



WICHE Cooperative for Educational Technologies

Fraud and Beyond: Distance Education and New Financial Aid Rules

February 1, 2012

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- The webcast will begin at the top of the hour.
- There is no audio being broadcast at this time.
- If you need assistance, contact Blackboard Collaborate: 866-388-8674.
- An archive of this webcast will be available on the WCET website next week.



National Association of Student Financial Aid Administrators

- **Joan Berkes**
- **Senior Policy Analyst, NASFAA**
- **Karen McCarthy**
- **Policy Analyst, NASFAA**



Fraud – By Whom?

- Individual student.
- Ring posing as multiple students.
- Institutional employee(s).
- Institution itself.
- Third-party servicer.

Fraud – Where?

- Admissions application / academic credentials.
- Transfer documentation.
- Enrollment / class attendance.
- Financial aid application.
- Disbursement.
- Misrepresentation by school.

Fraud – Regulations

668.16(f), (g): Administrative capability

- School must have adequate system to identify and resolve discrepancies
- School must report suspected fraud to ED's Office of Inspector General (OIG)

Fraud – Regulations

668.16(p): Administrative capability

- School must have procedures to evaluate validity of high school diploma if school or ED has reason to believe it is not valid or was not obtained from proper entity.
- High school information collected on FAFSA and may be incorporated into verification process.

Fraud – Regulations

668.32, 668.36: Student eligibility

- Student must repay any fraudulently obtained Title IV funds before receiving more assistance.
- ED will not penalize school or student for social security number errors, *unless* fraud is involved.

Fraud – Regulations

668.14: Program participation agreement

- All oversight agencies have rights to share information about fraud and abuse.
- School will not knowingly employ, or contract with, persons or entities involved in past fraud.

Fraud – Regulations

668.25, 668.82: Third party servicer (TPS)

- TPS must report suspected fraud by institution to ED's OIG.
- School violates its fiduciary duty if TPS is involved in fraud.

Fraud – Regulations

668, Subpart F: Misrepresentation

Misrepresentation:

Any false, erroneous or misleading statement an eligible institution makes to a student enrolled at the institution, to any prospective student, to the family of an enrolled or prospective student, or to the Secretary.

Misrepresentation includes the dissemination of endorsements and testimonials that are given under duress.

Fraud – Regulations

668, Subpart F: Misrepresentation

Substantial misrepresentation:

Any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment.

Fraud – Regulations

668.83, 668.90: Penalties against schools

Fraud includes falsification of:

- Document from student or about student's Title IV eligibility.
- Certifications or documents submitted to ED.
- School's legal authority or accreditation.
- Submissions to an independent auditor or third-party servicer.
- The performance of any loan collection activity.

Fraud – Dear Colleague Letter GEN-11-17

- 9/26/11 OIG report on fraud rings in low-tuition distance education programs
- Characteristics of ringleaders
- Follow accrediting agency's reviewed processes
- Take steps to ensure students are academically engaged prior to disbursing Title IV funds

Fraud – Dear Colleague Letter GEN-11-17

- Implement automated protocols that monitor information in your student information data system to identify instances where a number of students use the same identifiers.
- Modify your disbursement rules for students participating exclusively in distance learning programs.

Fraud – Actions Schools Are Taking

- Hybrid format: Require some on-campus activity
- Include fraud in student code of conduct
- Identify red flags to trigger added documentation
- Look for suspicious trends
- Dedicate or cross-train employees; task force
- Involve Board, faculty, students in anti-fraud efforts
- Share information with near-by schools

Fraud – Actions Schools Are Taking

- Require academic transcripts up front.
- Perform excessive debt review in relation to earned credits.
- Tighten SAP.
- Schedule regular frequent academic activities.
- Take attendance.
- Use administrative withdrawal for missed classes.

Fraud – Actions Schools Are Taking

- Disburse aid as paycheck
- Use delayed disbursement
- Tighten use of book vouchers

Colorado Community College System

- Audrey Osswald
- CCCS Director of Financial Aid



CCCOnline Fraud Reduction Efforts

- Financial aid office in conjunction with admissions office.
- Faculty initiatives.

Financial Aid Office

- Efforts to detect potential fraud before funds are disbursed.
- Review financial aid applications for similarities:
 - Same email address.
 - Same mailing address.
 - Same telephone number.

Similarities on Applications

- Especially review out-of-state applicants, most likely to take on-line only courses.
- Students usually did not file taxes and have little or no income.
- Put the email address into a query form to find other students with same email.
- Do the same query with mailing addresses and telephone numbers.
- Develop a spreadsheet of all the similarities.

Next Steps

- Put a registration hold on suspected students.
- Registration hold stops registration at all 13 community colleges.
- Require additional documentation
 - If they have the same address, verification they live there such as lease agreement, utility bill in their name, etc.
 - Require proof of high school diploma, and follow up if suspect.

Next Steps

- Report all suspected fraud students to our legal department.
- Report all suspected fraud students to Office of Inspector General (OIG) for Department of Education.
- Keep a spreadsheet of students including name, student ID, address, email address and phone number in a secure file accessed by the 13 colleges.

Faculty Initiatives

- Require each course have 2 graded, content-related assignments by census.
- Faculty report any students who did not complete one or more assignment.
- Financial aid is not disbursed until after census.

Faculty Initiatives

- Third-party identification program called Axiom.
- All students must complete during the first week of class.
- Student is asked a series of questions and then a score is reported for each student.
- Does not block students, but those who fail have their records, including IP addresses reviewed by the administration.

Faculty Initiatives

- Faculty are encouraged to report unusual activity such as assignments that may be very similar.
- Implementing a form for faculty to report any suspicious behavior.

National Association of Student Financial Aid Administrators

- **Karen McCarthy**
- **Policy Analyst,
NASFAA**



Handouts for this Portion

- [Is this a Withdrawal?](#)
- [Definition of Withdrawal](#)
- [What Are Modules?](#)
- [Written Confirmation](#)

R2T4: Treatment of Modules and Mini-Sessions

- What are modules and mini-sessions?
- Changes to when a student is considered withdrawn.
- Written confirmation of intent to attend a later mini-session or module.

Last Day of Attendance

- Russell Poulin
- Deputy Director,
WICHE Cooperative
for Educational
Technologies



Last Day of Attendance

“In accordance with § 668.22(b)(2) and (c)(4), an institution must document a student’s withdrawal date and maintain that documentation as of the date of the institution’s determination that the student withdrew.”

‘Program Integrity’ Regulations released 10/29/10

<http://edocket.access.gpo.gov/2010/pdf/2010-26531.pdf>, p. 66898 – right column

Last Day of Attendance

(7)(i) “Academic attendance” and “attendance at an academically-related activity” —

(A) Include, but are not limited to—

(1) Physically attending a class where there is an opportunity for direct interaction between the instructor and students;

(2) Submitting an academic assignment;

(3) Taking an exam, an interactive tutorial, or computer-assisted instruction;

§ 668.22 Treatment of title IV funds when a student withdraws.

Last Day of Attendance

- (4) Attending a study group that is assigned by the institution;
- (5) Participating in an online discussion about academic matters; and
- (6) Initiating contact with a faculty member to ask a question about the academic subject studied in the course; and

Electronic Code of Federal Regulations: <http://bit.ly/ynJoBm>

Last Day of Attendance

For online programs, how does your institution document attendance in order to determine the R2T4 financial aid calculation? (Choose all that apply) (May 2010)	Response Percent	Response Count
Last day the student logged into the college's learning management system.	9.3%	4
Last day the student logged into the course in which he or she is registered.	48.8%	21
Last day the student interacted with the instructor.	20.9%	9
Last day the student submitted an assignment, took a quiz, or posted/made a comment on the discussion board for the course in which he or she is registered.	41.9%	18
Date the student notified the institution that he or she has withdrawn (by phone, e-mail, in person, etc). Our institution requires this action for the withdrawal date to be effective.	27.9%	12
The mid-point of the financial aid payment period.	4.7%	2



Last Day of Attendance

Compilation of WCET's work on this issue:

<http://wcet.wiche.edu/advance/financial-aid-and-distance-education>

Questions from the Audience

- Add your questions to the chat box.



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- Visit the WCET's Connect, Learn, Advance services on our website: <http://wcet.wiche.edu/>
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 - Listservs.
 - Free webcasts.
 - CIGs on student retention, academic integrity, LMSs, faculty policies, e-learning consortia
- Attend WCET's 24th Annual Conference in San Antonio, TX, October 31-November 3.

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Additional Information and Resources

- Access to the resources discussed during this webcast, including the archive, will be available next week.
 - <http://wcet.wiche.edu/connect/webcasts>

