The OIG Mission and Financial Aid Fraud
• OIG’s Role and Authority
• OIG Foreign School Fraud Investigations
• What You Can Do To Help
• How to Make OIG Fraud Referrals
• Address Your Questions
“You know those student loans you didn’t pay back? Well, I’m here to repossess your education.”
The U.S. Department of Education manages nearly 150 separate federal programs to *promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access*.

In Fiscal Year 2014, the Department operated a $1.1 Trillion federal student loan portfolio. The Department also has over 6,000 post-secondary schools as part of the federal student aid programs.
Independent and objective organizations within Federal departments and agencies. The Act authorizes each OIG to:

- conduct and supervise audits and investigations relating to its agency’s programs and operations;
- provide leadership, coordinate, and recommend policies for activities designed to promote effectiveness;
- prevent and detect fraud and abuse in the agency’s programs and operations; and
- keep its agency head and the U.S. Congress fully and currently informed of problems and deficiencies in the agency’s programs and operations and on the status of corrective actions.
...promote the efficient and effective use of taxpayer dollars in support of American education by providing independent and objective assistance to the Congress and the Secretary in assuring continuous improvement in program delivery, effectiveness, and integrity.
There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government.

- Benjamin Franklin
• OIG Investigative/Law Enforcement Authority

• Conduct Criminal and Civil Fraud Investigations.

• Execute Arrest and Search Warrants.

• Serve Subpoenas.

• Present Investigative Findings to Grand Juries and Federal/State Prosecutors.
Fraud consists of some deceitful practice or willful device, resorted to with intent to deprive another of his right, or in some manner to do him an injury.

As distinguished from negligence, it is always positive, intentional.

Black’s Law Dictionary
Fraud, as applied to contracts, is the cause of an error bearing on a material part of the contract, created or continued by artifice, with design to obtain some unjust advantage to the one party, or to cause an inconvenience or loss to the other.

Black’s Law Dictionary
• Lying
• Cheating
• Stealing
The Fraud Triangle

Opportunity

Motivation

Rationalization

Fraud Triangle
• Weak internal controls

• No separation of duties

• Indifferent management

• Ineffective monitoring of business processes
- Debt
- Addictions
- Status
- Greed
• Everyone does it.

• I was only borrowing the money, I intended to pay it back.

• I deserve the money.

Rationalization may be defined as self-deception by reasoning.

(Karen Horney)
When people apply for Federal Education Benefits, they state that all information they provide on the forms are true and correct to the best of their knowledge. If a person reports something they know is not true, it may be fraud.

- An applicant indicates on their application that they are not married when in fact they are married or living as such.

- An applicant claims to have three dependents when in fact they have none.

- An applicant claims their income from the previous year is $22,000 when in fact they made $95,000.
• School Employees, Officials, Owners, Financial Managers, and Instructors
• Lenders and lender servicers
• Guarantee Agencies
• Award Recipients and Parents
• Grantees and Contractors
• ED Employees
Most fraudsters exhibit behavioral traits that can serve as warning signs of their actions — generally will not be identified by traditional internal controls.
• Extravagant purchases or lifestyle

• Lack of documents (the ‘big flood’ destroyed...)

• Common Addresses (mailing, email, and IP)

• PIN number and password information the same

• Personal information that does not fit the norm

• Bank information that is the same
• FAFSA fraud- enrollment
  – Dependency Status
  – Falsification of GEDs/HS Diplomas
  – Assets
  – Social Security Number
• Falsification of attendance
• Falsification of documents
• Obstruction of a federal audit or program review
• Ghost students
• Leasing of eligibility
• Loan theft/ forgeries
• Fraud/Theft by School Employees
• Default rate fraud
• 90/10 rule
• Financial statement falsification
• Cohort default rates
• Alien Registration Status
• OIG Hotline/Audit
• ED Program Offices
• School Employees and Officials
• Guarantee Agencies
• Citizens and Students
• Competing Vendors/Schools
• Other Federal Agencies
• U.S. Attorney’s Offices
• State and Local Education Agencies
You should report fraud because you have an ethical and legal responsibility to do so, and to ensure that education dollars are going to the intended recipients—our schools, students, and the other beneficiaries of ED programs.

Also, if you fail to report fraud, you could be committing a felony.
• Ensure staff receive necessary training
• Review documents thoroughly
• Question documents/Verify authenticity
• Request additional information
• Compare information on different documents
• Contact ED-OIG

• A Guide to Grant Oversight and Best Practices for Combating Grant Fraud

• http://www.usdoj.gov/oig/special/s0902a/ final.pdf
• Call ED-OIG
  – Suspicion
  – Facts
    • Documentation
    • Phone Conversations
    • Emails
“Falsified ATB” and “Failure to Make” Refund Case

The three former owners of the Moler Beauty College (MBC), located in Louisiana, were sentenced and fined for conspiracy to commit student financial aid fraud. Our investigation disclosed that the three owners, along with a financial aid administrator and a contracted Ability-To-Benefit (ATB) tester, engaged in a scheme to fraudulently obtain Title IV funds by falsifying student and school records. MBC officials also engaged in a scheme to prevent the return of Title IV funds to the Department. The owners received prison sentences ranging from 12 to 27 months, and were ordered to jointly pay over $164,000 in restitution to the Department.
• Bahman Khashayar

• Arrested & pled Guilty to receiving fraudulent disbursements over $70K. Loans attempted exceeded $130K.

• He forged signatures on school certifications, fabricated school seals/stamps, & created a school in the U.S.

• After he was arrested he consolidated his loans and attempted another fraud.
Brandon Kiehm

- Arrested and charged with submitting false documents in order to receive $36,000 in financial aid at Stanford, Princeton, & the State University of New York.

- The false documents included a fictitious high school diploma. When he was arrested, he was in possession of a fake high school stamp that was purchased at an Office Supply Store.
- **Iheukwumere Investigation**

- Azubike Iheukwumere was arrested in a motel room in New Jersey.

- Iheukwumere was attempting to obtain new student loans for his attendance at a school in the United Kingdom. It's alleged that he failed to disclose on his FASFA that he had other defaulted student loans in other identities. The loss is estimated at $110,000.

- During the arrest, agents recovered multiple social security cards and various school documents with multiple identities.
Robert Lawrence

- Referred to OIG after a Fraud Presentation
- Submitted Fraudulent Loan Documents to obtain $37,000 for schools in Great Britain he never attended
- Used funds for his financial support while living in the United Kingdom.
- Represented himself as a U.S. Army Colonel, he never served as an U.S. Army Colonel
Ivan Orta Cuprill a/k/a Jaime Torres

Ivan Orta Cuprill

- Loss: $10,000

- ID Theft investigation uncovered an escaped murderer who used false identity to avoid apprehension and obtain federal student aid.

Captured Convicted Murderer
Identity thief pled guilty.

Shavon Casson pled guilty to Student Financial Aid Fraud, Social Security Fraud and related activity in connection with identification documents. She was sentenced to 41 months and ordered to pay $40,785 in restitution. The penalties were enhanced with mandatory imprisonment because some of her victims were elderly.

Casson illegally received approximately $25,000 in TIV funds, possessed multiple identifications, defrauded the elderly and committed credit card fraud. Casson was using multiple stolen identities to obtain drivers licenses, credit cards, financial aid and to avoid detection due to multiple arrest warrants issued for similar conduct in various states. Casson was defrauding elderly people in her care while working in various convalescent homes.
Everyone who deals with DoED funding has a responsibility to help control fraud.
School-based student aid fraud ring activity is a rapidly growing problem. The population of school-based recipients considered as potentially participating in this activity has increased 82 percent from award year (AY) 2009 (18,719 students) to AY 2012 (34,007 students).

Over 85,000 recipients may have participated in this type of student aid fraud ring activity and received over $874 million in Federal student financial aid during this period.

It is estimated that $187 million of this $874 million in Title IV funds are probable fraud loss.
- Obtain or take over financial accounts
- Take out loans for large purchases
- Open new lines of credit
- Sign lease agreements
- Establish services with utility companies
- Write fraudulent checks
- Purchase goods and services on the Internet
• Properly handle documents
• Shred sensitive information
• Use key identifiers instead of the SSN
• Password protect sensitive information
• Audit access
• Review access privileges
• Verify who you are talking to in person or on the phone.
• Clean desk policy
Don’t carry your SSN card with you!

- Shred sensitive information
- Only carry what you use
- Photo copy all cards in your wallet
- Select hard to guess PINs and passwords
- Don’t leave mail sitting in an unprotected box
- Don’t give out private information over the phone
- Order your credit reports
- Use caution when providing ANY sensitive information
1-800-MIS-USED

http://www2.ed.gov/about/offices/list/oig/hotline.html
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