



OIG PERSPECTIVE REPORT

The Importance of Strengthening Internal Controls in Federal Student Aid

FYS 2019-2024

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

Office of Inspector General

Sandra D. Bruce
Inspector General

December 2024

This report is in the public domain. Authorization to reproduce it in whole or in part is granted. While permission to reprint this publication is not necessary, the citation should be: **OIG Perspective Report: The Importance of Strengthening Internal Controls in Federal Student Aid for FYs 2019-2024.**

Please Note:

OIG Perspective Report: The Importance of Strengthening Internal Controls in Federal Student Aid for FYs 2019-2024 is available on the ED OIG website at <https://oig.ed.gov/reports/list>.

All images used under license from Shutterstock.com and Adobe Stock.

OIG Perspective Report

The Importance of Strengthening Internal Controls in Federal Student Aid for FYs 2019–2024

The Federal student assistance programs have long been a major focus of the U.S. Department of Education (Department) Office of Inspector General (OIG). The OIG consistently dedicates significant resources to the oversight of these programs due to the risks associated with their complexity, high levels of funding, large numbers of program participants, and reliance on contractors. Through the office of Federal Student Aid (FSA), the Department disbursed about \$120.8 billion in Federal student assistance in fiscal year (FY) 2024 and manages or oversees an outstanding loan portfolio valued at more than \$1.6 trillion. This makes the Department one of the largest financial institutions in the country. As such, effective internal controls within FSA are critical.

The purpose of this report is to summarize the OIG’s oversight and investigative work involving Federal student assistance programs and operations over the past 6 FYs—FY 2019 through FY 2024 and to provide FSA with context on historical areas of weakness involving internal controls. To identify common themes across internal control vulnerabilities identified during our audit work, we evaluated recommendations made in OIG reports to address those vulnerabilities and assessed their correlation with each internal control component. And, in this effort, we analyzed complaints received by the OIG Hotline specific to Federal student assistance programs and FSA operations to identify trends and fraud indicators, summarized investigative results related to student aid fraud, and assessed their correlation to internal controls. We also took a close look at a type of fraud that accounts for a large portion of our student aid fraud investigative caseload—student aid fraud rings.

The results of this effort are intended to provide context on historical areas of weakness and vulnerabilities in FSA’s internal controls identified through the OIG’s audit work and provide insight gleaned from the OIG’s investigative work on the importance of strengthening internal controls to help mitigate the risk of fraud in the Federal student assistance programs. By strengthening its internal controls, FSA can better ensure that Federal student assistance programs are carried out as required, achieve the desired results, and that vital Federal student aid assistance reach the intended recipients.



Defining Internal Controls

Internal controls are those checks and balances that help ensure the integrity of accounting and financial information, prevent fraud, promote accountability, help an organization comply with laws and regulations, and improve operational efficiency. Without effective systems of internal controls, organizations may not perform effectively and efficiently; may report and make decisions based on unreliable information about its operations; risk noncompliance with applicable laws, regulations, and guidance; and leave themselves vulnerable to fraud, embezzlement, other criminal activity, and organizational mismanagement.

WHAT ARE INTERNAL CONTROLS AND WHY THEY MATTER

The Government Accountability Office’s (GAO) Standards for Internal Control in the Federal Government (Green Book) sets forth a framework for agencies to follow for establishing and maintaining effective internal control systems, which help safeguard public funds, prevent fraud and waste, ensure compliance with laws and regulations, and promote operational efficiency. Internal controls are management controls—activities used by management to help an entity achieve its objectives. These internal controls operate as checks and balances to help ensure the efficiency and effectiveness of operations, the reliability of information, and compliance with laws and regulations. For a system of internal control to be effective, each component must be effectively designed, implemented, and operational, working together in an integrated manner.

COMPONENTS OF INTERNAL CONTROL

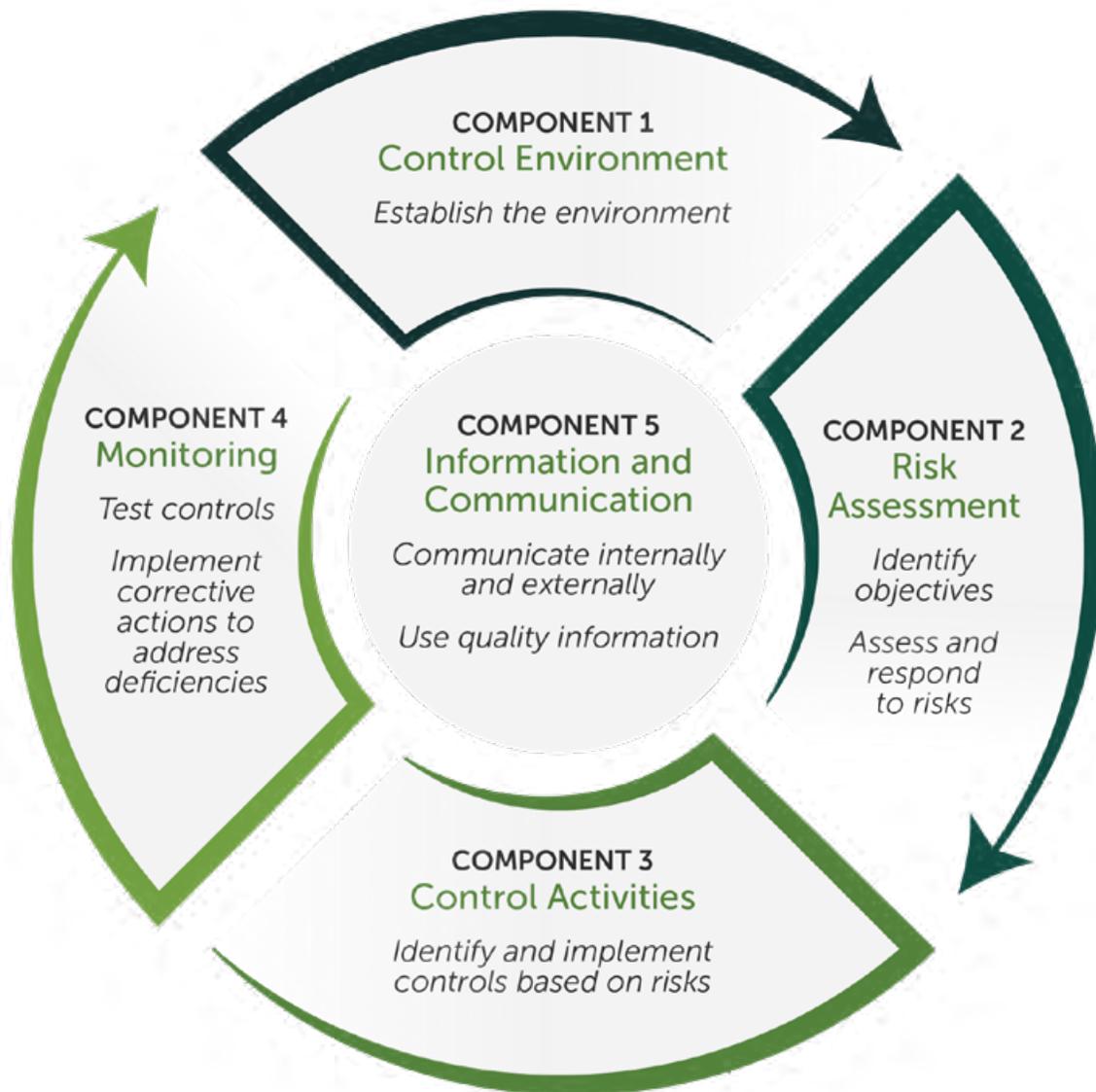
The Green Book establishes five components of internal control: (1) control environment; (2) risk assessment; (3) control activities; (4) information and communications; and (5) monitoring. Table 1 provides a description and explains the significance of these interrelated components.

TABLE 1. Components of Internal Control

Control Component	Significance	Description
Control Environment	Sets the tone for internal control within the organization	Includes the attitude, awareness, and actions of management regarding the importance of the internal control system.
Risk Assessment	Helps an organization prioritize risk management efforts and develop responsive internal controls in consideration of its objectives.	Activities to identify and assess potential risks, including fraud risks, consider their likelihood of happening, and the impact if they occur.
Control Activities	Helps ensure risks are mitigated or reduced to an acceptable level.	These activities are typically checks and balances embedded in the organization’s operations, which may help prevent undesired actions from occurring or identify irregularities after they have already occurred.
Information and Communication	Helps inform an organization’s performance in achieving objectives and addressing risk.	Activities to ensure that relevant and quality information is available timely to facilitate informed decision making and evaluations.
Monitoring	Helps ensure internal controls are adequately designed, properly executed, and effective.	Activities that check the performance of the internal control system and evaluate its results.

The relationships between the elements within a system of internal control have direct impact on one another—therefore, ineffective or missing components may contribute to an organization’s difficulty in achieving its mission; ensuring program performance; responding to evolving demands, risks, and priorities; and ensuring appropriate use of resources. Internal control weaknesses may also contribute to operational disruptions, reputational harm, and failure to comply with laws and regulations. Flaws in a system of internal controls may negatively impact risk management activities, data quality, and the ability of leadership to make effective decisions regarding the organization’s priorities, direction, and performance.

FIGURE 1. Components of Internal Control Relationships



FEDERAL STUDENT AID

The mission of FSA is to ensure that all eligible Americans have access to Federal financial assistance for education beyond high school. Within this role, FSA is responsible for implementing and managing Federal student assistance programs authorized under the Higher Education Act of 1965, as amended (HEA). These programs provide grants, loans, and work-study funds to students attending colleges or career and technical schools.

In 1998, Congress designated FSA as a performance-based organization (PBO), allowing it to operate with greater autonomy and flexibility in managing its programs, with a strong focus on achieving measurable results and being held accountable for meeting specific performance goals. FSA's responsibilities include coordinating and monitoring the activity of the Federal, State, nonprofit, and private entities involved in delivering Federal student assistance within the statutory framework established by Congress and the regulatory framework established by the Department. The stakeholders of the Federal student assistance delivery system include students, parents, lenders, guaranty agencies, postsecondary institutions, contracted servicers, taxpayers, and other Federal entities such as Congress and the Office of Management and Budget.

As noted above, FSA is one of the largest financial institutions in the country. Operating with an annual administration budget of more than \$2 billion, with some 1,400 employees who coordinate the disbursement of about \$120.8 billion in student grants, loans, and work study funds to more than 9.9 million students at nearly 5,400 colleges and career schools.

With such an enormous portfolio and millions of Americans dependent upon Federal student assistance for their postsecondary education, FSA must operate as effectively and efficiently as possible. As such, establishing and maintaining effective internal controls within FSA are critical.

Federal Student Aid by the numbers



>\$2 b

annual budget



1,400

employees and
contractors



\$120.8 b

disbursements



>9.9 m

students
who receive
disbursements



~5,400

colleges and
career schools that
students attend

Table of Contents

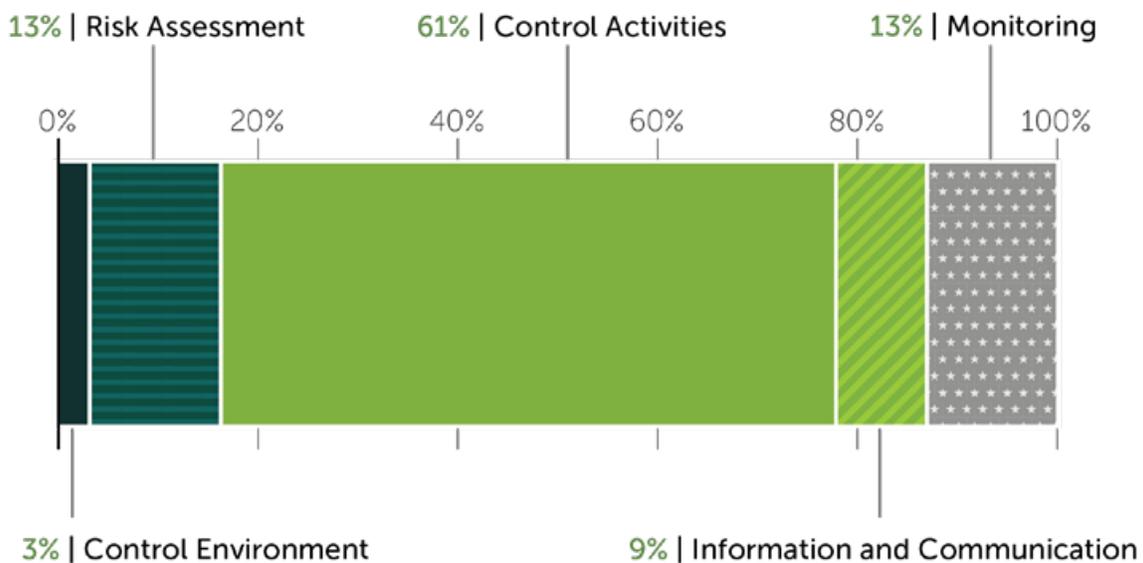
Audit Activities Related to Internal Control and Federal Student Aid	1
Audit Recommendations by Internal Control Component	1
Control Activities	2
Risk Assessment	3
Monitoring	4
Information and Communication	5
Control Environment	6
Investigative Activities Related to Federal Student Aid	7
OIG Hotline Complaints Related to Federal Student Aid	7
Analysis of OIG Hotline Complaints Involving Federal Student Aid	8
Impact of New Federal Statutes on Hotline Complaints	9
OIG Investigations Involving Federal Student Aid	10
Investigative Results by Fraud Category	11
Institutional Fraud	12
Ineligible Students	13
Identity Theft	14
Discharge or Repayment Fraud	15
Key Case Study: Student Aid Fraud Rings	16
OIG Hotline Complaints	17
Fraud Ring Investigative Results from FYs 2019–2024	18
Summation Table	19
Compendium of the OIG’s Federal Student Aid-Related Oversight Work, FYs 2019–2024	20
Appendix 1. Acronyms and Abbreviations	33
Appendix 2. Summary of FSA’s Comments and the OIG’s Response	34

Audit Activities

Related to Internal Control and Federal Student Assistance Programs

For FYs 2019–2024, the OIG issued 25 reports related to the administration of Federal student assistance programs which included 178 recommendations intended to improve a wide range of activities. Of these, 27 recommendations in 10 reports are not closed as of December 2, 2024.¹ We categorized our recommendations by the Green Book’s five components of internal control—control environment, risk assessment, control activities, monitoring, and information and communication. Overall, our work identified weaknesses in all internal control components. As shown in Figure 2, the largest number of recommendations related to control activities, followed by risk assessment, monitoring, information and communications, and control environment.

FIGURE 2. Recommendations in OIG Reports Relating to Student Financial Assistance by Internal Control Component



AUDIT RECOMMENDATIONS BY INTERNAL CONTROL COMPONENT

Effective internal controls are necessary for an entity to achieve its objectives. Categorizing OIG recommendations for addressing vulnerabilities into each of the five components of internal control provides additional context regarding the areas where we identified weaknesses across our 25 reports. A presentation of the five components of internal control by the percentage of occurrence in the OIG’s 178 recommendations from FYs 2019–2024 follows.

¹ Audits are closed when every recommendation has been addressed by a corrective action and the Office of Finance and Operations has verified supporting documentation for corrective actions and issued a closure memo.

CONTROL ACTIVITIES

Control activities are checks and balances embedded in the organization's operations that help ensure an organization's objectives can be achieved, incidents that could damage trust are prevented or detected, and resources are used effectively. OIG recommendations fell within three categories:

1. Responsibility or Accountability—56 Recommendations

Weakness in this area could negatively impact operational effectiveness and organizational efficiency. Establishing who performs activities, how and when the activities are conducted, and what processes are followed to ensure their effectiveness are critical to overall organizational performance.

Recommendations within this category included

(1) establishing and implementing policies, procedures, or controls to help ensure that activities function as intended; (2) segregating duties; and (3) assessing performance.

2. Verification or Validation—31 Recommendations

Weakness in this area may result in issues with data quality and the quality of internal and external reporting, increase the potential for fraud, and contribute to operational inefficiencies. Reviews, comparisons, and reconciliations relating to information or outcomes can help ensure that data is appropriate for its intended purposes and that intended internal processes are followed completely and accurately.

Recommendations within this category included (1) requiring validation of the relevance and reliability of data, (2) establishing quality review processes, (3) performing reconciliations, and (4) verifying the results of programming corrections.

3. Protection of Systems from Improper Access—21 Recommendations

Weakness in this area can threaten the security and integrity of data. Access controls regulate who can view or use resources in a computing environment. Effective access controls are critical to protecting sensitive data, reducing the risk of security incidents, and maintaining data integrity.

Recommendations within this category included ensuring (1) least privilege principles are adhered to when granting user access, (2) timely deactivation of separated users' accounts, and (3) proper review and approval prior to creating user accounts.

Control Activities Audit Recommendations FYs 2019-2024



Key Takeaway

Control activities help an entity ensure that risks are mitigated or reduced to an acceptable level. Weaknesses in control activities can negatively impact many areas including operational effectiveness, organizational efficiency, data quality, and the quality of internal and external reporting. Appropriately designed and implemented control activities can help an entity achieve its goals, effectively deliver services, ensure compliance with laws and regulations, and reduce the risk of fraud.

RISK ASSESSMENT

Risk Assessment is significant because it helps an organization prioritize risk management efforts and develop responsive internal controls in consideration of its objectives. This includes activities to identify and assess potential risks, consider their likelihood of happening, and the impact if they occur. OIG recommendations fell within two categories:

1. Define Objectives—10 Recommendations

Weakness in this area may result in a lack of shared understanding of priorities and overall direction. Defining objectives in specific and measurable terms facilitates risk and tolerance identification and the design of responsive management controls. This process involves clearly establishing what is to be achieved, who is to achieve it, how it will be achieved, and the time frames for achievement.

Recommendations within this category included (1) ensuring activities enable the identification of risks and definition of risk tolerances, (2) establishing objectives in specific and measurable terms, and (3) using additional data to make certain management decisions.

2. Identify Risk and Risk Response—14 Recommendations

Weakness in this area may result in the inability to identify significant challenges; inadequate risk analyses; and ineffective focus of limited organizational resources. Management should identify, analyze, and respond to risks related to the defined objectives. This process includes considering internal and external risks, estimating the impact of potential risks by assessing factors such as the possibility of their occurrence and magnitude of impact, and designing appropriate activities to mitigate risk to an acceptable level.

Recommendations within this category included (1) implementing processes to evaluate the magnitude of impact, likelihood of occurrence, and nature of the deficiency in order to tailor the corrective actions to remediate the risk and address the root cause; (2) enhancing risk assessments to identify risks impacting financial reporting processes; and (3) strengthening the risk assessment process by considering the impact of IT control deficiencies on internal controls over the reliability of information in the Department's IT system.

Risk Assessment Audit Recommendations FYs 2019-2024



Key Takeaway

Overall, establishing clear and consistent goals can assist an organization in identifying related risks, and then in developing effective plans in response. Poor risk assessment practices can contribute to misjudging significant threats, adopting insufficient mitigation strategies, and increasing exposure to negative outcomes.

MONITORING

Monitoring is vital to the success of an entity's system of internal control. Effective monitoring helps entities identify and correct control weaknesses, ensure effectiveness of programs and operations, and protect resources from misuse. OIG recommendations fell within two categories:

1. Perform Monitoring—10 Recommendations

Weakness in this area may limit FSA's ability to identify control failures and vulnerabilities, ensure effectiveness of programs and operations, and protect resources from misuse. Effective monitoring helps management identify when controls are not functioning as intended or when there are lapses in coverage. Weaknesses in monitoring may result in vulnerabilities not being identified timely or not being identified at all.

Recommendations within this category included

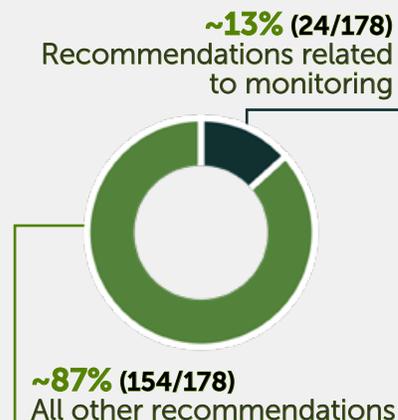
(1) establishing and operating monitoring activities to obtain reasonable assurance of the operating effectiveness of control activities and (2) developing and implementing ongoing monitoring or separate evaluations of the design and operating effectiveness of review processes.

2. Remediate Deficiencies—14 Recommendations

Weakness in this area can allow problems to continue unaddressed. When problems are identified, the overall effectiveness of the monitoring process is dependent on prompt and appropriate response. Correcting deficiencies is an essential step to help ensure the achievement of organizational objectives.

Recommendations within this category included (1) implementing key monitoring controls to ensure that corrective action plans are implemented to timely remediate control deficiencies identified and (2) regularly monitoring and meeting to ensure that controls are adequately tested for design, implementation, and operating effectiveness.

Monitoring Audit Recommendations FYs 2019-2024



Key Takeaway

Correcting control deficiencies identified through monitoring is a critical component of management responsibility and management's ability to correct deficiencies is an indicator of the strength of the entity's control environment. Monitoring weaknesses may contribute to minor issues growing into major problems, requiring additional management attention and resources to correct.

INFORMATION AND COMMUNICATION

Effective information and communication systems ensure the flow of appropriate information to all levels of the organization: downward, across, and upward. These systems also enable the receipt of relevant external information and the provision of information to external parties in response to requirements and expectations. OIG recommendations fell within two categories:

1. Communicate Internally or Externally— 13 Recommendations

Weakness in this area can contribute to a lack of clear objectives and expectations; misunderstanding of roles and responsibilities in the entity's system of management controls; and difficulties in assessing organizational, team, and individual performance. Effective internal communication helps ensure awareness of priorities, how goals can be achieved, and accountability for performance. It also provides material needed to monitor

organizational effectiveness, identify, and assess risk, and support decision making. Effective external communication allows the receipt of information relating to risks, changes, or issues that impact the entity's internal control system. External parties include contractors, grantees, external auditors, government entities, and the general public.

Recommendations within this category included (1) communicating control issues or weaknesses through established tools and relevant reporting lines to the appropriate parties on a timely basis to enable prompt evaluation and resolution of the issues or weaknesses; and (2) ensuring that required information is reported to Congress by updating and implementing processes for extracting information and establishing specific timeframes for extracting and reviewing data.

2. Use of Quality Information—3 Recommendations

Weakness in this area may negatively impact management decision making and evaluations of performance and risk. Relevant information from reliable sources that is appropriate, current, complete, accurate, accessible, and provided timely informs decision making and evaluation of performance in achieving key objectives and addressing risks.

Recommendations within this category included (1) performing evaluations to ensure processes are sufficient to ensure all required data is included in required reporting, and (2) ensuring the timely reporting of information that is required to be publicly available.

Information and Communication Audit Recommendations FYs 2019-2024

~9% (16/178)
Recommendations
related to information and
communication



~91% (162/178)
All other recommendations



Key Takeaway

The effectiveness of information and communication is significant as it provides the basis for management's decision making and evaluations of performance and risk. It also keeps stakeholders aware of organizational goals, objectives, expectations, progress, and responsibilities.

CONTROL ENVIRONMENT

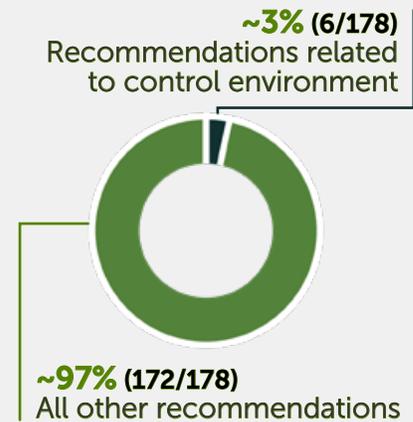
The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across an organization. The control environment is the foundation of the internal control system. It sets the tone for the entity and influences how objectives are defined, how control activities are structured, and how internal controls are viewed across the organization. OIG recommendations fell within one category:

1. Enforce Accountability—6 Recommendations

Weakness in this area can contribute to perceptions that safeguards, integrity, and ethical values are not important, and that performance, accountability, and competence are not valued. Accountability is driven by the tone at the top and supported by the commitment to integrity and ethical values, organizational structure, and expectations of competence, which influence the control culture of the entity. Management can hold personnel or contractors accountable through mechanisms such as employee performance appraisals or contract monitoring to ensure compliance with agreed upon terms and conditions. Accountability for performance of internal control responsibility supports effective day-to-day decision making as well as positive attitudes and behaviors.

Recommendations within this category included ensuring that (1) responsibility is assigned to individuals for the oversight of required activities; (2) individuals are held accountable when responsibilities are not being fulfilled; and (3) contractors are held accountable for their performance.

Control Environment Audit Recommendations FYs 2019-2024



Key Takeaway

Characteristics of a positive control environment include a demonstrated commitment to integrity, enforcing accountability, fulfilling oversight responsibility, expectations of competence, and establishing organizational structure, responsibility, and authority.

Investigative Activities

Related to Federal Student Assistance Programs

As weak internal controls often open the door to fraud, waste, and abuse, we also reviewed our investigations data for FYs 2019–2024 to glean insights into whether fraud complaints and OIG investigative results indicated possible vulnerabilities in FSA’s internal controls. In this effort, we analyzed complaints received by the OIG Hotline specific to Federal student assistance programs, reviewed our investigative results related to student aid fraud, and assessed their correlation to internal controls. We also took a close look at a type of fraud that accounts for a large portion of our student aid fraud investigative caseload—student aid fraud rings.

OIG HOTLINE COMPLAINTS RELATED TO FEDERAL STUDENT ASSISTANCE PROGRAMS

The OIG receives about 300–500 complaints on average each month via our Hotline, and about 167 of these complaints are related to Federal student assistance programs. We carefully review each and every complaint we receive to determine whether further investigation by the OIG is required. For those complaints that do not require additional investigation by the OIG, we redirect or refer the complaint to an appropriate source for handling. For example, complaints that fall outside of our purview—such as matters that do not involve a Department program, operation, or funding—are referred to an appropriate agency or agency OIG with jurisdiction. Further, complaints received by our Hotline that do not involve fraud, waste, abuse, or other violations of law or regulations but that do involve a Department program, operation, or funding are referred to the appropriate Department office for handling. This includes complaints received from individuals specific to their student loan, student loan servicer, or Free Application for Federal Student Aid (FAFSA) form; questions about obtaining student loan forgiveness; or a civil rights matter that falls outside of our purview.

Due to our limited staff and resources, we cannot open a full investigation into all of the complaints we receive; we must prioritize them based on the significant threat to or impact on Department funding, programs, or operations. Thus, in those cases where our initial review of a complaint indicates potential fraud, waste, abuse, or violation of laws or regulations but may not rise to the level requiring an OIG investigation, complaints are referred to the Department program office for handling. Those complaints specific to Federal student assistance programs are referred to FSA.



OIG Hotline Requirements

Federal Offices of Inspector General are required to provide a hotline for the public to report allegations or suspicions of fraud, waste, abuse, mismanagement, or violations of laws or regulations involving their agency’s operations, programs, and funding. For the OIG, this includes allegations of suspected wrongdoing by Department employees, contractors, grantees, schools and school officials, persons in positions of trust involving Department funds or programs, collection agencies, recipients of student financial assistance, or lending institutions.

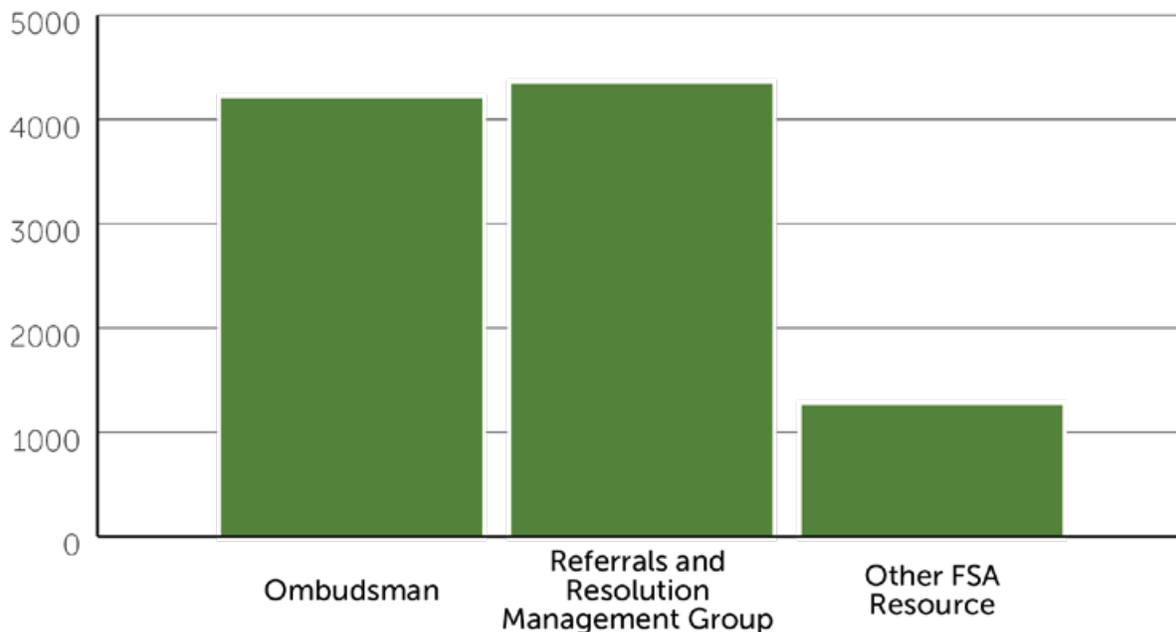
ANALYSIS OF OIG HOTLINE COMPLAINTS INVOLVING FEDERAL STUDENT ASSISTANCE PROGRAMS

We analyzed and summarized the number of complaints received by the OIG Hotline during FYs 2019–2024, and the number of those complaints that were referred and redirected to FSA for handling. We also looked at the number of complaints received each month during this timeframe to identify trends and fraud indicators, correlations between noted fluctuations in the number of complaints received and statutory changes, and looked to identify whether any of this activity indicated a possible weakness in FSA’s internal controls.

For FYs 2019–2024, the OIG processed 12,014 complaints through our Hotline that involved Federal student assistance programs. Of those complaints, 9,805 (82 percent) were referred or redirected to one of three components within FSA for handling:

- 1. The Referrals and Resolution Management Group:** Complaints about closed schools, quality of education, disbursement of aid, instruction, discipline, quality of service, and suspicious individual activity. (4,341, or 44.3 percent of complaints)
- 2. The Ombudsman Group:** Complaints about loan servicing, collection of defaulted loans, individual alleged identity theft claims, and loan forgiveness, which are handled by the Ombudsman. (4,205, or 42.9 percent of complaints)
- 3. Other FSA Resource or Group:** Complaints about regulatory infractions, false advertising, misrepresentation, and borrower defense. FSA resource or groups complaints referred to included FSA Risk Management, Enforcement Unit, and the School Eligibility and Oversight Group. (1,259, or 12.8 percent of complaints)

FIGURE 3. Complaints Referred and Redirected to FSA



About 80 percent of the 9,805 complaints that were redirected or referred to FSA did not indicate fraud, waste, abuse, or other matter for the OIG but could indicate a need for FSA to examine its information and communications to help reduce the number of misdirected calls.

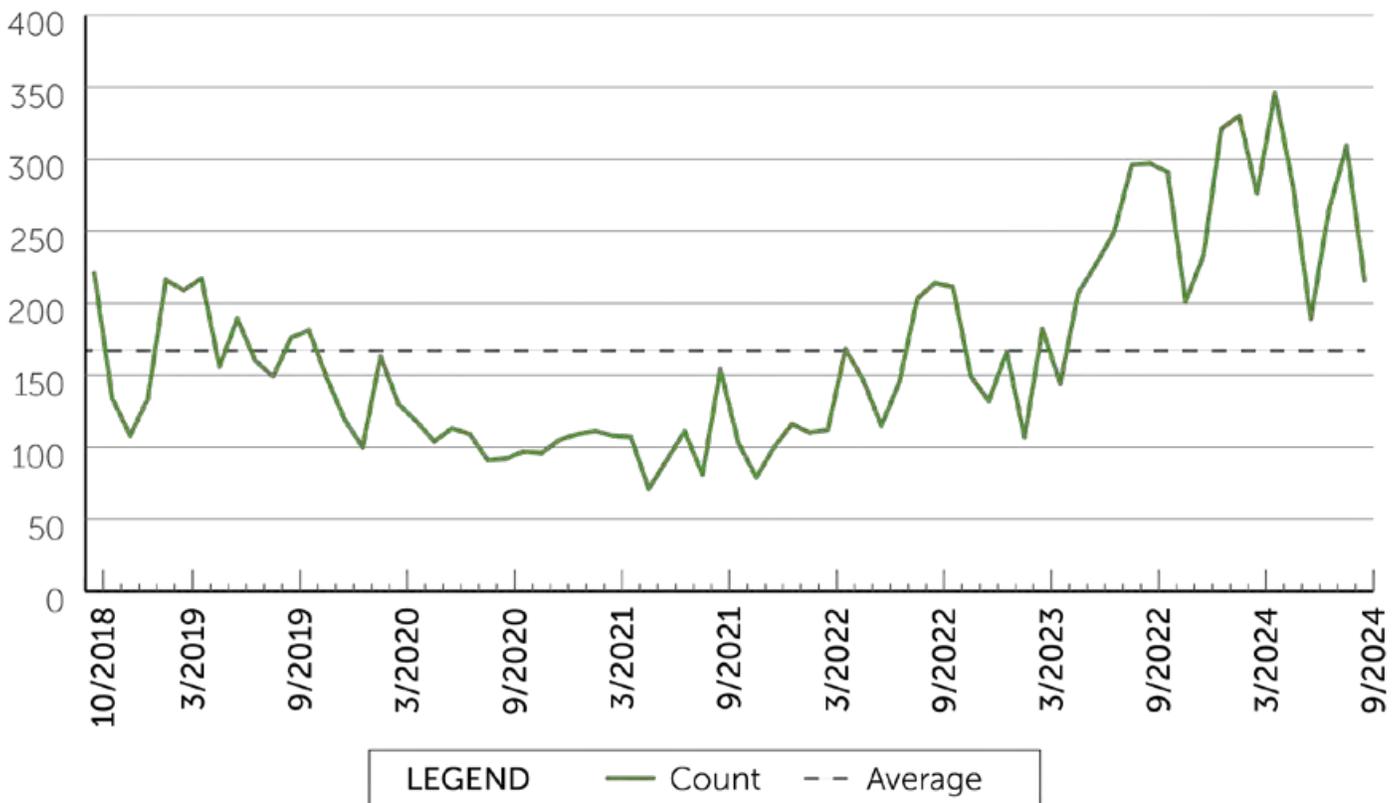
IMPACT OF NEW FEDERAL STATUTES ON HOTLINE COMPLAINTS

For FYs 2019–2024, we observed notable fluctuations in the number of complaints received by the OIG Hotline involving Federal student assistance programs that coincided with the enactment of two laws that impact Federal student assistance and FSA operations:

- **Coronavirus Aid, Relief, and Economic Security Act**, or CARES Act (P.L. 116-136), enacted March 27, 2020. The CARES Act suspended loan payments during the pandemic (section 3513). Hotline complaints dipped below the monthly average for the period when student loan payments were paused.
- **Fiscal Responsibility Act** (P.L. 118-5), enacted June 3, 2023. The Act required borrowers to begin making loan payments in September 2023 (section 271). Hotline complaints increased sharply to well above the monthly average for the period around the time students returned to repayment.

As shown in Figure 4, complaints to the OIG Hotline involving Federal student assistance programs decreased when student loan payments were paused in 2020 (CARES Act) and increased significantly when borrowers resumed repaying their student loans in 2023 (Fiscal Responsibility Act). Again, this could indicate a need for FSA to examine its information and communications to better prepare for implementation of statutory requirements that may prompt questions from borrowers.

FIGURE 4. Hotline Complaints Involving Federal Student Assistance Programs FYs 2019–2024



OIG INVESTIGATIONS INVOLVING FEDERAL STUDENT ASSISTANCE PROGRAMS

We analyzed closed OIG investigations—investigations that have reached their conclusion, no additional steps are planned to gather more information, or prosecutive actions have been completed—specific to Federal student assistance program fraud for FYs 2019–2024. In this effort, we sought to identify and then categorize our cases into common fraud schemes and summarize related criminal, civil, and administrative results for each fraud category. We also looked to identify correlated internal control activities that could help mitigate fraud risks related to each fraud category. The result of our analysis follows.

For FYs 2019–2024, the OIG closed 128 investigations specific to Federal student assistance program fraud. These investigations resulted in 191 criminal actions (i.e., indictments, guilty pleas, sentencing), 11 administrative actions (in conjunction with FSA), with monetary results (i.e., restitution orders, fines, forfeitures and seizures, settlements and judgments, recoveries) totaling more than \$344.5 million.

Based on our analysis, we determined that the schemes associated with the 128 investigations generally fell within 4 categories of fraud:

- 1. Institutional Fraud:** Institutions or employees of institutions steal Federal student assistance from students by not issuing refunds to which the students were entitled, or from FSA by falsifying information in the administration of Federal student assistance programs. (42, or 33 percent of cases)
- 2. Ineligible Students:** Individuals use their identities and information or are recruited by others to use their identities and information as willing participants to obtain assistance they otherwise would not be eligible to receive by falsifying data on the FAFSA. (41, or 32 percent of cases)
- 3. Identity Theft:** Identity theft fraud is when an individual or group of individuals illegally uses another person’s personal information to obtain Federal student assistance without their permission. (38, or 30 percent of cases)
- 4. Discharge or Repayment Fraud:** Individuals submit false information to discharge their student loans through Federal loan forgiveness programs or use other stolen funds to repay student loans. (7, or 5 percent of cases)

FY 2019–2024

Total Summary of Investigative Results



128

investigations



191

criminal actions

(i.e., indictments, guilty pleas, sentencing)



11

administrative actions

(in conjunction with FSA)



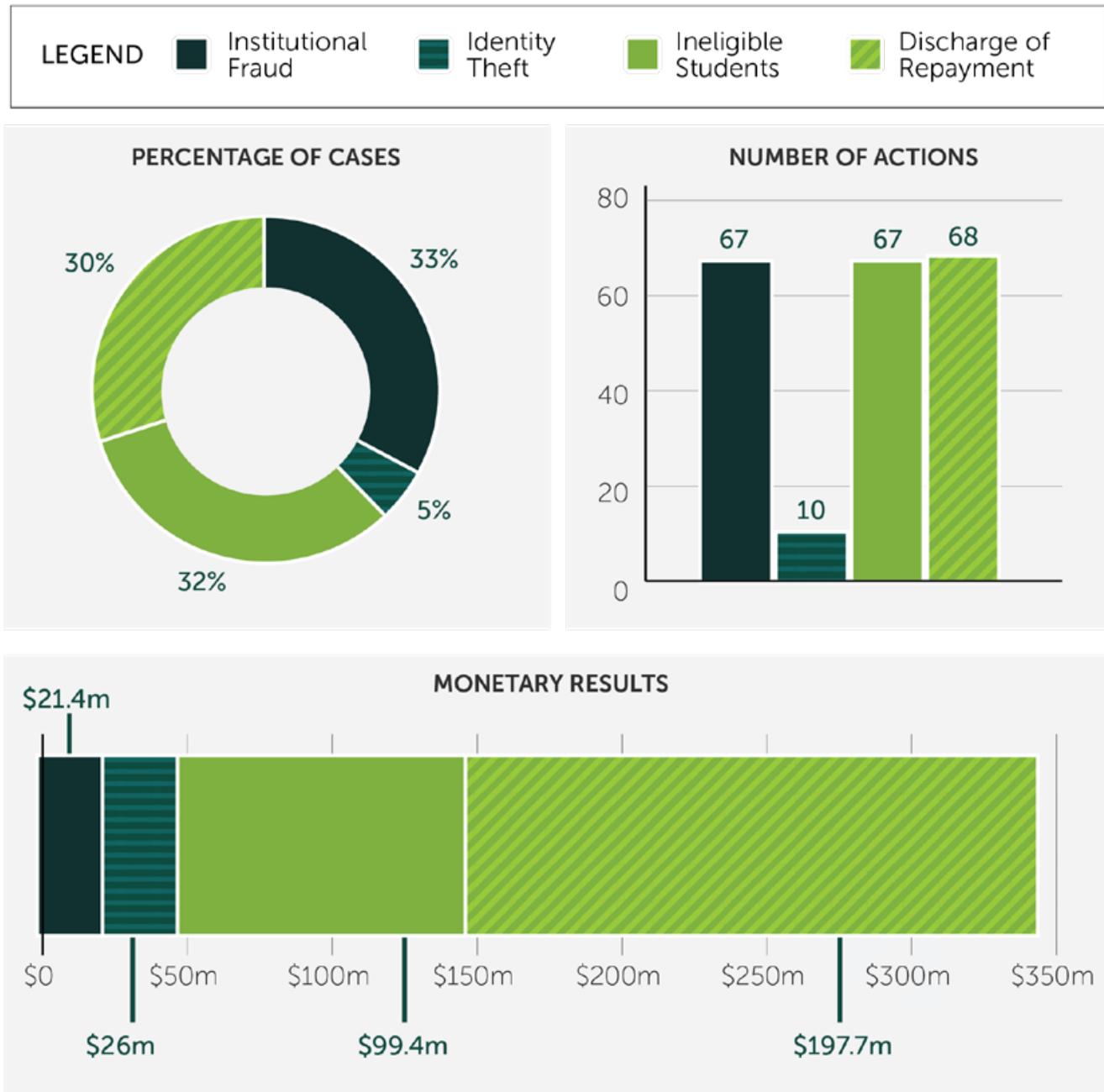
\$344.5m

monetary results

(i.e., restitution orders, fines, forfeitures and seizures, settlements and judgments, recoveries)

Figure 5 summarizes the criminal, civil, and administrative results by fraud category for the 128 Federal student assistance fraud investigations closed in FYs 2019–2024.

FIGURE 5. Overview of Percentage of Cases, Number of Actions, and Monetary Results by Fraud Category



INVESTIGATIVE RESULTS BY FRAUD CATEGORY

The following information presents these four categories along with the monetary results associated with each category, followed by a summary of each category further defining the fraud, and how strengthening control activities can help mitigate the fraud risk.

INSTITUTIONAL FRAUD

Institutional fraud is perpetrated by an institution or an employee of that institution. We identified instances where institutions or their employees stole Federal student assistance from the institution’s students or FSA, and other instances where they submitted falsified information to obtain more student aid than they were entitled to or eligible to receive. In these instances, the institutions or employees used the student aid for their own non-educational related purposes.

Investigative Results

Our analysis identified 42 cases of institutional fraud, accounting for 67 prosecutive actions, which led to some \$197.7 million in monetary results. The institutional fraud was predominantly committed in the following ways:

- Subjects falsified information demonstrating compliance or eligibility, including:
 - Participation requirement information to allow non-approved campus students to receive assistance or to hide violations of the 90/10 rule² and
 - Student information related to ability to benefit, diplomas, or eligibility.
- Subjects stole from students by not providing them with their Federal student assistance refund.
- Subjects stole from the Department by inflating student eligibility numbers and keeping the resulting increase in Federal student assistance.

FY 2019–2024

Summary of Investigative Results



42

cases



67

prosecutive actions



\$197.7m

monetary results



Key Takeaway

Strengthening Control Activities Can Help Mitigate This Type of Fraud.

Effective oversight through proactive risk-based reviews of institutions by the FSA is essential to preventing and detecting institutional fraud. Proactive risk-based reviews and checks on educational institutions help deter, detect, and prevent situations—such as inflated enrollment numbers or falsely reported student participation or last day of attendance—where institutions receive and keep Federal student assistance funds to which they are not entitled. Historically, the OIG has worked in parallel with the FSA when allegations arise concerning institutions. The OIG makes referrals to FSA for program reviews and participates in joint activities as appropriate. However, in 2024, the OIG learned that FSA paused proactive program reviews. We were told that the pause was due to resources being directed elsewhere in FSA, such as providing relief to schools struggling with FAFSA delay.

² The 90/10 rule limits the percent of revenue that for-profit colleges can receive from Federal financial aid to 90 percent.

INELIGIBLE STUDENTS

Ineligible students are individuals who use their own identities and information or are recruited by others who intend to use their identities and information as willing participants to obtain Federal student assistance they otherwise would not be eligible to receive by falsifying data on the FAFSA.

Investigative Results

Our analysis identified 41 cases of ineligible student fraud, accounting for 67 prosecutive actions, which led to some \$26 million in monetary results. The ineligible student fraud was predominantly committed in the following ways:

- Students intentionally misrepresent information on their FAFSA to receive student aid they are not otherwise eligible to receive. This often includes falsifying academic records, employment status, or financial need.
- Individuals obtained Federal student assistance but had no intention to attend the institution.
- Individuals willingly participated in a fraud ring, allowing a ringleader to use their identity to obtain Federal student aid with no intention to attend the institution.

Student aid fraud rings accounted for 39 percent of cases involving ineligible students, 54 percent of prosecutive actions, and 73 percent of monetary results of cases in this category. Student aid fraud rings are covered in more detail on page 16 of this report.

FY 2019–2024

Summary of Investigative Results



41

cases



67

prosecutive actions



\$26m

monetary results



Key Takeaway

Strengthening Control Activities Can Help Mitigate This Type of Fraud.

Ensuring institutions that participate in Federal student assistance programs have effective verification procedures and monitoring of academic progress can help prevent and detect fraud involving ineligible students. Improving verification of documentation, such as diplomas, identity documentation, or other requested documents up front help identify fraudulent claims, prevent improper disbursements, and ultimately deter fraudsters. In addition, proactively monitoring students who fail to make satisfactory academic progress, helps position institutions to identify students as ineligible for additional student aid payments early. These control activities are essential to identify fraudulent activity early to avoid significant losses.

IDENTITY THEFT

Identity theft fraud is when an individual or group illegally uses another person’s personal information, such as their Social Security number, name, date of birth, to apply for and receive student aid in that individual’s name, without their permission.

Investigative Results

Our analysis identified 38 cases where subjects obtained Federal student assistance through identity theft, accounting for 68 prosecutive actions, which led to some \$21.4 million in monetary results. In all cases, individuals falsified information on the FAFSA, and the victim’s FSA ID³ was compromised.

Student Aid fraud rings accounted for 53 percent of cases, 75 percent prosecutive actions, and 60 percent of monetary results in this category.

Because of this prevalence, student aid fraud rings are covered in more detail on page 16 of this report.

FY 2019–2024

Summary of Investigative Results



38

cases



68

prosecutive actions



\$21.4m

monetary results



Key Takeaway

Strengthening Control Activities Can Help Mitigate This Type of Fraud.

Conducting risk-based verification and validation procedures at the time FSA IDs are created by FSA can help will prevent fraud rings and the improper use of stolen identifies to obtain Federal student assistance. In addition, and similar to the Ineligible Students fraud category, ensuring institutions that participate in Federal student assistance programs have effective verification procedures and monitoring of academic progress can help prevent and detect fraud involving identify theft. Improving verification of documentation, such as diplomas, identity documentation, or other requested documents up front help identify fraudulent claims, prevent improper disbursements, and ultimately deter fraudsters. In addition, proactively monitoring students who fail to make satisfactory academic progress, helps position institutions to identify students as ineligible for additional student aid payments early. These control activities are essential to identify fraudulent activity early to avoid significant losses.

³ An FSA ID is a username created by students, parents, and borrowers to log in or interact with FSA websites, including online submissions of the FAFSA. Protecting an FSA ID is important because personally identifiable information is used to create the FSA ID accounts for millions of citizens.

DISCHARGE OR REPAYMENT FRAUD

Discharge fraud involves individuals that deliberately deceive FSA by making false claims in order to eliminate their student loan debt or reduce their student loan payments. Repayment fraud involves the use of embezzled or stolen funds to pay Federal student loans.

Investigative Results

Our analysis identified 7 cases involving discharge or repayment fraud, accounting for 10 prosecutive actions, which led to some \$99.4 million in monetary results.

These cases involved individuals who falsified documentation to qualify for student loan forgiveness programs. For example, **Total Permanent Disability Discharge accounted for 71 percent of cases, 80 percent of actions, and 99 percent of monetary results.** Other cases involved loans paid with stolen funds.

FY 2019–2024

Summary of Investigative Results



7

cases



10

prosecutive actions



\$99.4m

monetary results



Key Takeaway

Strengthening Control Activities Can Help Mitigate This Type of Fraud.

Effective control activities such as verification may prevent and detect fraudulent loan discharges. Specifically, conducting verification procedures of documentation provided in support of claims for discharge upfront to help detect fraudulent claims and prevent improper loan discharges.

Key Case Study:

Student Aid Fraud Rings

Student aid fraud rings are groups of criminals—often large or loosely affiliated—who seek to exploit online education programs for the sole purpose of obtaining Federal student assistance. As the admissions process, student financial aid process, and course instruction—often take place entirely online, students are not required to present themselves in person at any point. And as institutions offering online education are not normally required to verify prospective and enrolled students’ identities, fraud ringleaders used the identities of others (with or without their consent) to target online education programs. This enables fraud ringleaders and participants to avoid setting foot on campus and exploit institutions outside their geographic area.

Student aid fraud rings are generally composed of one or more ringleaders who facilitate enrolling “straw” students in an online program for the sole purpose of obtaining student aid. For smaller rings, the ringleaders generally recruit their family and friends—people they know—to act as straw students and participate in the scheme. The participants share their social security numbers, dates of birth, and other personally identifiable information with the ringleaders, who use that information to complete school admission and FAFSA forms. For those straw students who do not meet eligibility requirements, the ringleaders often create fraudulent high school diplomas to make the student appear eligible. The ringleaders then compete FAFSAs with false information to make the student appear eligible for the most amount of student aid possible. This includes false information on income and dependent children. Once the aid is awarded, the school takes its portion by applying the aid payment to the straw student’s account, the straw student is refunded the credit balance remaining on their account (if any) and splits it with the ringleaders. For larger rings, the ringleaders rely on stolen IDs to perpetrate the fraud, creating false transcripts and FAFSAs and providing residence, email addresses, and bank account information completely within their control, so they get all of the remaining credit balances. Although fraud rings target all schools—public, private, nonprofit, for profit—they tend to target community colleges and lower cost institutions more frequently as the cost to attend these colleges is lower, so the remaining credit balance refunds are higher.



Student Aid Fraud Rings History

The OIG has been fighting student aid fraud rings for nearly two decades. We have issued reports on fraud rings, testified before Congress on fraud rings, regularly report investigative results of our fraud ring investigations in our Semiannual Reports to Congress, provide trainings to schools and financial aid administrators, and we have highlighted the issue for the general public through interviews, our social media platforms, and awareness materials.

School Reporting Requirements

As schools that participate in the Federal student assistance programs are required by law to report their suspicions of fraud to the OIG, we have worked with FSA over the years, providing information to help schools and financial aid administrators identify and report possible fraud rings to the OIG, including the following:

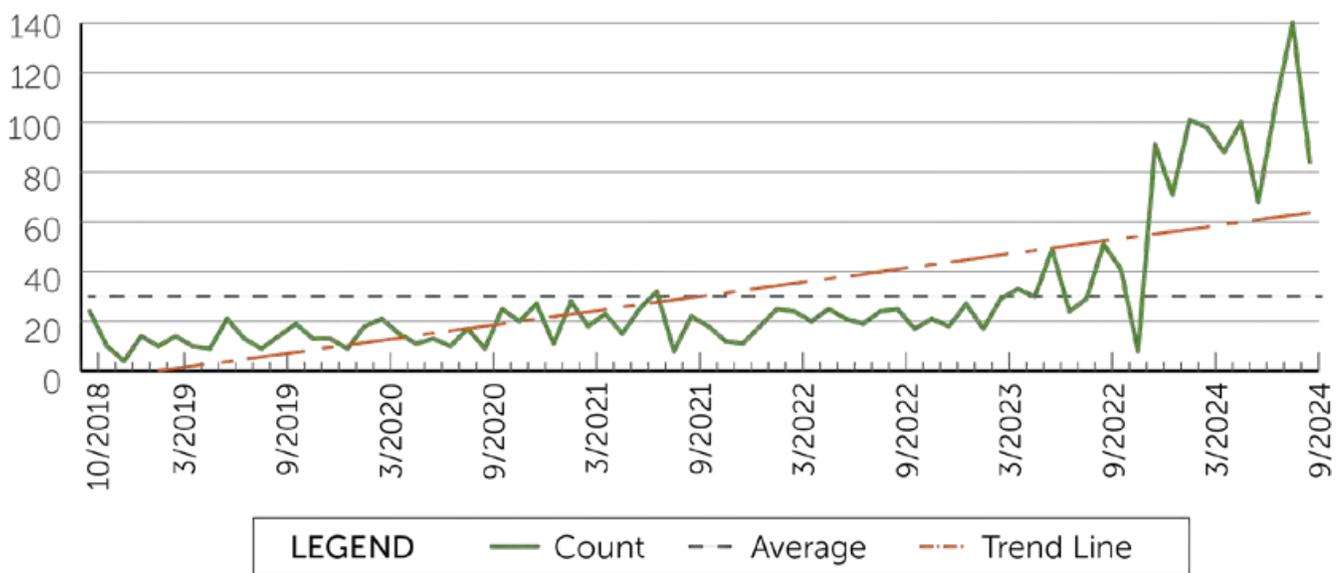
1. [Subject: Fraud in Postsecondary Distance Education Programs—URGENT CALL TO ACTION \(GEN-11-17\)](#)
2. [Reminder—Identity Verification \(EA ID: GENERAL-21-54\)](#)
3. [Fraud in Postsecondary Distance Education Programs \(fraud rings\) Reporting Change](#)

OIG HOTLINE COMPLAINTS

Of the 9,805 complaints received via the OIG Hotline for FYs 2019–2024 and referred or redirected to FSA, at least 600 indicated potential fraud ring activity. As we could not open an investigation into all allegations received due to our limited staff and resources, we prioritized the allegations based on the significant threat to or impact on the Department’s funding and programs. As a result, we referred these complaints to FSA for handling. Based on our initial review, we estimate the total disbursed amount relating to these 600 allegations totaled approximately \$54.2 million.

Further, as shown in Figure 6, there has been a steady increase in the number of complaints received by the OIG Hotline indicating potential fraud ring activity. Between FYs 2019 and 2024, the OIG Hotline received an average of 30 complaints for month indicating potential fraud ring activity. Since FY 2021, the number of these monthly complaints have increased more than four times higher than that monthly average.

FIGURE 6. Hotline Complaints Related to Identity Theft and Fraud Rings Received Monthly (FYs 2019–2024)



On August 30, 2021, the OIG notified FSA of complaints from schools reporting hundreds of admissions applications and Institutional Student Information Records (ISIR) on the same day or within a few days for FSA to review and take action.⁴ On September 2, 2021, FSA issued an Electronic Announcement, [Reminder—Identity Verification \(EA ID: General 21-54\)](#), to inform institutions of higher education of recommendations for identifying atypical enrollment patterns indicating fraud. Among its provisions, the announcement recommended that institutions conduct required identity verification and any additional identity verification deemed necessary, and immediately report suspected fraud to the OIG Hotline. FSA also began implementing detective controls to address identity verification risks associated with FSA ID account creation. The OIG continued to monitor this potentially fraudulent activity and determined that it continued despite actions taken by FSA.

⁴ The details of this potentially fraudulent activity are considered Controlled Unclassified Information (CUI).

The OIG later reviewed “FSA’s Actions to Mitigate Risks Associated with the FSA ID Account Creation Process” ([ED-OIG F23IT0138](#)) and determined that FSA could take further actions by implementing preventive controls to better protect Federal Student assistance funds and the public from fraudulent activity. In the flash report that was issued to FSA in July 2024, we reported that approximately \$27.3 million in Federal student assistance funds was disbursed to suspected fraudulent FSA ID accounts. We made two recommendations related to the FSA ID account creation process and one regarding a data reliability issue identified during the review. Of the three recommendations, the FSA agreed with two and partially agreed with the one regarding the National Student Loan Data System, or NSLDS, data reliability issue.

FRAUD RING INVESTIGATIVE RESULTS FROM FYS 2019–2024

As noted earlier in the report, fraud ring investigations were included in both the “Ineligible Students” and “Identity Theft” categories.

Within the Ineligible Students category, our analysis determined that 16 of those 41 investigations were for fraud rings. Overall, fraud rings accounted for 39 percent of our cases, 54 percent of prosecutive results, and 73 percent of the monetary results in this category. Fraud ring activity associated with ineligible students involved falsifying information on the FAFSA and coordinated efforts by co-conspirators, including a willing participant allowing another person to use their identity on the FAFSA to obtain Federal student assistance without intending to attend school.

Within the Identity Theft category, our analysis determined that 20 of those 38 cases were fraud rings. Fraud rings accounted for 53 percent of cases, 75 percent prosecutive actions, and 60 percent of monetary results in this category. Fraud ring activity associated with identity theft involved falsifying information on the FAFSA and the use of a victim’s FSA ID that was compromised or one created without their permission or knowledge.



Key Takeaway

Strengthening Control Activities Can Help Mitigate This Type of Fraud.

The OIG included this case study as an example of the importance of how strengthening control activities can help mitigate this type of fraud. For example, by conducting risk-based verification and validation procedures at the time FSA IDs are created and ensuring institutions that participate in Federal student assistance programs are implementing effective verification procedures and monitoring of academic progress at institutions and can help prevent and detect fraud rings and the improper use of stolen identifies to obtain Federal student assistance. These control activities are essential to identify fraudulent activity early to avoid significant losses.

Summation Table

Table 2 presents a snapshot of the information discussed in this report; specifically, the 178 recommendations included 25 FSA-related audit reports and 128 investigations closed by the OIG during FYs 2019–2024, categorized by the correlating internal control component. For more information on Green Book’s standards on internal control, go here: <https://www.gao.gov/products/gao-14-704g>.

Following this summation table is the compendium of OIG’s audit and investigative work referred to throughout this report. The audit-related portion of the compendium includes the title and link to all 25 FSA-related reports issued by the OIG during FY 2019–2024; a summary of the report; status of the report; number of recommendations included in the report; number of those recommendations that remain open; and the correlating principle of each internal control component. The investigative-related portion of the compendium includes examples of the 128 Federal student assistance-related investigations the OIG closed during FYs 2019–2024 including the case title; summary of the case and link to additional information on the matter from our Semiannual Reports to Congress; the related fraud category; and the internal control activity that can help mitigate the risk of this type of fraud.

TABLE 2. Perspective Report Summation Table

Internal Control Component	Audit <i>178 Recommendations; 25 OIG Audit and Inspection Reports</i>	Investigations <i>128 closed investigations with monetary results of \$344.5 m</i>
Control Environment <i>Establish Management Control System</i>	Enforce Accountability <ul style="list-style-type: none"> 6 Recommendations 	
Risk Assessment <i>Potential Risks & Mitigation</i>	Define Objectives <ul style="list-style-type: none"> 10 Recommendations Identify Risk and Risk Response <ul style="list-style-type: none"> 14 Recommendations 	
Control Activities <i>Establish Checks & Balances</i>	Establish Responsibility or Accountability <ul style="list-style-type: none"> 56 Recommendations Conduct Verification or Validation <ul style="list-style-type: none"> 31 Recommendations Protect Systems from Improper User Access <ul style="list-style-type: none"> 21 Recommendations 	Review Institutions <ul style="list-style-type: none"> 42 Cases Conduct Verification/Monitor Academic Progress <ul style="list-style-type: none"> 86 Cases
Information and Communication <i>Inform Decision Making & Evaluations</i>	Communicate Internally or Externally <ul style="list-style-type: none"> 13 Recommendations Use Quality Information <ul style="list-style-type: none"> 3 Recommendations 	
Monitoring <i>Check Performance & Evaluate Results</i>	Perform Monitoring <ul style="list-style-type: none"> 10 Recommendations Remediate Deficiencies <ul style="list-style-type: none"> 14 Recommendations 	

Compendium

of the OIG’s Federal Student Assistance-Related Oversight Work, FYs 2019–2024

AUDIT-RELATED WORK

The Department’s audit resolution process begins with the issuance of an OIG final report and proceeds through the following stages:

- **Open**—The audit is open when the Department receives a final audit report and there are audit findings to be resolved.
- **Unresolved**—The audit is unresolved when an agreement has not been reached between OIG and the principal office on the recommended corrective actions identified in the audit.
- **Resolved**—Resolution occurs when agency management and the OIG agree on action to be taken on reported findings and recommendations, or, in the event of disagreement, when the audit follow-up official determines the matter to be resolved.
- **Closed**—Audits are closed when every recommendation has been addressed by a corrective action. To close the audit, the Office of Finance and Operations will verify supporting documentation for corrective actions and issue a closure memo.

Report Title & Link	Summary	Report Status	Number of Recs.	Number of Open Recs.	Internal Control Area
Federal Student Aid’s Performance Measures and Indicators for Returning Borrowers to Repayment (August 2024)	Our objective was to ensure FSA had performance measures and indicators when returning borrowers to repayment. We determined that FSA’s measures and indicators were not clearly defined.	Unresolved	3	3	Risk Assessment <ul style="list-style-type: none"> • Define Objectives Monitoring <ul style="list-style-type: none"> • Perform Monitoring
FSA’s Implementation of the FUTURE Act and FAFSA Simplification Act’s Federal Taxpayer Information Provisions through the Student Aid and Borrower Eligibility Reform Initiative (July 2024)	Our objective was to determine whether FSA effectively implemented the SABER initiative. We determined that some activities pertaining to monitoring budgets, performing oversight of contractors, and managing risks were not effectively performed.	Resolved	6	6	Control Activities <ul style="list-style-type: none"> • Responsibility and Accountability Monitoring <ul style="list-style-type: none"> • Remediate Deficiencies

Report Title & Link	Summary	Report Status	Number of Recs.	Number of Open Recs.	Internal Control Area
Summary Report, Federal Student Aid's Actions to Mitigate Risks Associated with the FSA ID Account Creation Process (July 2024)	<p>The objective of our review was to determine the FSA's actions to mitigate risks associated with the verification of identities in the FSA ID account creation process.</p> <p>We found FSA could take further actions by implementing preventive controls to better protect Title IV funds and the public from fraudulent activity.</p>	Unresolved	3	0	Control Activities <ul style="list-style-type: none"> • Verification and Validation Information and Communication <ul style="list-style-type: none"> • Quality Information
FSA Transition Plans for Business Process Operations Vendors (June 2024)	<p>Our objective was to determine if FSA had effective transition plans for transitioning to BPO vendors.</p> <p>We determined FSA had not developed an effective or complete plan.</p>	Resolved	8	6	Control Activities <ul style="list-style-type: none"> • Responsibility and Accountability • Verification and Validation Monitoring <ul style="list-style-type: none"> • Perform Monitoring
FSA FY 2023 Financial Statement Audit (Statutory) (November 2023)	<p>For the FY 2023 Financial Statement, we determined that unresolved errors in FSA's programs prevented the independent auditor from completing this work and uncovered a material weakness and IT-related deficiencies.</p>	Resolved	22	1	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Protecting Systems • Responsibilities and Accountability Information and Communication <ul style="list-style-type: none"> • Communication Internally and Externally Risk Assessment <ul style="list-style-type: none"> • Define Objectives • Risk Identification and Response Monitoring <ul style="list-style-type: none"> • Remediate Deficiencies

Report Title & Link	Summary	Report Status	Number of Recs.	Number of Open Recs.	Internal Control Area
U.S. Department of Education's Oversight and Reporting of Propriety Institutions' 90/10 Revenue Information (August 2023)	<p>Our objective was to determine the Department was overseeing compliance and timely reporting 90/10 program information.</p> <p>We determined that FSA was late reporting information to Congress for all the years we reviewed and did not publicly disclose as required.</p>	Closed	3	0	Control Activities <ul style="list-style-type: none"> Responsibilities and Accountability Information and Communication <ul style="list-style-type: none"> Communication Internally and Externally
FSA's Outreach to Individuals in Underserved Communities (August 2023)	<p>Our objective was to determine how FSA identifies and performs outreach to individuals in underserved communities.</p> <p>We determined that FSA's outreach was constrained by its limited ability to identify underserved individuals.</p>	Resolved	4	3	Control Activities <ul style="list-style-type: none"> Responsibilities and Accountability Information and Communication <ul style="list-style-type: none"> Communication Internally and Externally Risk Assessment <ul style="list-style-type: none"> Define Objectives
FSA FY 2022 Financial Statement Audit (Statutory) (January 2023)	<p>We determined that there was a material weakness and two significant deficiencies in internal control over financial reporting. Further, FSA was unable to provide adequate information for the auditors to provide an audit opinion.</p>	Resolved	21	1	Control Activities <ul style="list-style-type: none"> Verification and Validation Protecting Systems Responsibilities and Accountability Information and Communication <ul style="list-style-type: none"> Communication Internally and Externally Risk Assessment <ul style="list-style-type: none"> Define Objectives Risk Identification and Response Monitoring <ul style="list-style-type: none"> Remediate Deficiencies

Report Title & Link	Summary	Report Status	Number of Recs.	Number of Open Recs.	Internal Control Area
FSA's Transition to the Next Generation Loan Servicing Environment (January 2023)	<p>Our objective was to determine if FSA had processes in place to manage the transition to the NextGen loan servicing environment.</p> <p>We determined that FSA did not perform key steps within their established processes or follow best practices for acquisition planning.</p>	Resolved	2	1	Control Activities <ul style="list-style-type: none"> Responsibilities and Accountability Control Environment <ul style="list-style-type: none"> Enforce Accountability
FSA FY 2021 Financial Statement Audit (Statutory) (November 2021)	<p>We determined that there was a material weakness and three significant deficiencies in IT controls, monitoring controls, and the overall control environment.</p>	Closed	16	0	Control Activities <ul style="list-style-type: none"> Verification and Validation Protecting Systems Responsibilities and Accountability Information and Communication <ul style="list-style-type: none"> Communication Internally and Externally Risk Assessment <ul style="list-style-type: none"> Define Objectives Risk Identification and Response Monitoring <ul style="list-style-type: none"> Perform Monitoring Remediate Deficiencies
The Department's Implementation of CARES Act Flexibilities to TEACH Grant Service Obligations (January 2022)	<p>Our objective was to ensure TEACH grantees received credit for service that was temporarily interrupted due to the pandemic.</p> <p>We determined that FSA had weaknesses in plans, processes, communication, and reprocessing actions</p>	Closed	3	0	Control Activities <ul style="list-style-type: none"> Verification and Validation Responsibilities and Accountability Information and Communication <ul style="list-style-type: none"> Communication Internally and Externally

Report Title & Link	Summary	Report Status	Number of Recs.	Number of Open Recs.	Internal Control Area
The Department's Compliance with Experimental Sites Initiative Reporting Requirements (October 2022)	<p>Our objective was to determine the Department's compliance with ESI reporting requirements.</p> <p>We determined that the Department was not in compliance as it had not reported every 2 years as required.</p>	Closed	2	0	Information and Communication <ul style="list-style-type: none"> Communicate Internally or Externally Control Environment <ul style="list-style-type: none"> Enforce Accountability
FSA's FY 2020–2024 Strategic Planning Process (August 2021)	<p>Our objective was to determine the effectiveness of the Department's processes for FSA's FY 2020–2024 strategic goals, objectives, and related performance indicators.</p> <p>We determined that FSA did not have documented processes to effectively meet its FY 2020–2024 strategic goals, objectives, and related performance indicators and was late issuing its final Strategic Plan.</p>	Closed	2	0	Control Activities <ul style="list-style-type: none"> Responsibilities and Accountability Information and Communication <ul style="list-style-type: none"> Quality Information
Inspection of the Department's Activities Surrounding the Sale of Postsecondary Schools to Dream Center Education Holdings (June 2021)	<p>Our objective was to describe the Department's involvement in Dream Center transactions and ensuring program participation agreements and requirements were met.</p> <p>We determined that the Department deviated from procedures and its oversight was not rigorous enough to ensure that Dream Center complied with requirements for drawing down and disbursing Federal student assistance funds.</p>	Unresolved	5	3	Control Activities <ul style="list-style-type: none"> Responsibilities and Accountability Information and Communication <ul style="list-style-type: none"> Communication Internally and Externally

Report Title & Link	Summary	Report Status	Number of Recs.	Number of Open Recs.	Internal Control Area
<u>FSA's Suspension of Involuntary Collections in Response to the Coronavirus Pandemic</u> (June 2021)	<p>Our objective was to evaluate FSA's process for suspending involuntary loan collections and payment refunds on defaulted Department loans.</p> <p>We determined that some involuntary collections continued after the deadline and that FSA did not fully reprocess all refunds or develop procedures to track suspending and refunding involuntary collections.</p>	Closed	3	0	Control Activities <ul style="list-style-type: none"> Responsibilities and Accountability Monitoring <ul style="list-style-type: none"> Remediate Deficiencies
<u>FSA's Processes for Reallocating Unexpended Campus-based Title IV Funds in Accordance with the Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017</u> (May 2021)	<p>Our objective was to determine whether FSA's processes to reallocate unexpended award year 2016–2017 campus-based student financial assistance program funds appropriately.</p> <p>We determined that FSA's processes did not provide reasonable assurance that all schools were qualified for assistance before receiving it, or that affected schools were prioritized.</p>	Closed	3	0	Control Activities <ul style="list-style-type: none"> Responsibilities and Accountability Monitoring <ul style="list-style-type: none"> Remediate Deficiencies
<u>FSA's Controls Over the School Verification Process</u> (May 2021)	<p>Our objective was to describe FSA's compliance with Federal requirements for completing verification and reporting verification results.</p> <p>We determined that FSA did not regularly monitor one control activity and that it did not address all of the control issues identified by its ERM group.</p>	Resolved	3	3	Monitoring <ul style="list-style-type: none"> Perform Monitoring Remediate Deficiencies

Report Title & Link	Summary	Report Status	Number of Recs.	Number of Open Recs.	Internal Control Area
FSA FY 2020 Financial Statement Audit (Statutory) (November 2020)	<p>We determined that there was a material weakness and three significant deficiencies in IT controls, monitoring controls, and the overall control environment.</p>	Closed	16	0	<p>Control Activities</p> <ul style="list-style-type: none"> • Verification and Validation • Protecting Systems • Responsibilities and Accountability <p>Information and Communication</p> <ul style="list-style-type: none"> • Communication Internally and Externally <p>Risk Assessment</p> <ul style="list-style-type: none"> • Define Objectives • Risk Identification and Response <p>Monitoring</p> <ul style="list-style-type: none"> • Perform Monitoring • Remediate Deficiencies
FSA's Total and Permanent Disability Discharge Process (June 2020)	<p>Our objective was to determine if FSA's TPD discharge process was in accordance with requirements and that accurate records were entered.</p> <p>We determined that there were weaknesses in several processes and that FSA needs to improve monitoring of the overall TPD discharge process.</p>	Closed	8	0	<p>Control Activities</p> <ul style="list-style-type: none"> • Responsibilities and Accountability <p>Risk Assessment</p> <ul style="list-style-type: none"> • Define Objectives <p>Monitoring</p> <ul style="list-style-type: none"> • Perform Monitoring
FSA's Oversight of the Heightened Cash Monitoring Payment Methods (February 2020)	<p>Our objective was to ensure that FSA's HCM payment program was consistently administered and effective.</p> <p>We determined that some of FSA's internal control activities need improvement.</p>	Closed	3	0	<p>Control Activities</p> <ul style="list-style-type: none"> • Responsibilities and Accountability <p>Control Environment</p> <ul style="list-style-type: none"> • Enforce Accountability

Report Title & Link	Summary	Report Status	Number of Recs.	Number of Open Recs.	Internal Control Area
FSA FY 2019 Financial Statement Audit (Statutory) (November 2019)	<p>We determined that there was a material weakness and significant deficiencies in IT controls and monitoring of service organizations.</p>	Closed	14	0	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Protecting Systems • Responsibilities and Accountability Risk Assessment <ul style="list-style-type: none"> • Risk Identification and Response Monitoring <ul style="list-style-type: none"> • Remediate Deficiencies
FSA's Oversight of Schools' Compliance with Satisfactory Academic Progress Regulations (July 2019)	<p>Our objective was to determine whether FSA ensured corrective actions in response to Satisfactory Academic Progress (SAP) regulations were completed and how FSA has helped schools to comply.</p> <p>We determined that FSA did not always help schools to comply with corrective actions related to SAP regulations.</p>	Closed	4	0	Control Activities <ul style="list-style-type: none"> • Responsibilities and Accountability Control Environment <ul style="list-style-type: none"> • Enforce Accountability
FSA's Process to Select Free Application for Federal Student Aid Data Elements and Students for Verification (April 2019)	<p>Our objective was to determine the effectiveness of FSA's processes for selecting FAFSA data elements and students for verification.</p> <p>We determined that FSA did not evaluate its processes for selecting FAFSA data items, did not effectively evaluate most of the processes we reviewed regarding selecting students for verification, and did not monitor its selection processes.</p>	Closed	6	0	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Responsibilities and Accountability Monitoring <ul style="list-style-type: none"> • Perform Monitoring

Report Title & Link	Summary	Report Status	Number of Recs.	Number of Open Recs.	Internal Control Area
FSA: Additional Actions Needed to Mitigate the Risk of Servicer Noncompliance with Requirements for Servicing Federally Held Student Loans (February 2019)	<p>Our objective was to determine whether FSA had policies and procedures to ensure federally held loans were serviced in accordance with Federal requirements.</p> <p>We determined that even though FSA did identify noncompliance, it didn't track instances that had been remediated, analyze trends of noncompliance, or use available contract provisions to hold servicers accountable for noncompliance.</p>	Closed	6	0	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Responsibilities and Accountability Information and Communication <ul style="list-style-type: none"> • Communication Internally and Externally Risk Assessment <ul style="list-style-type: none"> • Define Objectives • Risk Identification and Response Control Environment <ul style="list-style-type: none"> • Enforce Accountability
FSA FY 2018 Financial Statement Audit (Statutory) (November 2018)	<p>We determined that there was a material weakness, a significant deficiency in IT controls, monitoring controls, and the overall control environment.</p>	Closed	12	0	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Protecting Systems • Responsibilities and Accountability Monitoring <ul style="list-style-type: none"> • Remediate Deficiencies

EXAMPLES OF INVESTIGATIVE-RELATED WORK

Case	Summary	Fraud Category	Strengthen Internal Controls to Help Mitigate this Fraud
Stone Academy and Owner Agree to \$1 Million Settlement (Connecticut)	Career Training Specialists, LLC, doing business as Stone Academy—a for-profit school that awards career diplomas in various medical fields—and its owner agreed to pay more than \$1 million to settle allegations that they violated the Federal False Claims Act. (SAR 85, page 24)	Institutional Fraud	Control Activities <ul style="list-style-type: none"> • Reviews of Institutions
Former Financial Aid Officer at Manatee Technical College Sentenced for Stealing \$300,000 (Florida)	A former financial aid officer at Manatee Technical College was sentenced to prison for stealing \$300,000 from the school. Over several years, the former official convinced students to return excess Pell Grant funds via money orders that the former financial aid officer would alter to deposit them into her personal bank account. (SAR 86, page 17)	Institutional Fraud	Control Activities <ul style="list-style-type: none"> • Reviews of Institutions
Former Reynolds Community College Financial Aid Director Sentenced for Fraud (Virginia)	A former financial aid director at Reynolds Community College orchestrated a \$230,000 student aid fraud scheme, using her access to the school's financial aid system to boost the financial aid eligibility for her family and friends who were not otherwise eligible to receive it. The former director received a portion of the improperly obtained student aid funds as compensation. (SAR 85, page 24)	Institutional Fraud	Control Activities <ul style="list-style-type: none"> • Reviews of Institutions
Former Student Agrees to Settlement in Student Loan Discharge Scam (Arkansas)	A former student at Arkansas Tech University agreed to pay \$38,700 for fraudulently applying for and receiving a discharge on his student loan debt. The former student falsely claimed he had been disabled and could not work leading to his student loans discharge. It was later discovered he was working and earning money. (SAR 82, page 18)	Discharge or Repayment Fraud	Control Activities <ul style="list-style-type: none"> • Verification at Institutions
Man Running a \$48 Million Student Loan Discharge Fraud Scam Targeting Veterans Sentenced (Georgia)	A man was sentenced to prison for orchestrating a \$48 million Total or Permanent Disability program fraud scheme. The man offered to help unsuspecting student borrowers obtain discharges in exchange for a fee, then fabricated hundreds of U.S. Department of Veterans Affairs letters that he used to apply for Total or Permanent Disability discharges. (SAR 85, page 28)	Discharge or Repayment Fraud	Control Activities <ul style="list-style-type: none"> • Verification at Institutions

Case	Summary	Fraud Category	Strengthen Internal Controls to Help Mitigate this Fraud
U.S. Army Chief Warrant Officer Sentenced to Prison for \$3.6 Million Fraud Scam, Including Total and Permanent Disability Fraud (Georgia)	A U.S. Army soldier was sentenced to prison for orchestrating a fraud scheme targeting pandemic relief aid and Federal student assistance discharge programs. The soldier charged people in exchange for submitting falsified U.S. Department of Veterans Affairs certifications for total and permanent disability to the Department of Education to fraudulently secure the discharge of more than a dozen student loans totaling more than \$1 million. (SAR 86, page 5)	Discharge or Repayment Fraud	Control Activities <ul style="list-style-type: none"> • Verification at Institutions
Owner of Tax Preparation Service Sentenced in \$545,000 Fraud (Louisiana)	The owner of a tax preparation service was sentenced and ordered to pay more than \$545,500 in restitution for filing a false tax return, aiding and assisting in the preparation of a false tax return, and student aid fraud. The owner filed a false 2015 tax return that under-reported her income and falsely reported that amount to obtain student loan forgiveness. (SAR 86, page 23)	Discharge or Repayment Fraud	Control Activities <ul style="list-style-type: none"> • Verification at Institutions
Former Cornell University Student Sentenced in \$130,000 Fraud Scam (New York)	From 2008 through 2014, a former Cornell University student forged various documents, including academic transcripts and letters of recommendation, student aid application forms in order to obtain \$130,000 in student aid and tens of thousands of dollars in grant assistance. (SAR 77, page 12)	Ineligible Students	Control Activities <ul style="list-style-type: none"> • Verification and Monitoring at Institutions
Former University of Memphis Student Sentenced in \$94,200 Student Loan Fraud (Tennessee)	While a student at the University of Memphis, a woman submitted fraudulent documents, including forged doctors' signatures, fraudulent medical invoices, and fictitious expenses in order to receive some \$94,200 in Federal student assistance to which she was not otherwise entitled. (SAR 87, page 21)	Ineligible Students	Control Activities <ul style="list-style-type: none"> • Verification and Monitoring at Institutions
Man Pled Guilty to 15-Year \$500,000 Fraud (Virginia)	A man pled guilty to running a 15-year scam that targeted more than \$500,000 in Federal student assistance and other Federal grants. The man fraudulently obtained more than \$366,000 in Federal student assistance by using three different Social Security numbers issued in his own name, as well as those of his mother and father without their consent. (SAR 75, page 16)	Ineligible Students	Control Activities <ul style="list-style-type: none"> • Verification and Monitoring at Institutions

Case	Summary	Fraud Category	Strengthen Internal Controls to Help Mitigate this Fraud
Business Owner Sentenced on Multiple Fraud Charges, Including Student Aid Fraud (Illinois)	The owner of Ebiz Accounting Services was sentenced on charges relating to stealing Social Security benefits and preparing false income tax returns, including her personal income tax returns. On these tax returns and FAFSAs for her children, she failed to report income from her business and other assets. As a result, they received more than \$57,300 in Federal and State student aid to which they were not entitled. (SAR 84, page 22)	Ineligible Students	Control Activities <ul style="list-style-type: none"> • Verification and Monitoring at Institutions
Former College Student Sentenced for \$138,500 Fraud (Arkansas)	A former student falsified documents in order to obtain more than \$67,000 in Federal student assistance and grants to which she was not otherwise eligible to receive. The student claimed to have graduated from at least five different schools, with diplomas that appeared to be from a diploma mill that she included in applications for admission and student aid applications for three schools in Arkansas. The former student also falsely claimed a learning disability on student aid applications and college admission forms. (SAR 89, page 21)	Ineligible Students	Control Activities <ul style="list-style-type: none"> • Verification and Monitoring at Institutions
Man Representing Himself as a U.S. Citizen Sentenced (Missouri)	A Costa Rican man was sentenced for using a fraudulent Puerto Rican birth certificate to apply for and receive a Social Security number and a U.S. passport, which he used to fraudulently apply for and receive more than \$78,000 in Federal student assistance for attendance at three community colleges. (SAR 85, page 29)	Ineligible Student	Control Activities <ul style="list-style-type: none"> • Verification and Monitoring at Institutions
Leader of \$2.5 Million Fraud Ring and Her Mother Sentenced (Mississippi)	A ringleader and her mother were sentenced for their roles in a fraud ring that sought to obtain more than \$2.5 million in Federal student assistance. The two women drove around the city of Greenwood, Mississippi, recruiting people to participate in the scam. They obtained the personally identifiable information of the recruits and then used that information to apply for admissions to and receive Federal student assistance from online college programs, knowing that none of them planned to attend classes. The student aid refund balances were sent to addresses controlled by the ringleader and her mother. (SAR 77, page 9)	Identity Theft	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Verification and Monitoring at Institutions

Case	Summary	Fraud Category	Strengthen Internal Controls to Help Mitigate this Fraud
Family & Friends Student Loan Fraud Rings (Colorado)	Family members and their friends operated separate student aid fraud scams that targeted community colleges in Colorado. They obtained Federal student assistance for purported attendance at the schools when in fact they used the money for various extravagances, including gambling, vacations, cosmetic surgery, and event tickets. One of the family members even used the personally identifiable information of her unwitting mother to apply for and receive student aid, while another used the identities of at least three unwitting coworkers. (SAR 80, page 15)	Identity Theft	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Verification and Monitoring at Institutions
Actions Taken in \$250,000 Scam Led by Former Bossier Parish Community College Comptroller (Louisiana)	A former Bossier Parish Community College comptroller and others participated in a scheme to steal more than a quarter of a million dollars from the school. The former comptroller used her position to access school computer systems to issue more than \$259,000 in student aid funds to her conspirators and others even though none of them were qualified to receive the student aid. In most cases, they were not attending classes. When the participants received the student aid award balance, they kicked back two-thirds of it to the former comptroller. (SAR 80, page 9)	Identity Theft	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Verification and Monitoring at Institutions
Leader of \$220,000 Fraud Ring Sentenced (Illinois)	A fraud ringleader was sentenced for operating a fraud ring that obtained more than \$220,000 in Federal student assistance. The ringleader created and submitted falsified and fraudulent FAFSAs and other documents on behalf of people without their consent—including prison inmates—from various schools. (SAR 86, page 13)	Identity Theft	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Verification and Monitoring at Institutions
Leader of Ring That Targeted More than \$1 Million in Federal Student Aid Sentenced (Arizona)	A woman was sentenced for operating a \$1 million student aid fraud ring. The woman and others used the identities of straw students—some with and some without permission—to apply for admissions to and receive Federal student assistance from a number of community colleges. The admissions and student aid forms for these straw students included mailing addresses controlled or accessible by the ringleader and her co-conspirators so they could obtain all student aid refund balances. (SAR 79, page 12)	Identity Theft	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Verification and Monitoring at Institutions
Woman Sentenced for Using Deceased Spouse's Identity in \$36,000 Student Aid Fraud (Oregon)	A woman was sentenced for using her deceased spouse's identity to obtain more than \$36,000 in Federal student assistance. She attended online courses at three schools and passed the first term at each institution in order to collect the funds. (SAR 88, page 20)	Identity Theft	Control Activities <ul style="list-style-type: none"> • Verification and Validation • Verification and Monitoring at Institutions

Appendix 1.

Acronyms and Abbreviations

IN THE REPORT

Acronym	Definition
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
Department	U.S. Department of Education
FAFSA	Free Application for Federal Student Aid
FSA	Federal Student Aid
FY	Fiscal Year
GAO	Government Accountability Office
Green Book	Standards for Internal Control in the Federal Government
HEA	Higher Education Act of 1965, as amended
NSLDS	National Student Loan Data System
OIG	Office of the Inspector General
OESE	Office of Elementary and Secondary Education
OFO	Office of Finance and Operations
OIG	Office of Inspector General

IN THE COMPENDIUM

Acronym	Definition
BPO	Business Process Operations
Department	U.S. Department of Education
Dream Center	Dream Center Education Holdings, LLC
ESI	Experimental Sites Initiative
FAFSA	Free Application for Federal Student Aid
FSA	Federal Student Aid
FY	Fiscal Year
HCM	Heightened Cash Monitoring
IT	Information Technology
OIG	Office of Inspector General
Rec	Recommendations
SABER	Student Aid and Borrower Eligibility Reform Initiative
SAP	Satisfactory Academic Progress
TEACH	Teacher Education Assistance for College and Higher Education Grant Program
TPD	Total and Permanent Disability Discharge

Appendix 2.

Summary of FSA's Comments and the OIG's Response

FSA provided its response to a discussion draft of this report on December 13, 2024. In its response, FSA noted that it had addressed 152 of the 178 OIG recommendations included in our analysis. FSA outlined several important actions it has taken to address OIG recommendations, including but not limited to, providing training, developing policies and guidance, evaluating processes and implementing quality controls, developing risk assessment frameworks and risk registers, conducting outreach, and improving accountability. FSA also noted several existing controls important to mitigating risks associated with the fraud categories outlined in this report, including risk-based oversight of institutions conducted by its Enforcement Office, training and guidance on effective verification provided to institutions, monitoring of verification selection models, and procedures that occur at the time FSA IDs are created.

The OIG recognizes the importance of FSA's ongoing efforts to implement corrective actions in response to our recommendations and mitigate risks associated with the fraud categories identified by the OIG in this report. However, this perspective report emphasizes the need for a proactive, enterprise-wide approach to assessing and strengthening controls to help ensure that the Federal student aid programs are carried out as required and that the desired results are achieved. Our audits and investigations involving FSA and student assistance programs continue to identify weaknesses or improvements needed in internal control and instances of fraud. For example, and as FSA noted in its response, several recommendations in our analysis were included in reports issued as recently as June 2024. Overall, FSA should better ensure that its systems of internal control are effectively designed and implemented to protect students and taxpayers, promote operational efficiency, and help it achieve organizational mission and goals.



U.S. DEPARTMENT OF EDUCATION, OFFICE OF INSPECTOR GENERAL

H  **TLINE**
OIGHOTLINE.ED.GOV