

# U.S. Department of Education Office of Inspector General



Ohio Association of Financial Aid Administrators  
How To Detect and Deter Financial Aid Fraud

Presented by  
U.S Department of Education/Office of Inspector General  
OIG Investigation Services  
Midwestern Region



# AGENDA



- OIG Organization and Mission
- Sources of Allegations
- Examples of Title IV Fraud Schemes
- Detecting and Preventing Distance Education Fraud
- Contact Information
- Question and Answer



# Inspector General Act of 1978



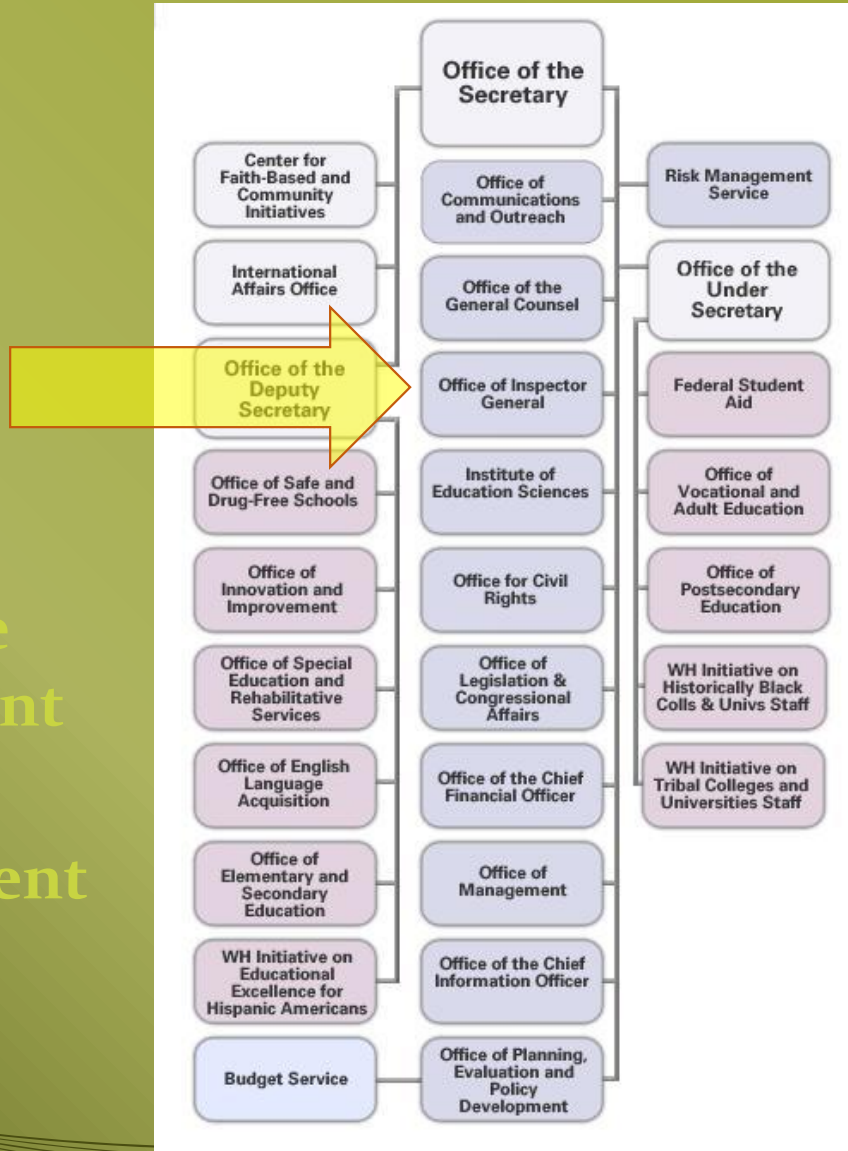
...to prevent and detect fraud, waste and abuse and improve the economy, efficiency and effectiveness of Education Department programs and operations.



# Organization Chart



Part of the  
Department  
BUT...  
Independent







# OIG Mission Statement

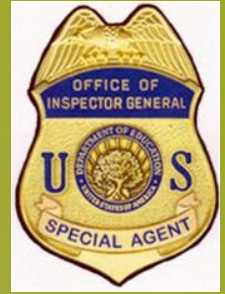
TO PROMOTE THE EFFICIENCY,  
EFFECTIVENESS, AND INTEGRITY OF THE  
DEPARTMENT'S PROGRAMS AND  
OPERATIONS, WE CONDUCT  
INDEPENDENT AND OBJECTIVE AUDITS,  
INVESTIGATIONS, INSPECTIONS, AND  
OTHER ACTIVITIES.



# OIG Components

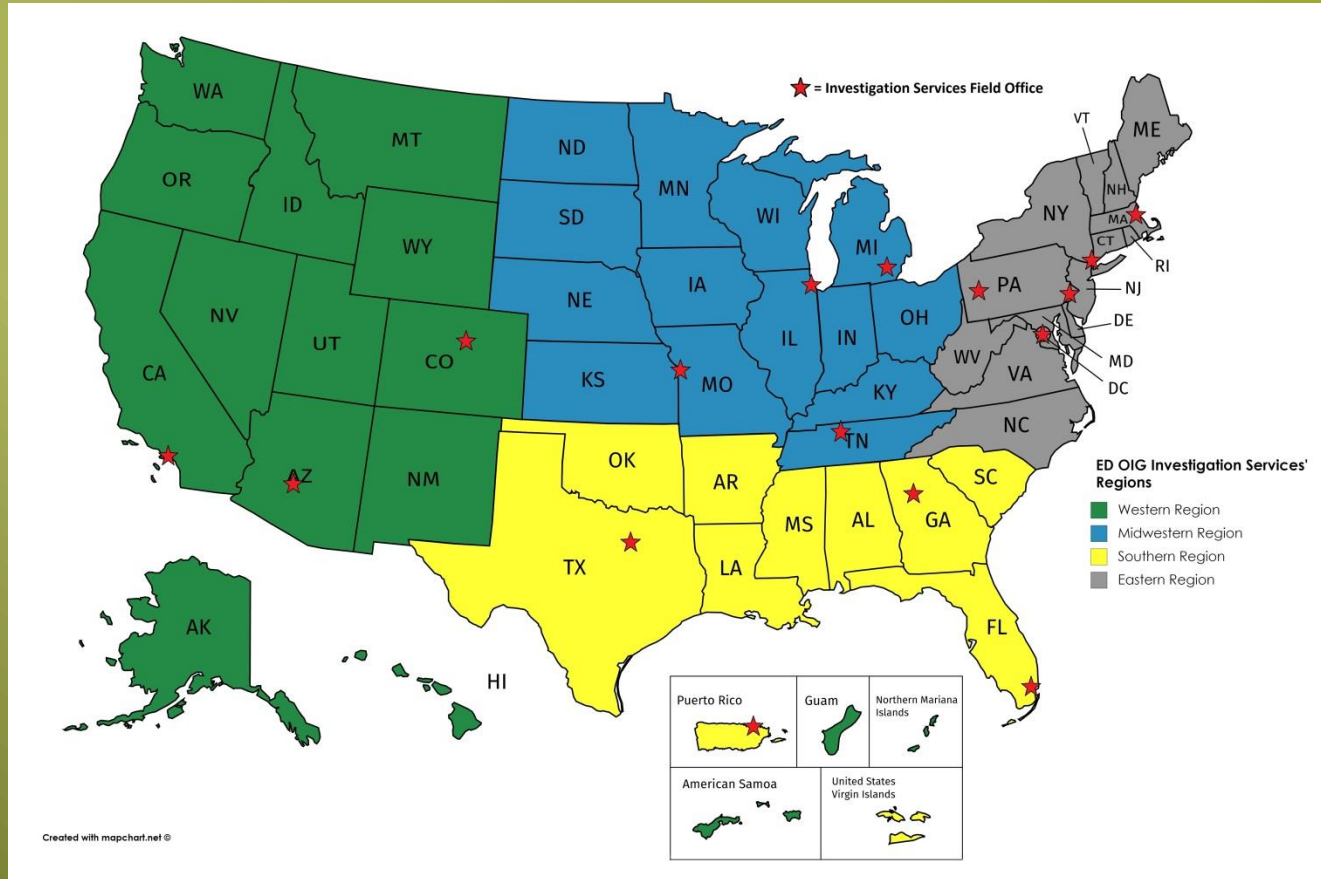
- Audit Services
- **Investigation Services**
- Evaluation, Inspection and Management Services
- Information Technology Audits and Computer Crime Investigations
- Immediate Office/Counsel/Public Affairs

# Investigation Services



- Responsible for all criminal and civil investigative activities relating to the Department's programs and operations
- Operates with full law enforcement authority to make arrests and seek and execute search warrants
- Operates the OIG Hotline, which allows anyone suspecting fraud, waste, or abuse involving Department funds or programs to provide their concerns to us

# Investigation Services Regional Map







# Evidence Gathering

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



# Statutory and Regulatory Access to Records

- Under the Inspector General Act of 1978, as amended, OIG can access any records available to the Department of Education in order to perform audits, investigations and inspections of Department programs and operations.
- The Family Educational Rights and Privacy Act (FERPA) requires schools receiving funding from the Department of Education to protect the privacy of student education records. In many cases consent must be received from a parent or student before records can be disclosed.
- FERPA provides that consent is not required in order to disclose student records to the Office of Inspector General. The regulations provide that representatives of the Secretary, which include OIG, may have access without prior consent in connection with an audit, evaluation, or enforcement of legal requirements related to the Department's programs.

FERPA regulations can be found at 34 C.F.R. Part 99,



# Sources of Allegations



- School Employees and Officials
- OIG Hotline
- OIG Audits and Inspections
- Department Program Offices
- Citizens and Students
- Other Federal Agencies
- U.S. Attorney's Offices
- Other OIG Investigations
- State and Local Law Enforcement Agencies
- Federal Bureau of Investigation
- Qui Tam Actions

# FRAUD



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

or

Lying and cheating.



# Criminal Penalties



## Education Fraud

Title 20 U.S.C. § 1097 (a)

- Any person who knowingly and willfully embezzles, misapplies, steals, obtains by fraud, false statement, or forgery, or fails to refund any funds, assets, or property provided or insured under this subchapter and part C of subchapter I of chapter 34 of Title 42, or attempts to embezzle,....
- Persons convicted of a felony shall be fined not more than \$20,000 or imprisoned for not more than 5 years, or both.
- Attempt is defined as, “an undertaking to do an act that entails more than mere preparation but does not result in the successful completion of the act.”

# Other Criminal Statutes Used in Connection with OIG cases:

- 18 USC § 371 CONSPIRACY
- 18 USC § 1001 FALSE STATEMENTS
- 18 USC § 1341 MAIL FRAUD
- 18 USC § 1343 WIRE FRAUD
- 18 USC § 1014 BANK FRAUD
- 18 USC § 641 THEFT OF GOVERNMENT FUNDS
- 18 USC § 666 THEFT CONCERNING FEDERAL PROGRAMS



# Examples of Title IV Fraud Schemes

- Ghost Students
- False Attendance
- Falsification of Grade Records
- Falsification of GEDs/HS Diplomas
- Fraud/Theft by School Employees
- Identity Theft

# Case Examples





# PRESS RELEASE

- Department of Justice

U.S. Attorney's Office

- Northern District of Illinois

- FOR IMMEDIATE RELEASE

- Friday, March 2, 2018

- **Six Former Employees of Chicago Post-Secondary School Indicted for Allegedly Swindling Federal Financial Aid Program out of Millions**
- CHICAGO — Six former employees of a non-profit Chicago post-secondary education institute schemed to enroll fake students in classes as part of a conspiracy to swindle federal financial aid programs out of millions of dollars, according to an indictment returned in federal court in Chicago.
- The six defendants were employed at the Chicago campus of the Center for Employment Training, a California-based institution of post-secondary, non-degree, vocational and technical education with campuses throughout the country. From 2005 to 2013, the defendants applied for and obtained federal grants and loans for students who were ineligible to receive the funds, the indictment states. One of the purported students was marked present at CET classes even though the student was deceased at the time, the indictment states.
- The scheme caused the U.S. Department of Education to disburse to CET millions of dollars in fraudulent financial aid, the indictment states.

# PRESS RELEASE

- Department of Justice
- U.S. Attorney's Office
- Eastern District of Michigan
- FOR IMMEDIATE RELEASE
- Monday, May 21, 2018

## • **LAST OF THREE DEFENDANTS SENTENCED IN MILLION DOLLAR STUDENT LOAN FRAUD SCHEME**

- The third, and final defendant, in a wide-ranging identity theft scheme involving fraudulent student loan application and tax returns was sentenced today, announced United States Attorney Matthew Schneider.
- Schneider was joined in the announcement by Special Agent in Charge Thomas Utz, U.S. Department of Education, Office of Inspector General / Investigations, Special Agent in Charge Timothy R. Slater, Federal Bureau of Investigation, Detroit Division and Special Agent in Charge Manny Muriel, Internal Revenue Service, Criminal Investigations.
- Previously, co-defendants Timothy Wilcox, 45 and Paul Adams, 61, both from Jackson, were sentenced to 77 months and 15 months respectively and were ordered to pay restitution in the amount of \$1,390,500, all to be paid to the Department of Education as well as the Internal Revenue Service. Meanwhile, earlier today, Katrina Duling, 46, also from Jackson, received one day in custody followed by three years of supervised release and ordered to pay restitution in the amount of \$775,312.

# How You Can Help



- Ensure that staff receive necessary Title IV training.
- Review documents thoroughly.
- Question documents/Verify authenticity.
- Request additional information from the students or parents.
- Compare information on different documents.
- Contact the OIG if you suspect fraud.
- Cooperate with the OIG in connection with an audit or investigation.

# Why Report Fraud To the OIG?



- **Statutory and regulatory requirements.**
  - Ethical responsibility.
  - To deter others from committing fraud and abuse.
  - To protect the integrity of the Title IV Programs.



# Website



- [www.ed.gov/misused](http://www.ed.gov/misused)
- Recent OIG audit on distance education
- <http://www2.ed.gov/about/offices/list/oig/auditreports/fy2014/ao7l0001.pdf>

# QUESTIONS?

