

U.S. Department of Education Office of Inspector General



Fundamentals of Title IV Administration

Office of Inspector General Investigation Services Overview

Presented by OIG Investigation Services
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AGENDA

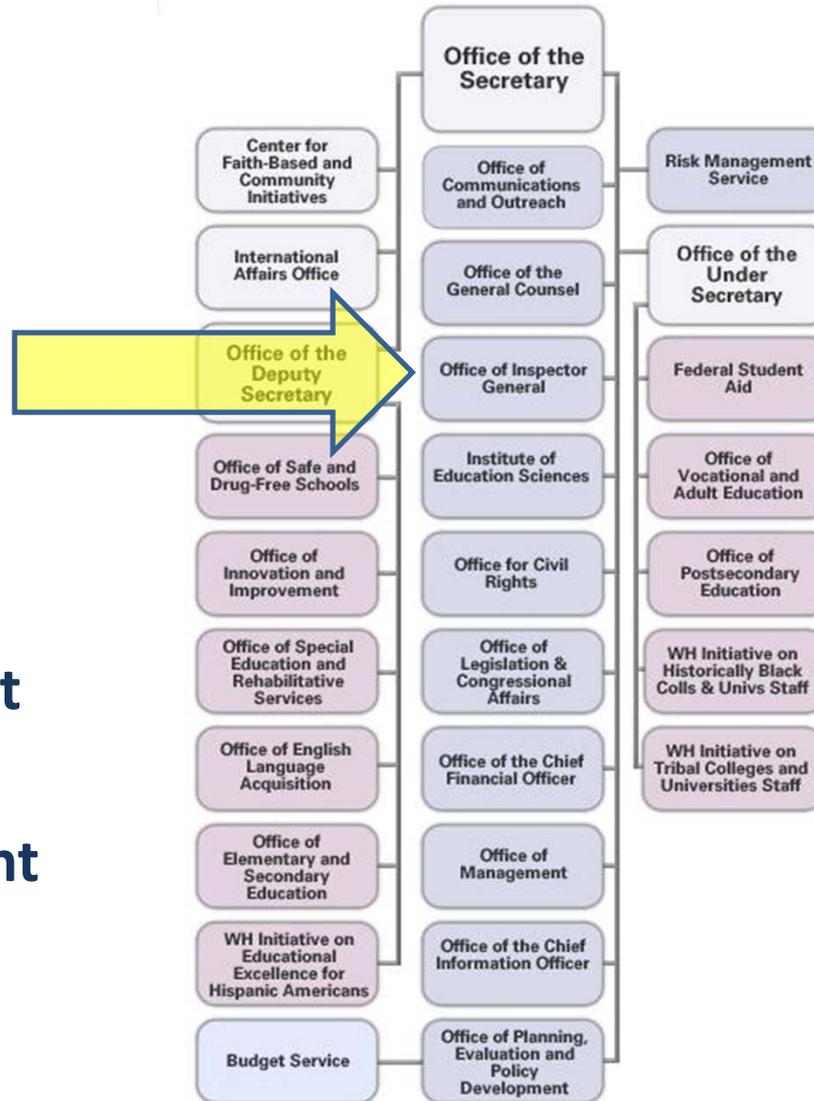
- OIG Organization and Mission
- FSA and OIG Coordination
- Sources of Allegations
- Fraud Indicators
- Examples of Title IV Fraud Schemes
- Detecting and Preventing Distance Education Fraud
- Standards of Administrative Capability
- Criminal Liability
- Civil Liability
- Contact Information
- Question and Answer



ORGANIZATIONAL CHART



Part of the
Department
BUT...
Independent





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.



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.

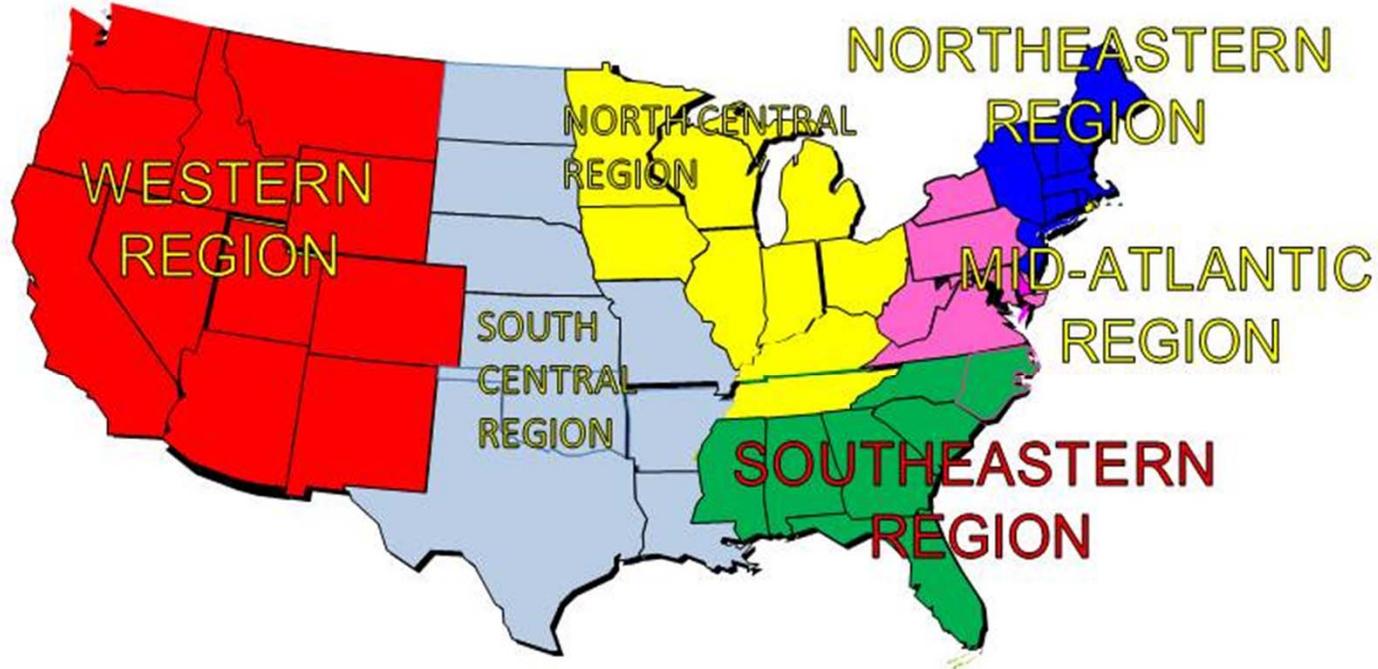


OIG Components

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



U.S. Department of Education Office of Inspector General Investigation Services





FSA and OIG Coordination

The Office of Inspector General assists the Department in promoting the integrity of the Title IV programs.

- Review and comment on all regulations to suggest areas for improvement.
- Regularly exchange information with FSA to identify current issues in compliance and abuse and coordinate oversight and investigatory activities when appropriate.



FSA and OIG Coordination

Investigative Services also issues Investigative Program Advisory Reports (IPAR) to the Department, including FSA. An IPAR alerts FSA about findings from investigations and makes recommendations to mitigate future risks of fraud in the Title IV programs.



Fraud

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

or

Lying and cheating.

Sources of Allegations

- OIG Hotline
- OIG Audits and Inspections
- Department Program Offices
- School Employees and Officials
- Guarantee Agencies
- Contractors and Sub-contractors
- Grantees and Sub-grantees
- Citizens and Students
- Competing Vendors/Schools
- Other Federal Agencies
- U.S. Attorney's Offices
- Other OIG Investigations
- State and Local Law Enforcement Agencies
- Federal Bureau of Investigation
- Qui Tam Actions





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,
<http://www2.ed.gov/policy/gen/guid/fpc/index.html>

Fraud Risks

- One person in control
- No separation of duties
- Lack of internal controls/ignoring controls
- No prior audits
- Repeat audit findings
- High turnover of personnel
- Unexplained entries in records
- Unusually large amounts of payments for cash
- Inadequate or missing documentation
- Inability to answer or respond to basic questions
- Altered records
- Non-serial number transactions
- Inventories and financial records not reconciled
- Unauthorized transactions
- Related Party Transaction





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.



Examples of Title IV Fraud Schemes Related to Students

- FAFSA Fraud:
 - Social Security Number
 - Alien Registration Status
 - Dependency Status
 - Income and Assets
 - Number of Family Members in College
- Falsification of GEDs/HS Diplomas
- Identity Theft
- Distance Fraud Schemes



Examples of Title IV Fraud Schemes Related to Schools

- Ghost students
- Leasing of eligibility
- Default rate fraud
- 90/10 Rule manipulation scheme
- Financial statement falsification
- Falsified last date of attendance
- Obstruction of a federal audit or program review.
- Fraud/Theft by School Employees
- FAFSA fraud- enrollment
- Falsification of GEDs/HS Diplomas
- Falsification of attendance and Satisfactory Academic Progress
- Falsification of grades
- Failure to make refunds Loan theft/ forgeries

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

18 USC 1030 COMPUTER FRAUD/EXCEEDING ACCESS

Civil False Claims Act

31 U.S.C. 3729



- Knowingly presents, *or causes to be presented*, to the United States Government a false or fraudulent claim for payment or approval
- ...or makes, uses, *or causes to be made or used*, a false record or statement to get a false or fraudulent claim paid or to conceal, avoid, or decrease an obligation to the Government.
- Burden of Proof – “Preponderance of the Evidence”
(*More likely than not*).
- *Specific Intent* to Defraud the Government not an Element.
- Liable for Civil Penalties of between \$5.5K and \$11K per count **plus** 3 times the amount of actual damages.

Civil False Claims Act

31 U.S.C. 3729



Knowing and Knowingly Defined.--For purposes of this section, the terms ``knowing" and ``knowingly" mean that a person, with respect to information:

- (1) has actual knowledge of the information;
- (2) acts in deliberate ignorance of the truth or falsity of the information; or
- (3) acts in reckless disregard of the truth or falsity of the information, and ***no proof of specific intent to defraud is required.***

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.
- To avoid being part of a fraud scheme.
- To avoid administrative action.
- To avoid civil penalties.
- To avoid criminal prosecution.
- To avoid incarceration.



34 CFR 668.16 Standards of Administrative Capability

The Secretary considers an institution to have administrative capability if the institution:

(f) Develops and applies 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.

(g) Refers to the Office of Inspector General...any credible information indicating that an applicant for Title IV, HEA program assistance may have engaged in fraud or other criminal misconduct in connection with his or her application.

Schools must also refer to the OIG any third-party servicer who may have engaged in fraud, breach of fiduciary responsibility, or other illegal conduct involving the FSA Programs.



Criminal Liability

- 18 U.S.C. 2, Aiding and Abetting

Whoever commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal.

- 18 U.S.C. 4, Misprision of a Felony

Whoever, having knowledge of the actual commission of a felony cognizable by a court of the United States, conceals and does not as soon as possible make known the same to some judge or other person in civil or military authority under the United States, shall be fined under this title or imprisoned not more than three years, or both.

Inspector General's Hotline

1-800-MIS-USED



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



OIG Investigation Services Contact Sheet



City/State	Telephone No.
Ann Arbor, MI	(312) 730-1630
Atlanta, GA	(404) 974-9430
Boston, MA	(617) 289-0174
Chicago, IL	(312) 730-1630
Dallas, TX	(214) 661-9530
Denver, CO	(303) 844-0058
Kansas City, MO	(816) 268-0530
Long Beach, CA	(562) 980-4141
Nashville, TN	(615) 902-7327
New York, NY	(646) 428-3861
Pembroke Pines, FL	(404) 974-9430
Philadelphia, PA	(215) 656-6900
Phoenix, AZ	(562) 980-4141
Pittsburgh, PA	(215) 656-6900
San Juan, PR	(787) 766-6278
Washington, DC	(202) 245-6918

QUESTIONS?

