same backgrounds, printing cards instead of just using a computer image overlay. Adds depth, can be propped up, capable of creating documents from multiple states.
Do you know this guy?
## College Ave Investigation Process

<table>
<thead>
<tr>
<th>Name:</th>
<th></th>
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<tbody>
<tr>
<td>SSN:</td>
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<table>
<thead>
<tr>
<th>Address:</th>
<th>1503 SMITH ST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported On:</td>
<td>11/01/2023</td>
</tr>
<tr>
<td>First Reported:</td>
<td>08/01/2023</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Address:</th>
<th>10114 LINDELAAN DR</th>
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</thead>
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<tr>
<td>Reported On:</td>
<td>07/01/2022</td>
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<tr>
<td>First Reported:</td>
<td>12/01/2011</td>
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<table>
<thead>
<tr>
<th>Address:</th>
<th>15604 CASHMERE LN</th>
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<td>Reported On:</td>
<td>07/01/2008</td>
</tr>
<tr>
<td>First Reported:</td>
<td>01/01/1992</td>
</tr>
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</table>
College Ave Investigation Process
Trends to look out for

• Increase of students attempting to enroll past well-known published deadlines

• For colleges serving local communities, and offering online classes, an unusual number of students enrolling from states across the country.

• Sudden increase of students applying for private loan only (PSL), not filing a FAFSA, and forgoing other sources of financial aid.

• Students admitted to academic programs that do not require rigorous admission standards and applying only for PSL.

• Odd date of birth for students taking classes.
Trends to look out for

• Individuals using same addresses or emails.

• An influx of admission applications that is abnormal in a short period of time.

• Rise in withdrawals and class absences, especially students with PSL.

• A surge in FAFSAs on a single day.

• Multiple student refunds routing to the same bank account number.

• Zero income
to be the above-named person who signed the foregoing instrument.

WITNESS my hand and official seal __________________________

Verified by PDFFiller

(Notary Signature)

(Seal)

Notary Public - State of Florida

Commission # G6011233

Expires on September 9, 2023
Fake Diploma
Fake Transcript Generation

State of La Academic Achievement Record (Accredited)

Name: [Redacted]
DOB: [Redacted]
Gender: F
Grade: 12

Lafayette Independent School District
Northside High
2813 moss st
Lafayette, LA 70560

Fake Academic Record
# Fake Academic Record

## South San Antonio High School

**Graduated:** 07/2009  
**Sex:**  
**Birth Date:**

### Student Information

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
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<td></td>
<td>Year</td>
<td>Year</td>
<td>Year</td>
<td>Year</td>
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<tr>
<td><strong>Comp &amp; American Literature Honors</strong></td>
<td>9</td>
<td>B</td>
<td>A</td>
<td>1.0</td>
<td>1.0</td>
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<tr>
<td>Composition &amp; Ancient Literature Honors</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>A</td>
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<tr>
<td>Rhetoric/Comp &amp; Lit Analysis I Honors</td>
<td>11</td>
<td></td>
<td></td>
<td>A</td>
<td>A 1.0</td>
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<tr>
<td>English Composition I (DE-ENG 109)</td>
<td>12</td>
<td></td>
<td></td>
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<tr>
<td>Rhetoric/Comp &amp; Lit Analysis II Honors</td>
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<tr>
<td>Literature In the Humanities (DE-LIT 2000)</td>
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<td></td>
<td></td>
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<td>IP P 1.0</td>
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</tbody>
</table>

### School Information

South San Antonio High School  
7535 Barlite Blvd, San Antonio, TX 78224  
United States  
+1 210-977-7400
Diploma Mills

An institution or organization that grants large numbers of educational degrees with few or no academic requirements.

- An entity that offers a credential, typically for a fee, and requires little or no academic work on the part of the purchaser of the credential.
- An entity that lacks state approval.
- An entity that has deficient consumer protection practices such as:
  - Misleading or irrelevant accreditation statements
  - Unresolved related lawsuits
  - Unresolved (or patterns of) Better Business Bureau complaints
Diploma Mills

Payment Plans

A one-time administrative fee of $25.00 will apply for processing your application and initial payment.

**Full Payment Plan**

$350.00 + $25.00  
**$375.00**  
*(Savings of $49.00)*

**Monthly Payment Plan**

$399.00 + $25.00  
**$424.00**  
*(65 down / $40 per month)*

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American Academy of Pinecrest is a Private High School Meeting all State Requirements.

American Academy of Pinecrest is fully accredited by the National Association for the Legal Support of Alternative Schools (NALSAS).

American Academy of Pinecrest is an accredited member institution of the Transworld Accrediting Commission International (TACI). Transworld Accrediting Commission International is an international, federally recognized non-profit church educational organization that accredits and assists universities, colleges, theological schools, seminaries, and school programs throughout the world.
Building an Institutional Response

1. Spread the Word
   - Share far and wide what you are seeing
   - Don't forget to involve campus safety personnel
   - Ask for the opportunity to speak with instructors, deans, etc.
   - Contact your external supports

2. Create a Response Team
   - Determine who needs to be involved with fraud related procedures
   - Which offices can provide additional information (Moodle records, IP addresses, etc.)
   - Assign a single point of contact for reporting

3. Explore ways to mitigate risk
   - Split up the work
   - How do we balance our mission with our responsibility?
   - Where can technology reduce the manual burden
   - Take simple steps to reduce risk. Start with the low hanging fruit

4. Be ready for a long-term response
   - Communicate with leadership that this is an ongoing issue
   - Challenge those that feel this isn't a pressing issue
   - Add this as a piece to all projects
If an institution can discern that a document is fraudulent, it must deny the student Title IV aid, and report altered or misreported information to the OIG.

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).
# Office of the Inspector General Field Offices

<table>
<thead>
<tr>
<th>East</th>
<th>Southeast</th>
<th>Midwest</th>
<th>Southwest</th>
<th>West</th>
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<tbody>
<tr>
<td><strong>Boston Field Office</strong></td>
<td><strong>Atlanta Office</strong></td>
<td><strong>Ann Arbor Field Office</strong></td>
<td><strong>Southwestern Regional Office</strong></td>
<td><strong>Western Regional Office</strong></td>
</tr>
<tr>
<td>1-800-647-8733</td>
<td>1-800-647-8733</td>
<td>(734)330-2059</td>
<td>(214) 661-9530</td>
<td>1-800-647-8733</td>
</tr>
<tr>
<td>Mark Deckett, Resident</td>
<td>La’Trishia Stallings,</td>
<td>Scott Wingle, Assistant Special Agent in</td>
<td>J. Edd, Cole, Special Agent in</td>
<td>Adam Shanedling, Special</td>
</tr>
<tr>
<td>Agent in Charge</td>
<td>Assistant in Charge</td>
<td>Charge</td>
<td>Charge</td>
<td>Agent in Charge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Wesley Carter, Assistant Special</td>
<td>Christopher Hodge, Assistant</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Agent in Charge</td>
<td>Special Agent in Charge</td>
</tr>
<tr>
<td>New York City Field Office</td>
<td>Puerto Rico Field Office</td>
<td>Kansas City Field Office</td>
<td></td>
<td>Denver Field Office</td>
</tr>
<tr>
<td>1-800-647-8733</td>
<td>1-800-647-8733</td>
<td>(816) 268-0530 Jeffrey Kenney, Assistant</td>
<td></td>
<td>1-800-647-8733</td>
</tr>
<tr>
<td>John Carlo, Assistant</td>
<td>Priscilla Resto, Resident</td>
<td>Special Agent in Charge</td>
<td></td>
<td>Dana McKay, Assistant</td>
</tr>
<tr>
<td>Special Agent in Charge</td>
<td>Agent in Charge</td>
<td></td>
<td></td>
<td>Special Agent in Charge</td>
</tr>
<tr>
<td>Philadelphia Field Office</td>
<td>Nashville Field Office</td>
<td>Midwestern Regional Office</td>
<td></td>
<td>Phoenix Field Office</td>
</tr>
<tr>
<td>1-800-647-8733</td>
<td>1-800-647-8733</td>
<td>(312) 730-1630 John F. Woolley, Special</td>
<td></td>
<td>1-800-647-8733</td>
</tr>
<tr>
<td>Andrew Balenciuk,</td>
<td>Chance Jones, Resident</td>
<td>Agent in Charge</td>
<td></td>
<td>Damian White, Resident Agent</td>
</tr>
<tr>
<td>Assistant Special Agent</td>
<td>Agent in Charge</td>
<td></td>
<td></td>
<td>in Charge</td>
</tr>
</tbody>
</table>
Tips: Training Financial Aid Staff

• Assign one point person to coordinate reporting
• Familiarize frontline staff with security features of state and federal forms of identification
• Get copies of front and back of all forms of identification
• Talk about fraud prevention in the same ways we talk about verification
• Get to know your area Office of the Inspector General agents
Tips: Training Financial Aid Staff

• Using UNIR and ISIR batches to scan for fraudulent demographics
• Fraudulent ISIRs tend to come in groups, processed within a few days of each other
• Email addresses are formulaic: firstlastname01@outlook.com
• Phone numbers are frequently missing
• Addresses belong to public buildings or houses that are on the market, frequently outside of normal service area. (Generally, within the same geographic area in the same batch)
• Ages tend to be older than our typical students and SSNs are out of sequence
Higher Education industry response

Within Higher Education, which entity should take the lead in fraud prevention?

☐ Individual Colleges and Universities
☐ Department of Education
☐ Other Federal Agencies
☐ Private Sector
☐ All the above
THANK YOU!!!!

QUESTIONS?
Resources

Kiplinger ‘s Personal Finance 7/2023, Fight Back Against Fraud and Identity Theft article.

College Ave Student Loans, Fraud Prevention Information fact sheet


Experian Personal Privacy Scan https://www.experian.com/protection/personal-privacy-scan/

Resources

FSA (GENERAL-23-09) Updates to the Gramm-Leach-Bliley Act Cybersecurity Requirements

FSA Changes to 2022-2023 Verification Requirements | Knowledge Center

Dear Colleague Letters (GEN-15-18) Protecting Student Information

(GEN-16-12) Protecting Student Information
Resources

Coordination between OIG and FSA

OIG’s Distance Education Fraud Ring Investigative Program Advisory Report
http://www2.ed.gov/about/offices/list/oig/invtreports/l42l0001.pdf

Information for Financial Aid Professionals (IFAP) http://www.ifap.ed.gov/ifap/


Final Management Information Report PIN Security Vulnerabilities
http://www2.ed.gov/about/offices/list/oig/auditreports/fy2013/x21l0002.pdf