

FRAUD REDUCTION EFFORTS

The Department actively participated with OMB and other agencies to develop the implementation plan for the *Fraud Reduction and Data Analytics Act* (FRDAA) of 2016. On May 12, 2017, OMB sent a FRDAA implementation plan to Congress. Since then, OMB has been working with federal agencies to issue additional guidelines and to share best practices. The Department will continue to work with OMB to implement the FRDAA. Although controls related to the prevention and detection of improper payments are often the same for fraud detection, reporting on fraud presents unique challenges for agencies, including:

- Establishing a common definition for fraud that is relevant to the specific agency programs and activities;
- Developing a fraud taxonomy to accurately address areas of fraud risk; and
- Accurately estimating and reporting the rate of fraud, considering that due-process, intent, and legal factors are involved with fraud, which are not present in improper payments.

Despite these challenges, the Department will continue to refine its business processes to be in a better position to define, deter, detect, and take action on fraud. In July 2015, GAO published its Fraud Risk Management Framework and Selected Leading Practices and the Department has implemented a number of leading

practices consistent with that framework. For example, FSA continues to make expanded use of data analytics to identify anomalies, trends, and patterns in application and disbursement data to help identify potential fraud. FSA also continues to collaborate with OIG to receive and analyze fraud referrals to help identify potential fraud indicators for suspicious student activity. FSA established a fraud unit and recently appointed a Senior Advisor on Fraud to support OIG fraud referral analysis and disposition. FSA will use their analysis and the work of the fraud unit to strengthen its internal controls. FSA also conducts internal training on fraud prevention and detection as well as listening sessions with the school community on fraud trends and good practices in prevention and detection. Additionally, the Department has catalogued internal controls related to fraud prevention and detection, to include 52 detective and 109 preventive controls related to its grant programs and administrative payments.

To combat improper use of federal funding under the *Every Student Succeeds Act*, the Department requires that each recipient and sub-recipient publically display the contact information of the Department's OIG hotline to facilitate the reporting of suspected improper use of ESSA funding and that each recipient and sub-recipient provides assurance of truthfulness and accuracy of the information they provide in applications and in response to monitoring and compliance reviews.