

WHAT...THE...FRAUD

WHAT IS FRAUD?



- **Fraud** – The wrongful or criminal deception intended as to result in financial or personal gain. This includes false representation of fact, making false statements, or by concealment of information. *This is proven in court.*
- **Waste** – Thoughtless or careless expenditure, mismanagement, or abuse of resources to the detriment of the U.S. Government. This also includes incurring unnecessary costs resulting from inefficient or ineffective practices, systems, or controls. *This is subjective.*
- **Abuse** – Excessive or improper use of a thing, or to use something in a manner contrary to the natural or legal rules for its use. *This is subjective.*



TYPES OF FRAUD

- **Internal vs. External** – Fraud committed by school officials vs outside threats
- **Admissions** – Fake apps, fake address/email/phone #, falsified transcripts, test score manipulation, goal of getting school credentials; the first step in accessing system for additional fraud
- **Enrollment** – Fake students in classes (have to be enrolled for FA disbursement), falsified degrees/diploma mills, fraudulent certifications, distance ed schemes
- **Credential/diploma** – Rising threat of fake degrees and certificates, AI-created docs
 - Have/do not have a bachelor's degree
 - High School Diploma/GED/Homeschool
- **Federal Aid** – “Ghost students,” “Pell Runners,” identity theft, fraud rings, false financial information
 - Dependent/Independent, fake marriages, sham guardianships, bogus residency claims
 - Income/asset misreporting (YouTube commercial: “Cut your SAI in half with this one simple step...”)
 - COA/SAP document or appeal falsification
 - Improper use of funds, tuition refund fraud through drop/add abuse
 - FWS fraud, misreporting time
 - Loan fraud, cosigner fraud
- **Scholarships, Other Aid** – Data fabrication/falsification, plagiarism (including self-plagiarism), “paper mills,” failure to report changes in eligibility, not disclosing other awards, COA and disability fraud.



NOT JUST “A FINANCIAL AID PROBLEM”

- **Reputational Damage:** Media coverage/negative headlines, erosion of public trust, damaged credibility, deters prospective students, and impacts fundraising.
- **Operational Disruptions:** Wasted time and resources investigating potential fake apps and verifying identities.
- **Enrollment Impact:** Fake students take class seats real students need, identity verification requirements can be burden/barrier to real students.
- **Additional Security Risks:** Opens systems to cyberattacks and data breaches.
- **Financial Repercussions:** Direct losses, legal fees, regulatory fines, potential loss of federal funding (e.g., False Claims Act implications), HCM, loss of donors.
- **Academic Integrity and Credibility:** Undermines scholarly work, research validity, and the value of degrees.
- **Campus Culture:** Negatively affects faculty, staff, and student morale, creates an environment of mistrust, burnout from administrative burden.



ADMINISTRATIVE CAPABILITY

- A school must refer to the Department’s Office of Inspector General (OIG) any credible information indicating that an applicant for federal student aid may have engaged in fraud or other criminal misconduct in connection with his or her application.
- A school must also refer any credible information indicating that any employee, third-party servicer, or other agent of the institution that acts in a capacity that involves the administration of Title IV programs, may have engaged in fraud, misrepresentation, conversion or breach of fiduciary responsibility, or other illegal conduct involving the Title IV, HEA programs.
- Remember that fraud is the *intent* to deceive as opposed to a mistake.



REPORTING TO OIG

Contact the OIG Hotline to report ANY suspected mismanagement or violations of laws and regulations involving federal funds or programs:

- oig.ed.gov/oig-hotline
- Phone: 1-800-MISUSED (1-800-647-8733)
- [Online complaint form](#)
- Email: OIG.HOTLINE@ED.GOV
- Fax: 202-245-7047
- 400 Maryland Avenue, SW, Washington, DC 20202-1500
- Find the OIG Special Agent in Charge in your [geographic area](#)

START

THINGS TO LOOK FOR



- Manual Overrides of Marital Status/Tax Information
- Starting Transaction for our college is T04 or higher
- Amazon Web Services or Non-Existent Phone Numbers
- Emergency Contact: Leaving just a name without a number

- Items from FSATECH@LISTSERV.ED.GOV 25/26 ISIR Load Thread:
 - Addresses associated with an apartment complex, but no unit or apartment number
 - SSN not associated with state, but claiming to be born in that state
 - Local address, but out-of-state high school
 - Using fake addresses or addresses that are associated with a home for sale on Zillow.com
 - Using ALL CAPS to enter FAFSA information
 - FTI data overridden by manual data for SAI Pell Eligibility
 - Using email addresses from this email address generator site: emailondeck.com

STRATEGIES & BEST PRACTICES

Internal Controls & Risk Management

- Implementing robust internal audit programs and continuous monitoring.
- Segregation of duties in financial processes.
- Authorization and oversight.
- Access control requirements, e.g., strong passwords changed regularly, MFA, restricted access/role-based access.
- Regular fraud risk assessments to identify and categorize types of risk.
- Leveraging data analytics to identify suspicious patterns.

Technology in Fraud Prevention

- Utilizing plagiarism detection software (e.g., Turnitin) and AI content detectors, and secure online exam platforms with proctoring features.
- Advanced identity verification for online enrollment and financial aid.
- Blockchain technology for secure credential verification.
- Use AI and leverage data analytics tools to detect patterns indicative of fraud or financial irregularities, to look at duplicate address, email, phone, or bank account info and IP addresses.
- Strengthen cybersecurity with intrusion detection systems, regular vulnerability assessments, and a “zero trust” model for access control.

Fostering a Culture of Integrity

- Developing clear Policies & Procedures for academic honesty and research ethics.
- Mandatory training and awareness programs for faculty, staff, AND students.
- Training specific to financial aid staff to recognize red flags, e.g., identical FAFSA data across multiple students.
- Student education campaigns about financial/criminal fraud penalties.
- Promoting ethical leadership and accountability from the top down.
- Establishing clear whistleblower policies and protected reporting mechanisms in your department and institution-wide.

Collaboration & Information Sharing

- Staying up-to-date with emerging trends and prevention strategies and sharing with campus community.
- Partnering with OIG, Federal Student Aid, and local law enforcement.
- Sharing best practices and fraud intelligence with other institutions and state/regional associations.
- Engaging students in discussions about academic (and other) integrity.
- Balancing reputation management with transparency
- Protecting the institution’s image while communicating important info about fraud.

