

FRAUD REDUCTION REPORT

The Department continues to participate actively with OMB and other agencies in a government-wide workgroup that is collaborating on an implementation plan for the *Fraud Reduction and Data Analytics Act (FRDAA) of 2015*. The Department will continue to work with OMB to implement the FRDAA.

The Department recognizes the challenges that often surround fraud risk management and is taking action to address each challenge. These challenges include limited resources to conduct fraud risk management activities and difficulties in definitively separating fraud from other negative outcomes.

The Department is exploring ways to refine or enhance its business processes to be in a better position to define, deter, detect, and take action on fraud. For Title IV programs, FSA has established a Fraud Risk Group (FRG) within its Enterprise Risk Management Office to build capacity and expertise for and to dedicate resources to fraud risk identification and mitigation. The FRG established an Enterprise Fraud Risk Advisory Group to promote the integration of fraud risk management practices and processes into the daily operations of FSA to assist in achieving FSA's strategic goals and objectives. Its primary responsibility is to provide oversight, planning, and coordination of enterprise fraud risk management activities.

In 2018, responsibility for receiving, processing, and taking action on fraud referrals from the Department's Office of the Inspector General (OIG) was transferred from FSA's Finance Office to FRG. FRG launched a new initiative to implement workflow and case management capabilities to perform analysis of all OIG fraud referrals

within the existing Customer Engagement Management Systems (CEMS) infrastructure. The fraud referral module went live in December 2018, and data migration of historical referral information was completed in July 2019. This module will enable more comprehensive analysis across all OIG fraud referrals and provide better tracking of referrals and possible recoveries of resultant improper payments. This common and interactive case processing tool will also reduce fraud review/case processing time and provide analytics to allow for better fraud detection and prevention. FSA is also exploring ways to leverage data analytics to better detect and combat fraud in operations.

In FY 2019, the Department revised its improper payment risk assessment methodology to include a fraud risk factor to assist in identifying fraud risk in non-FSA programs. This revised methodology was used to assess the improper payment risk of 266 grant activities (formula grants and discretionary grant competitions) under approximately 120 program authorities in FY 2019. The Department has also catalogued internal controls related to fraud prevention and detection, which includes over 150 detective and preventive controls related to its grant and administrative payments.

Finally, to combat improper use of federal funding under the *Every Student Succeeds Act (ESSA)*, the Department requires that each recipient and subrecipient publicly display the contact information of the Department's OIG hotline to facilitate the reporting of suspected improper use of ESSA funding. Furthermore, in accordance with 2 CFR 200 (Uniform Guidance), each recipient and subrecipient provides assurances of truthfulness and accuracy of the information they provide in applications and in response to monitoring and compliance reviews.