



U.S. DEPARTMENT OF EDUCATION (ED)
OFFICE OF POST SECONDARY EDUCATION

**Transcription for Negotiated Rulemaking
Sessions and Public Hearings 2012**

Deliverable 4: Transcription of Public Hearing held at South Mountain Community College, Student Union Building, Room 100-ABC, 7050 South 24th Street, Phoenix, Arizona 85042 on May 23, 2012

The public hearings began as noticed in the Federal Register at 9:00 a.m.



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1 P-R-O-C-E-E-D-I-N-G-S

2 (9:03 a.m.)

3 MS. TALWALKER: Welcome. My name
4 is Ajita Talwalker. I am Senior Policy
5 Advisor in the Office of the Under Secretary
6 at the Department of Education. And I wanted
7 to begin by welcoming you all on behalf of
8 the Department of Education to this public
9 hearing, and also to introduce colleagues
10 from the Department who will be participating
11 in the hearing today.

12 We have Lynn Mahaffie, who is the
13 Senior Director for Policy Coordination,
14 Development and Accreditation Service in the
15 Office of Postsecondary Education; and Sally
16 Wanner, who is an attorney in the
17 Postsecondary Division of the Office of the
18 General Counsel.

19 We appreciate your interest and
20 the time that you are taking to share your
21 thoughts and ideas and recommendations with
22 us.

1 As you know, we published a
2 notice in the Federal Register expressing our
3 intent to convene a committee to develop
4 regulations designed to prevent fraud and
5 abuse in the Title IV programs, particularly
6 in light of ever-changing advances in
7 technology.

8 Our intent is to ensure that
9 Title IV funds are used properly and are, in
10 fact, provided to eligible individuals for
11 legitimate postsecondary pursuits. The
12 hearing, we feel, is a first step in that
13 process.

14 The Department will be holding a
15 second public hearing next week, March - May
16 31st in Washington, D.C., and we are also
17 accepting written comments through our
18 electronic system.

19 In September of 2011, the Office
20 of the Inspector General issued findings
21 outlining concerns about fraud in the
22 distance education programs. As a result,

1 the Department issued a "Dear Colleague"
2 letter, GEN-11-17, alerting institutions to
3 the issue and providing guidance to assist in
4 addressing it.

5 We are here in Arizona because
6 institutions in this state have been
7 particularly -- played a significant role in
8 identifying, detecting, and combating these
9 types of fraud and abuse.

10 Since the OIG's report was
11 released, we have established an internal
12 task force that takes a closer look at the
13 issue, presented a topic at several
14 conferences, including the Federal Student
15 Aid Conference last fall, and we -- in that
16 context we see that regulatory changes might
17 be appropriate.

18 Along with the issue of fraud in
19 the Title IV programs, we are interested in
20 looking at potential issues around the use
21 of debit cards and other forms of -- other
22 mechanisms for disbursing federal student aid

1 funds, and as well as improving and
2 streamlining the campus-based aid programs.

3 It is important to remember that
4 these regulations are being developed in the
5 context of current law -- that is, that we
6 can't change provisions in the Higher
7 Education Act through our regulations, so
8 that some issues such as the allocation
9 formula for campus-based aid programs would
10 not be germane to this conversation.

11 We don't want to constrain
12 anyone's comments in this regard, but we
13 recognize -- want you to recognize that that
14 is a limitation in terms of our actions.

15 Again, the purpose of this
16 hearing is to -- for us to hear from you. We
17 will not engage in a lot of dialogue or
18 discussion or debate or address questions
19 about what issues may be ultimately included
20 in the negotiations. And we will use the
21 information that you provide to us in these
22 hearings, as well as any written comments

1 that are submitted, to inform the next
2 negotiated rulemaking process.

3 We expect to announce this next
4 round during the summer through, again, a
5 notice in the Federal Register that will
6 specify both the subject matter content for
7 the negotiations as well as request nominees
8 for the upcoming negotiating sessions.

9 So I wanted to thank you again
10 for coming, and I think that will lead us to
11 our first presenter, which I do not have a
12 list for.

13 MS. MAHAFFIE: Mr. Berg?

14 MS. TALWALKER: Jim Berg from the
15 Apollo Group.

16 MR. BERG: Good morning. Thank
17 you very much. My name is Jim Berg, and I am
18 Vice President and Chief Ethics and
19 Compliance Officer of Apollo.

20 I have general responsibility for
21 the detection and prevention of fraud within
22 Apollo and its subsidiaries. These include

1 the University of Phoenix, Western
2 International University, or West as we call
3 it, and the Institute for Professional
4 Development. All three of these subsidiaries
5 operate in the United States, and they all
6 three manage or administer student financial
7 aid assistance pursuant to Title IV.

8 I want to take an opportunity at
9 the beginning here to commend the Department
10 of Education for the leadership that you all
11 have shown in drawing public attention to the
12 various -- very serious problem of fraud in
13 student financial aid.

14 The series of public hearings
15 that you are holding, and the subsequent
16 negotiated rulemaking procedure that you are
17 instituting, will in our view shed light on
18 the dimensions of the problem and of the
19 steps that are now being taken to defeat
20 those who would defraud.

21 I also want to take a moment at
22 the beginning to commend the Office of

1 Inspector General of the Education
2 Department. The OIG's dedication in pursuing
3 fraud and in helping education institutions
4 develop means to combat fraud has been
5 indispensable to the process, we believe.

6 My organization is proud to have
7 an excellent working relationship with the
8 OIG and its special agents, and we have
9 learned much from them.

10 In recent years, higher education
11 has seen tremendous growth in student
12 financial aid and Title IV. In conjunction
13 with this growth, the number of people
14 attempting to defraud the government has also
15 increased. Schools with lower tuition costs,
16 associate programs, open enrollment models,
17 or those offering online modalities are often
18 targeted by these fraudsters.

19 However, no educational
20 institution that participates in Title IV
21 programs is immune. For the last four years,
22 Apollo Group has worked diligently to develop

1 an effective student financial aid fraud
2 prevention and detection program.

3 The Apollo program uses
4 sophisticated techniques to identify
5 potential Title IV fraud and to prevent the
6 disbursement of Title IV funds to potential
7 and current students who attempt to provide
8 falsified information. The fraud prevention
9 and detection program also fulfills our
10 requirement to comply with the red flag rules
11 of the Federal Trade Commission that requires
12 certain institutions to develop an ID theft
13 prevention program.

14 Apollo also has recently joined
15 with other local and national institutions to
16 collaborate further on fraud prevention
17 methods and techniques. We believe that
18 fraud prevention must be a priority at all
19 institutions of higher education and within
20 the Department of Education.

21 To this date, Apollo's program
22 has experienced I think some great measures

1 of success. We attribute this largely to our
2 creation of a dedicated fraud prevention
3 team. We refer to them internally as our
4 fraud squad, and they have T-shirts that say
5 Fraud Squad. So when they appear you know
6 that they are very serious about their work.

7 Since 2008, four full-time staff
8 members have been trained as experts in
9 identification and verification of potential
10 fraud schemes and students. Now, since fraud
11 prevention starts at the front line of any
12 organization, a complete commitment to
13 employee education across the organization
14 is, we think, the most effective way to
15 recognize the red flags or suspicious
16 activities that are useful in identifying
17 potential fraudsters.

18 Our employee awareness campaigns
19 include formal training, teleconferences,
20 webinars, job aids, and regular compliance
21 alerts. And our employees are also provided
22 easy access to an internal reporting system

1 where suspicious and potentially fraudulent
2 activities that they spot may be submitted
3 directly to the fraud squad for their
4 assessment and action.

5 Additionally, we have put in
6 place an orientation program, which is a
7 three-week, no-cost requirement for all new
8 degree students entering with 24 credits or
9 less. We put this program in effect for a
10 number of reasons, primarily because we
11 wanted to make sure that the students
12 entering our universities who did not have
13 prior credits, and who did not have prior
14 experience living with going to college, were
15 given an opportunity to understand what
16 college life is like, what kinds of
17 requirements would be placed upon them, et
18 cetera.

19 And as a result, we are seeing --
20 we believe that the participants in our
21 orientation course are better able to persist
22 in their work than before the institution of

1 the orientation class. However, the program
2 has also proven to be a very serious
3 safeguard against fraud in that it provides a
4 buffer period prior to disbursement of
5 financial aid, through which those who are
6 only attempting to collect financial aid are
7 not likely to persist.

8 The bottom line here is that
9 those engaged in criminal activity are
10 usually unwilling to wait to complete the
11 three-week orientation program before the
12 disbursement of aid. And so when they find
13 out about this program they tend to
14 disappear, which is good.

15 The historical statistics related
16 to potential Title IV fraud scheme population
17 at Apollo are outlined in the written
18 statement that I have provided to you all.
19 And I just want to review a few of those with
20 you this morning.

21 We have flagged 17,600
22 participants -- or potential fraudsters in

1 our process. This constitutes just about 1.8
2 percent of all of the individuals who have
3 registered over the same period. And I think
4 we have also learned that that statistic --
5 1.8 percent, 1.7 percent, somewhere under two
6 percent -- seems to be consistent across
7 other organizations, across other schools.
8 We don't have complete data on that, but from
9 what we have heard we think that that number
10 is probably a pretty good estimate of the
11 dimension of the fraud problem.

12 As we look at the fraud schemes
13 that we have been able to detect, they
14 typically will have 19 participants,
15 typically one or more ring leaders and then
16 19 other individuals.

17 We have referred 886 fraud
18 schemes to the Office of Inspector General,
19 and from those referrals there are 12 cases
20 that have resulted in indictments of the
21 participants. Now, each of those cases would
22 very likely include a high number of people,

1 so the number of individuals indicted is
2 greater than the 12 cases.

3 In my written statement, we have
4 several paragraphs that define for you
5 exactly how our fraud detection and
6 prevention system works. I won't go into
7 that detail here in this oral statement, but
8 the material is all in there. And it is
9 material that we are sharing with other
10 educational institutions, believing as we do
11 that the more that we all unite together to
12 fight this problem the better off it will be
13 for all of us.

14 One of the main goals of our
15 program is to prevent the disbursement or
16 misuse of Title IV funds and student debt to
17 the university. Students who are flagged for
18 fraud prior to receiving any disbursements
19 are considered caught by Apollo. We measure
20 success in catching fraudulent students and
21 ring leaders prior to funding by tracking a
22 monthly catch rate, and the catch rate is the

1 percentage of students not receiving funds.

2 The number of individuals flagged
3 and the percentage of those caught is
4 displayed in a chart in my written statement.
5 I just want to highlight two months.

6 We have displayed about two years
7 of data here on a monthly basis. And if I
8 look back at the chart, I would highlight the
9 two months of January 2011 and March 2012.
10 In January 2011, we flagged the highest
11 number in one month that we ever have of
12 potential fraud students. That number is
13 almost 1,100 in one month.

14 And we are pleased that of those
15 1,100 we were able to prevent the
16 disbursement of financial aid to 82 percent
17 of them. So that is our catch rate for that
18 particular month.

19 In March of 2012, some 15 months
20 later, the number of students -- potential
21 fraudsters who we flagged that month was
22 under 200. And since January '11, the number

1 flagged per month has generally been coming
2 down.

3 Also, in March of 2012, we were
4 able to catch or prevent disbursement of
5 financial aid to 85 percent of those who we
6 had flagged. One thing about this chart that
7 is interesting, I believe, is the decline in
8 the numbers of individuals who we are
9 flagging. I think there are a couple of
10 reasons for that.

11 First of all -- and this is
12 something that we are very pleased about --
13 we have heard anecdotally from fraudsters
14 themselves that they are avoiding our
15 universities, particularly the University of
16 Phoenix, because word has gotten out that we
17 are going after fraudsters, and we are
18 referring them to the OIG. So we are
19 becoming perhaps less of a favored target for
20 these fraud ring leaders.

21 The other thing that is
22 happening, I believe, is that there is a

1 slight, slow, but nevertheless improvement in
2 the economy over this period of time. And we
3 certainly did see, with the onset of the
4 recession in late 2008 and early 2009, we saw
5 a lot more people moving in the direction of
6 finding alternative means of income, fraud
7 being one of them.

8 But as we -- as the unemployment
9 rate slowly declines, as more jobs are
10 available in the private sector, people may
11 be going back to work, and the incidence of
12 fraud may be overall decreasing. That has
13 just been our experience. We don't
14 necessarily have a wide variety of numbers to
15 talk to you about that would indicate that
16 that is truly a national trend, but it seems
17 to make sense given the numbers that we have
18 seen.

19 We consider these fraud schemes
20 and fraud attempts as very serious detriments
21 to the educational process, as well as to the
22 missions and goals of our education

1 subsidiaries. As such, all student financial
2 aid fraud that we identified is referred
3 directly to the U.S. Education Department's
4 OIG through regular communications with
5 supervisors and field agents.

6 The Apollo fraud team meets
7 regularly with OIG officials to discuss fraud
8 trends, understand required information,
9 resulting in the highest quality of referrals
10 and subsequent prosecutions by the U.S.
11 Attorney's Office, and to develop cooperative
12 best practices in alerting the OIG, postal
13 inspectors, state, local, and other law
14 enforcement agencies.

15 We provide each month a referral
16 package that contains very specific
17 information. We have worked with the OIG in
18 particular to define the information that
19 they need and that they will find most
20 useful. By providing the best possible case
21 referral information and in applying
22 consistent communication on changes or

1 developments in case research, we believe
2 that we can continue to work to support the
3 goals of the Office of Inspector General in
4 bringing these individuals to justice.

5 There are some additional
6 opportunities, we believe, to detect and
7 prevent and deal with student financial aid
8 fraud beyond the work that is being done by
9 many colleges and universities. Education
10 Department resources, such as the Central
11 Processing System and the NSLDS, the National
12 Student Loan Data System, could be used to
13 run reports and perform trending to offer
14 insight into a student's loan and funding
15 history that could indicate fraudulent
16 patterns. I think this idea was identified
17 in a recent OIG report.

18 Other red flag resources, such as
19 access to incarceration history or the
20 development of a hot address warehouse,
21 similar to what is done in the banking
22 industry, may also prove useful as

1 information to schools. What we have
2 certainly found is that some of the fraud
3 ring leaders or the fraud participants will
4 provide an address that is nothing more than
5 a vacant lot, and so they might try that with
6 us. It might not work with us. Then, they
7 move to another school and another school and
8 another school.

9 So some kind of centralized
10 database that would contain some of the
11 information that either we or other schools
12 have discovered as red flags or indicators of
13 fraud would be very, very useful to all of
14 us.

15 Some have suggested that all
16 funds that are to be given to students be
17 processed via electronic fund transfers. In
18 fact, in the notification for this hearing,
19 that was one of the ideas that was put
20 forward.

21 It can be argued that commonality
22 in bank accounts identified in the electronic

1 fund transfer process could then be used as a
2 red flag, and there certainly would be a
3 reduction in cost because of reduced paper
4 transactions.

5 If this suggestion is considered,
6 we believe that very great care should be
7 taken in order to avoid an increase in costs
8 to students where fees associated with debit
9 cards or other banking services can be
10 applied to them.

11 An even more significant concern
12 in this area is the inability of some
13 students even to establish a banking
14 relationship due to poor or insufficient
15 credit history. This concern will be most
16 prevalent among those students who have not
17 traditionally been served by our educational
18 system.

19 Also, on a related topic, many of
20 the fraudsters, many of the students
21 involved, particularly those involved in
22 fraud rings, are themselves victims of

1 identity theft. And they need relief from
2 the adverse credit sooner rather than later
3 when courts eventually take legal action or
4 in situations where no prosecution is likely.

5 Many of these individuals don't
6 even know that their identity, which they
7 might have sold for a small amount of money
8 to a fraud ring leader, is being used in the
9 way that the ring leader is using them. And
10 so only subsequently do they find out that
11 something had happened that their identity
12 was stolen, that it was used for fraudulent
13 purposes. Through no fault of their own,
14 they are in some ways innocent victims of the
15 process.

16 And I think in cases of proven
17 student fraud, schools also need relief from
18 the adverse effect of defaulted loans. And,
19 therefore, these loans ought to be excluded
20 from the default rate formula. The
21 regulations that might ultimately emerge from
22 the neg-reg process that you all foresee

1 could address these types of issues.

2 Any regulations that are created
3 should also provide guidelines, we believe,
4 on court-ordered restitution such as how
5 payments are applied and on the order of
6 application. It is a common practice that as
7 part of the prosecution and related court
8 process restitution is required. In this
9 case, restitution should be whole, because
10 federal programs must be refunded in their
11 entirety.

12 We also believe that institutions
13 should be held harmless for any Title IV
14 funds retained if the school acted in good
15 faith at the time of certification and
16 disbursement.

17 So, in conclusion, I just want to
18 say again how much my organization, Apollo,
19 and the universities that we represent
20 appreciate the opportunity to provide these
21 oral comments and the written comments as
22 well. And we look forward to participating

1 in the rulemaking and the public comment
2 process that will unfold in the coming
3 months.

4 I just want to say that we very
5 firmly believe that sharing information and
6 regular communication and research into best
7 practices throughout the industry will serve
8 to increase the success of all of these fraud
9 detection and prevention programs and will
10 preserve precious student financial
11 assistance resources for those who have a
12 legitimate claim to them.

13 Thank you very much.

14 MS. MAHAFFIE: Thank you very
15 much for sharing your comments -

16 MR. BERG: Sure. Absolutely.

17 MS. MAHAFFIE: -- and for the
18 work that you are doing in this area.

19 We have nobody else signed up
20 until later in the day, so if there is
21 anybody else who would like to come up,
22 please -

1 DR. HURLEY: Well, I am the
2 person who signed up, and I am here, so I can
3 move up on the calendar.

4 MS. MAHAFFIE: Great. Please.

5 DR. HURLEY: I'm Dr. Pat Hurley
6 from Glendale Community College in
7 California. And as co-chair of the Federal
8 Issues Committee for WASFAA, the Western
9 Association of Student Financial Aid
10 Administrators, welcome to our region.

11 WASFAA will be preparing comments
12 and mailing them to you by the end of the
13 week. I am here speaking on behalf of the
14 California Community College Student
15 Financial Aid Association this morning.

16 The California Community Colleges
17 is the largest higher education system in the
18 country. We have 112 community colleges,
19 serve almost three million students, and the
20 CCSFAA, the Community College Financial Aid
21 Association, represents the student financial
22 aid administrators and officers in the

1 colleges in that system.

2 And we very much thank you for
3 the opportunity to address the issues of
4 fraud and abuse and some possible campus-
5 based issues that will be going to neg-reg.
6 On fraud and abuse, we are the largest and
7 lowest cost system of higher education in the
8 country, and recognize the need to locate and
9 control fraud and abuse in Title IV programs
10 at our institutions, but are concerned about
11 creating unduly burdensome regulations in
12 this area. Because each occasion of fraud
13 can be very unique, we think it will be
14 difficult to develop regulations that address
15 all potential abuses.

16 However, we do believe that with
17 the assistance of the Department in providing
18 institutions additional tools to identify
19 potential fraudulent behavior, colleges
20 themselves will be better equipped to address
21 cases of fraud as they occur, and in that
22 vein we offer some recommendations.

1 Number one is to develop profiles
2 for possible Pell runners, and I think Mr.
3 Berg alluded to this in his statement, or
4 other types of fraudulent behavior and
5 utilize the ISIR record to alert institutions
6 when the student falls into that category.

7 One example might be students who
8 have received aid from more than two
9 institutions within three years. It is very
10 likely -- a lot of students receive aid from
11 two if they are transfer students. But if
12 within three years it has been more than two,
13 then they might be hopping around, and that
14 might be an indication of fraudulent
15 behavior.

16 By providing a common code on the
17 ISIR records, schools could take measures to
18 investigate the reason for the students'
19 frequent change of school and determine if
20 the students should continue to receive
21 federal student aid.

22 Our second recommendation is to

1 provide institutions the ability to suspend a
2 student's financial aid eligibility if fraud
3 or abuse is suspected. At this point, there
4 is no provision -- if a case is turned over
5 to the Inspector General's office, we are
6 often advised to continue funding the student
7 until legal action is taken. And this would
8 give us some way to at least halt
9 disbursements to a student who is -- who we
10 suspect of fraudulent behavior.

11 Another recommendation is to
12 provide a flag on NSLDS to report students
13 who owe federal student repayment to the
14 institution. That would prevent the student
15 from receiving aid at another institution
16 unless the overpayment is resolved.
17 Currently, this is allowed for students who
18 are referred to the Department of Ed by
19 institutions for repayment of a federal
20 grant. However, more frequently institutions
21 adjust the award and it ceases to be a
22 federal overpayment. It becomes an

1 institutional overpayment or a debt to the
2 institution and doesn't get recorded, and
3 because of that isn't reported to NSLDS, and
4 the block on the student receiving aid at any
5 institution, which occurs if -- for
6 overpayments reported to the Department of
7 Ed, doesn't happen in these instances.

8 So there is nothing preventing the
9 student from registering at another
10 institution, receiving aid, and at another
11 repeating the behavior. And because of our
12 systems, most institutions that have some of
13 the major computer systems -- most
14 overpayments, if a student drops -- receives
15 aid and drops out of class become an
16 institutional debt, not a financial debt.

17 So we are recommending that the
18 NSLDS system be expanded to allow
19 institutions to report outstanding federal
20 overpayments regardless of whether the
21 overpayments are assumed by the institution
22 or referred to the Department of Education

1 for collection.

2 In either case, the institution
3 should be able to report the overpayment
4 through NSLDS that provides a flag or a
5 comment on the ISIR record preventing further
6 aid eligibility until the overpayment is
7 resolved and removed from the system. And
8 that would prevent students from hopping
9 around to different schools, because they
10 would be ineligible for aid at another
11 school.

12 A fourth recommendation is to
13 allow institutions to refer students who
14 receive aid and then never attend classes to
15 the Department -- to be referred to the
16 Department of Ed for collection. Despite the
17 new regulations requiring institutions to
18 disburse Pell Grant funds for books and
19 supplies within the first week of the
20 semester, under current regulations it is
21 still considered an institutional liability
22 if the student receives aid and subsequently

1 never enrolls. And we are not allowed to
2 refer those cases to the Department of Ed to
3 be collected by the Department of Ed as an
4 overpayment. It becomes an institutional
5 liability.

6 Since many cases of fraud include
7 students who received aid and did not attend
8 classes, it makes sense to use ISIR
9 information to prevent them from receiving
10 further aid at another school unless
11 specifically approved by a financial aid
12 office. And that would be -- I don't know if
13 that would be a procedural change or a
14 regulatory change.

15 Recommendation five is to expand
16 FERPA regulations to provide institutions
17 with sufficient protection to exchange
18 information on fraudulent cases or suspected
19 fraudulent students. While we respect the
20 confidentiality of student records and the
21 danger of labeling innocent students, some of
22 the best prevention results from information

1 that is shared among institutions, either by
2 student transcripts or informal anecdotal
3 exchanges of information.

4 Our sixth recommendation is do not
5 allow students convicted of fraud to remain
6 eligible for federal student aid. This
7 should be a permanent disqualification.
8 Currently, they are eligible unless as part
9 of their conviction the Judge sentences them
10 to no longer being eligible for aid. And
11 that doesn't make sense to us, if they have
12 already been convicted of defrauding the
13 government that we should be giving them
14 additional funding.

15 Recommendation seven is ironically
16 the student loan program is the only Title IV
17 entitlement program with annual loan limits
18 ranging from \$5,500 per year to \$11,500 per
19 year for undergraduates. This program is a
20 potential target for fraud. Many schools,
21 particularly community colleges, have long
22 requested the ability to set institutional

1 policies governing the amount students may
2 borrow.

3 In addition to helping curtail the
4 growing student debt problem, this
5 flexibility would assist colleges to control
6 fraud and abuse on the part of students
7 taking out federal student loans. And we
8 know that this is part of your experimental
9 site projects that are ongoing, and hopefully
10 that will result in more authority on the
11 part of institutions to help students curtail
12 their debt and curtail some of the potential
13 abuses.

14 In addition, when I was coming
15 over here, part of what has been recommended
16 is multiple disbursements, and most of the
17 community colleges in our state do multiple
18 disbursements. But one of the problems with
19 that -- at my own institution, we disburse
20 students 50 percent of their Pell Grant the
21 week before classes start, and the remainder
22 of their Pell Grant and all other Title IV

1 aid after our census date, or one month into
2 the semester, so that we know that when the
3 bulk of the aid is being disbursed the
4 students have already attended classes for a
5 month.

6 Another institution I was at
7 disbursed on a monthly basis. But one of the
8 problems with doing that has been since then
9 an interpretation of the disbursement
10 regulations saying that if you reduce a
11 student's award at any point in the semester
12 you also have to increase it throughout the
13 semester, which is why many of us have
14 established these census dates, and after
15 that point we no longer adjust a student's
16 award. But that makes it difficult for
17 schools that want to do aid disbursements on
18 a monthly basis. For example, if a student
19 starts out full-time and you are disbursing
20 their aid on a monthly basis as a full-time
21 student and then they drop two classes three-
22 quarters of the way into the semester,

1 current regulations would require you to
2 recalculate the student's entire eligibility
3 down to a half-time basis. And if the
4 student had received more than two of the
5 four disbursements, the student would owe a
6 repayment at that point in time.

7 And that is really -- more schools
8 would do multiple disbursements if it wasn't
9 disadvantaging the students who drop -- had
10 to drop classes later in the semester.

11 So one way to address that would
12 be instead of recalculating the eligibility
13 for the entire semester, saying that at the
14 time of the disbursement, whatever the
15 student's eligibility is what they are
16 entitled to. And if they fall -- if their
17 enrollment status changes, and their award
18 falls below the amount already disbursed,
19 they just are no longer disbursed any
20 additional funds.

21 One of the other suggestions was
22 debit cards. We are one of the few

1 institutions of the many in Southern
2 California that currently are still
3 disbursing funds via checks, and we are doing
4 that because of the fees that are charged.

5 We have a very large, very low
6 income immigrant population, and many of them
7 are a little leery of establishing banking
8 accounts, and in many cases would not. So,
9 and we are concerned about the fees, but we
10 probably, for cost saving measures, given the
11 state budget, may be going in that direction.
12 But that is a concern, is the fees that are
13 charged in -- for a number of reasons by the
14 debit card companies.

15 I would also recommend to you a
16 report recently done by the American
17 Association of Community Colleges on fraud
18 and abuse and some of the recommendations
19 that they gathered from some schools. We
20 only have a few recommendations on the
21 campus-based programs. We strongly support
22 the President's initiative to increase the

1 work-study funding and change the formula, so
2 that funds are directed to institutions that
3 have high levels of low income students. We
4 look forward to that.

5 Most of us -- and this goes into
6 the SEOG awarding recommendation, which now
7 requires you -- us to award students SEOG
8 funds first to the lowest EFC students, which
9 are zero EFC students, which is approximately
10 -- which is over 60 percent of all of our aid
11 filers at my institution. And we have about
12 18,000 ISIRs this year.

13 So given the fact that we have
14 very limited SEOG funds, we never get to
15 students that do not have a zero EFC and that
16 is true of all of our community colleges in
17 the state. And those are often students who
18 also get state grants and other funds. So we
19 would like the opportunity to be able to move
20 up that EFC chart and give students who have
21 really comparable need but may not have as
22 much other aid.

1 So instead of tying it to the
2 lowest EFC of Pell eligibles, we would just
3 recommend that SEOG awards be tied to Pell
4 eligible students.

5 And also, on SEOG, given the new
6 six-year limit, lifetime limit on Pell
7 Grants, it is unclear at this point if a
8 student declines their Pell Grant -- and this
9 happens at community -- is going to be
10 happening frequently at community colleges
11 for students who have been with us three or
12 four years, which happens if they start with
13 ESL or remedial classes and want to preserve
14 their Pell for when they transfer.

15 So students are already coming in
16 and asking if they can decline their Pell
17 Grant, so that they have it available to them
18 when they go to a four-year school. But it
19 is unclear whether that disqualifies a
20 student from an SEOG award or not, because
21 right now it is targeted to Pell recipients,
22 and if that student would be defined as a

1 recipient or not, and we would like some
2 clarification in the regulations.

3 So with that, I thank you again
4 for coming west, and we look forward to some
5 good results from the negotiated rulemaking.

6 Thank you.

7 MS. TALWALKER: I just had a
8 question. Can you add a little bit about
9 what specific in the FERPA regulations you
10 feel inhibits the kind of communication
11 between institutions about potential fraud
12 and abuse?

13 DR. HURLEY: If a
14 student -- I think right now if a student is
15 dismissed from the college, some institutions
16 will put that on their transcript. Other
17 than that, if -- our feeling is that since a
18 school is identifying personally identifiable
19 students, saying, "This student -- we found
20 that this student ripped off our Pell Grant
21 program," until that is proven, that that
22 might -- that schools are very -- feel that
that might be in violation of FERPA and are

1 very reluctant to change that kind of
2 specific information. And we don't really
3 have any other vehicle to do it.

4 But, obviously, if one school
5 discovers a fraud ring, then the other
6 schools would really like to know about it,
7 because our experience is that they tend to
8 move, particularly in an area like Southern
9 California where you have -- we have over 30
10 community colleges just in the L.A. and
11 Orange County area.

12 So we find that a lot of students
13 will move from college to college, not a lot,
14 because, I mean, we don't often hear about
15 it. But when we do, they tend to roam
16 around. And if schools had some way where
17 they were not in danger of liability of being
18 able to exchange some of that information,
19 that would be helpful.

20 And one way maybe the -- you know,
21 and maybe through the ISIR, in identifying
22 the characteristics that usually -- that

1 might be typical of a Pell runner or somebody
2 who is fraudulent, and blocking aid on the
3 ISIR, because that then blocks aid at any
4 institution.

5 MS. TALWALKER: Thank you.

6 DR. HURLEY: You're welcome.

7 MS. MAHAFFIE: Thank you very
8 much. Is there anybody else who would like
9 to provide comments at this time?

10 MR. VOYTEK: I'm actually at
11 11:25.

12 MS. MAHAFFIE: Okay. Great.
13 Could you share your name and affiliation
14 with us, please?

15 MR. VOYTEK: Hello. My name is
16 Robert Voytek. I am with Coconino County
17 Community College in Flagstaff, Arizona.
18 Coconino County Community College is a small
19 community college, 6,000 students per year.
20 We are actually the second largest land mass-
21 wise in the country, though. So think of
22 Flagstaff, Grand Canyon, Navajo County, that

1 whole area of northern Arizona. That's us.

2 Distance education is vital to us
3 to serve our constituents who are many miles
4 away from our home location.

5 We are a staff of six, so
6 administrative capability is a constant issue
7 with us. With the budget cuts over the
8 years, tight budgets, obviously, we are a
9 small staff, small school, and we have got
10 big problems headed our way with the fraud
11 rings.

12 Up at our little school, you would
13 think nobody would come after us, but we are
14 low cost. Arizona community colleges are
15 lower in cost than the national average. So
16 Arizona, as a state, is a target. And when
17 we are a target, we are being looked at not
18 only from within state but from far away. It
19 is typical for us to know exactly where our
20 students are from, and at Coconino a lot of
21 times that address will be one mile from the
22 Chevron station off Route 89A. That is

1 typical for us.

2 Two years ago we started getting
3 distance students, about 20 of them from a
4 town in Mississippi, but that was
5 interesting. The Arizona Association of
6 Student Financial Aid Administrators is a
7 pretty tight-knit group, and two years ago we
8 had a combined meeting of all of the
9 community college directors talking about
10 this. And guess what state everybody had
11 students coming from? Mississippi and
12 Arizona, people out there. We all know the
13 town in Mississippi, too.

14 Ultimately, these students ended
15 up down at Pima. They ended up getting
16 caught. But we all dealt with them. So here
17 I am at my small community college. I know
18 people from the OIG in Atlanta, in Texas, in
19 Long Beach, and in Phoenix. They are all
20 great people. They are very helpful in
21 getting through these cases, and they are
22 also overworked. There are more cases than

1 they can handle.

2 Currently, what is happening with
3 schools is we are hardening our own
4 individual targets. Someone must have gotten
5 pretty good at that. I would like to share a
6 few examples of what we have done at my
7 school, which will be inconsistent with what
8 other schools are doing. And this is part of
9 the root of the problem that we are dealing
10 with right now is some schools have really
11 hardened up their targets, so we are just
12 shifting the burden to other schools.

13 At our institution, we require
14 official transcripts as part of our staff
15 policy from all previously attended
16 institutions. If the GPA from those
17 institutions is below a 2.0 for two or more,
18 they are denied financial aid. That has
19 stopped our fraud rings. They can't get
20 their transcripts from their previous
21 schools.

22 We have implemented a vigilant

1 attendance policy with our faculty, whereby
2 they are required as part of their contract
3 to report attendance and non-attendance by
4 the end of the first week of classes. We
5 have implemented a bookstore voucher program.
6 That is the only money a student would see up
7 front is a bookstore voucher or the
8 opportunity to opt out of the bookstore
9 voucher for funds equivalent to the bookstore
10 voucher at another store.

11 At three weeks into the term, we
12 release all aid to students. So attendance
13 has been verified after week one.
14 Instructors are also required, if the
15 students don't show, to let us know, let the
16 financial aid office know directly that they
17 haven't shown.

18 Now, once again, we are a small
19 institution, a little harder at a large
20 institution.

21 If we have off and on attendance,
22 we indefinitely delay disbursement, as was

1 allowed by GEN-11-17 issued October 20, 2011.

2 I think the term "Pell runners" is
3 inaccurate. They are running with loans
4 also. I think Pell runners, it is minimizing
5 the problem, but these students are also
6 getting a significant amount of loans, more
7 loans actually than Pell.

8 Our institution, we have -- our
9 terminology for these students we use is
10 "school hoppers." That seems to be the most
11 consistent way that we can identify them.

12 Recommendations -- I would like to
13 see the ability for schools to reduce cost of
14 attendance for distance education students.
15 I would like schools to have -- that is
16 number one.

17 Number two, I would like schools
18 to have the opportunity to deny loans to
19 students on a case-by-case basis based on
20 venue of taking classes.

21 Number three, I believe the
22 Department of Ed needs a flagging system to

1 inform schools that they have potential
2 fraudulent students entering.

3 And, number four, we need to have
4 a system to remove potential fraudulent
5 students under investigation from our cohort
6 default rate. As many in this room know,
7 Arizona holds a prestigious ranking of number
8 one for cohort default rate. And many of us
9 are very concerned about that, and we know
10 that fraudulent students are affecting that
11 rate.

12 Last but not least, I do think it
13 is important to state that not all straw
14 students are actually perpetrators. Many of
15 them are victims. I have seen it. I think
16 it was mentioned earlier this morning, that
17 some of these students it is really easy to
18 give your name, your date of birth, and your
19 Social Security Number out to somebody else
20 who is helping you out.

21 Some of these ring leaders are
22 helping out these straw students with housing

1 and basic life needs, and these students,
2 these -- I can't call them students. These
3 straw students actually don't know what is
4 happening to them in the process, so I think
5 it is important to be aware of that.

6 Thank you.

7 MS. MAHAFFIE: Thank you very
8 much. Would anybody else like to come
9 testify at this point? Thank you. You
10 hadn't signed up before. Could we ask you to
11 sign up, so we can get your name and
12 information? Thank you.

13 MR. CLARKE: I only have one copy.
14 Do you want to just take that?

15 MS. MAHAFFIE: That's fine. I can
16 copy it from there. Thank you.

17 MR. CLARKE: Good morning,
18 Committee members and colleagues. My name is
19 Kenneth Clarke. Presently I am the Director
20 of Financial Aid at Paradise Valley Community
21 College and Maricopa County Community
22 College.

1 I have been in the esteemed aid
2 profession for 28 years, for three of those
3 years as a federal work-study student.
4 Disbursing and delivering aid has always been
5 a cumbersome process plagued with anxiety for
6 both students and administrators. The
7 student of today is very different from the
8 student of 20 years ago.

9 Presently, we live in a time in
10 society where it is just in time. Students
11 expect that when they put pertinent
12 information into a system they have answers
13 in an instant. When they go to online
14 purchases, sometimes they have the option of
15 having it delivered to their door the next
16 day, or they are able to download their
17 purchase right away.

18 It is my contention that the paper
19 check as a means of disbursing Title IV
20 federal aid to students is not only obsolete,
21 it is costly to institutions, it causes
22 unnecessary delays, it creates unnecessary

1 exposure to fraud, and it negates student
2 learning in regards to maintaining the funds
3 in today's financial environment.

4 There are numerous financial
5 institutions that are willing to provide
6 debit cards to students, for an enrollment
7 fee, an opportunity to have their financial
8 institution's name on their card.
9 Additionally, colleges and universities have
10 historically used the student identification
11 card as an all access card.

12 Currently, we are dealing with
13 huge fraud issues, especially on the
14 community college level, as you all know and
15 as has been stated. Colleges must require
16 all students to have student identification
17 cards, if not for the total student body for
18 those students who apply for federal
19 financial aid.

20 All colleges and universities with
21 participation agreements should have a
22 department on their campus that can issue a

1 student a financial aid identification card.
2 This card can contain all of the student's
3 biodemographic data and biometric fingerprint
4 scan.

5 Biometric is used in many
6 applications and is affordable. These files
7 could be sent through a secured gateway and
8 reside on a student's NSLDS records.
9 Students who are attempting to take online
10 classes at a higher education institution in
11 another state would have their information on
12 file with NSLDS. Each time a student
13 completes the renewal FASFA, there will be an
14 opportunity to update and gather, revise,
15 address, email, phone numbers, et cetera.

16 In closing, I would like to say
17 that the possibilities are endless. A little
18 more than a decade ago, I was part of the
19 group that was given the responsibility to
20 vet the possibility of the e-signature for
21 the direct student loan promissory note. I
22 believe that together we can develop

1 processes that will safeguard the taxpayers'
2 investment in higher education and continue
3 to provide student access to colleges and
4 universities.

5 Thank you.

6 MS. MAHAFFIE: Thank you. At this
7 point, we are going to take a 10-minute
8 break, and then we have another speaker
9 scheduled for when we return.

10 Thank you.

11 (Whereupon, the proceedings in the
12 foregoing matter went off the record at 10:00
13 a.m. and went back on the record at 10:18
14 a.m.)

15 MS. MAHAFFIE: Sheri Jones.

16 MS. JONES: Good afternoon --
17 morning. My name is Sheri Jones. I'm Vice
18 President of Administrative Services, and I
19 am providing testimony today on behalf of
20 Ashford University.

21 For the past 22 years, I have held
22 numerous positions in institutions of higher

1 education with responsibility for ensuring
2 proper administration of Title IV programs.

3 I would like to thank you for the
4 opportunity to provide comments today on
5 behalf of Ashford regarding possible
6 regulatory changes to further help
7 institutions combat fraud and protect
8 students and taxpayers from fraudulent
9 activity.

10 The mission of Ashford is to
11 provide accessible, affordable, innovative,
12 high-quality learning opportunities and
13 degree programs that meet the diverse needs
14 of individuals pursuing integrity in their
15 lives, professions, and communities. And as
16 such, we provide online programs for adult
17 learners.

18 Our fall 2011 total online
19 enrollment consists of over 73,000 students,
20 the majority of whom are over the age of 30.
21 We provide one of the most affordable options
22 for earning an online degree, so along with

1 other low-cost institutions we are attractive
2 to those who are intent on fraudulently
3 accessing financial aid funds.

4 As online education provides the
5 only viable option for many of our adult
6 learners to complete a college degree, the
7 existing fraud rings threaten access and
8 affordability for the many authentic students
9 who are unable to overcome personal barriers
10 to complete a college degree in a traditional
11 setting.

12 I would like to share with you
13 Ashford's efforts that illustrate many of the
14 best practices, but also point out the
15 complexities and challenges associated with
16 identifying and preventing enrollment by
17 individuals in fraud rings who target
18 affordable online programs in order to gain
19 access to the financial aid funds associated
20 with them.

21 Over the past several years,
22 Ashford has invested in technology, policies

1 and procedures, employee training, and staff
2 to deal with the problem of financial aid
3 fraud in distance education programs.
4 Improved protocols for identifying potential
5 fraud rings includes technology to identify
6 suspicious similarities among applicants and
7 students, such as address, phone, geographic
8 area, et cetera.

9 Lists of high school diploma mills
10 and unverified high schools are used to
11 screen every application and deny admission
12 to those who clearly are not qualified. We
13 are implementing identity software that
14 requires applicants to answer personal
15 questions from extensive public record and
16 proprietary databases prior to gaining
17 initial access to the online classroom, and
18 thus preventing their ability to participate
19 in academic activities prior to
20 authentication.

21 Ashford is constantly assessing
22 and investing in new technology to

1 effectively detect fraudulent activity. In
2 addition to advancements in technology, the
3 university has also employed university
4 personnel in an effort to improve detection.
5 All of them have direct contact with
6 applicants, and students are required to
7 complete training to help identify those
8 individuals and groups with fraudulent intent
9 and easily report them to the university's
10 team of quality assurance specialists.

11 This team quickly implements
12 identity authentication protocols when fraud
13 is suspected and protects federal funds. For
14 those students deemed suspicious, we impose
15 additional protocol, whereby they must prove
16 their identity through the submission of
17 notarized documentation prior to disbursement
18 of federal student aid.

19 The university also utilizes
20 available external resources to inform
21 further development of new technology and
22 processes. For example, we participate in

1 available external trainings and roundtables
2 offered by peers, the Department, and the
3 OIG, and we have invested in certified fraud
4 examiner training to institute best practices
5 utilized in financial and other industries.

6 Additionally, we have taken the
7 initiative on a regular basis to review
8 investigate reports posted on the Office of
9 the Inspector General website, which
10 highlight recent indictments associated with
11 student aid fraud.

12 Review of public record reports
13 help us stay current on events occurring with
14 student aid fraud in different parts of the
15 country. Any names that are specifically
16 listed as indicted in a financial aid scheme
17 are researched for potential connections to
18 students within our university. However, it
19 is a manual and time-consuming process for an
20 institution to seek out the relevant
21 information and review and analyze available
22 data about individual financial aid offenders

1 that are listed in the indictments.

2 For example, in a recent case, a
3 former student was seeking enrollment while
4 under indictment as a ring leader in a
5 financial aid fraud scheme. Had we not
6 reviewed a PDF report line by line, we might
7 not have known to block for attendance at our
8 university.

9 In the same report, it was
10 mentioned that there were stolen identities
11 used in that particular scheme, so without
12 access to the individual identities related
13 to the case our hands are tied in terms of
14 protecting those individuals from further
15 harm by the fraud ring.

16 Currently, each institution is
17 left to its own devices to identify and
18 manage the problem. Regular alerts from the
19 OIG regarding locations, characteristics, and
20 the individual identities of those under
21 investigation or indictment for financial aid
22 fraud are needed.

1 A site or a process for
2 institutions to share information with the
3 Department, the OIG, and, if possible, peer
4 institutions regarding the identity of
5 potentially fraudulent activity by
6 individuals is needed. Without such tools,
7 the cost to institutions of dealing with this
8 problem are substantial, and the costs may be
9 prohibitive for some institutions unless
10 collaborative strategies and resources are
11 made available from the Department and the
12 OIG in order to realize our potential for
13 dealing with fraud issues in higher education
14 institutions.

15 Institutions and the Federal
16 Government, in their efforts to address this
17 issue, would benefit from access to
18 centralized, trustworthy, and up-to-date
19 information that helps us identify and manage
20 the problem. We need a place to collaborate
21 and share information regarding high school
22 diploma mills as well, so that we can use

1 that information to stop those who attempt to
2 enter via that means.

3 We need deployment by the
4 Department of data mining techniques within
5 the Department databases to generate ISIR
6 flags to require verification of identity
7 when suspicions arise regarding the validity
8 of particular students. We need regulations
9 that allow institutions to take measures to
10 restrict access without fear of retribution
11 by applicants or students or the Office of
12 the Inspector General, the Department, or the
13 OCR.

14 The call for advanced action to
15 deter fraudulent activity regarding federal
16 financial aid funds is welcomed by Ashford
17 University. The solution to the problems
18 must include joint responsibility and
19 cooperation among the Office of the Inspector
20 General, the Department, and institutions
21 administering federal student aid.

22 Not one of these entities alone

1 can adequately fight against those
2 individuals and groups who are intent on
3 posing as legitimate students for the purpose
4 of fraudulently accessing financial aid
5 funds, and we look forward to working with
6 you to deter fraudulent activity in distance
7 education.

8 Thank you.

9 MS. MAHAFFIE: Thank you very
10 much. Darren Christman?

11 MR. CHRISTMAN: Hi there. Hi. My
12 name is Darren Christman. I am actually from
13 Kansas City, Kansas, from Lenexa, speaking as
14 a citizen, but I should tell you that I do
15 work at a company by the name of TouchNet
16 that is actively involved with higher
17 education institutions. And a lot of my
18 thoughts come from working at that company.

19 I want to thank you for giving me
20 an opportunity to share my insights and
21 thoughts.

22 For the last several years I have

1 worked at TouchNet. TouchNet is a company
2 that has been in higher education for over 20
3 years. They provide technology and payment
4 solutions to over -- to hundreds of
5 universities that serve millions of students.

6 TouchNet, over the last several
7 years, has really followed refunds, and
8 specifically Title IV disbursements, very
9 closely. It has given me an opportunity to
10 understand the market well and its existing
11 challenges. For many years, TouchNet has
12 been involved with e-refunds, providing a
13 direct deposit program directly to a
14 student's existing account. In that, they
15 serve hundreds of institutions, and avail
16 that to millions of students.

17 TouchNet, as well as I, are very
18 concerned with the current state of affairs,
19 as it is related to disbursements. If you do
20 any reviews of the markets' news, there is a
21 lot of stories of companies in our space on a
22 regular basis.

1 So this exposure to the industry,
2 knowledge, and feedback shows there is a lot
3 of confusion in the space for students today
4 the way things are created. And there
5 appears to be -- to me to be deception,
6 unfair, and predatory practices by third
7 parties towards students in order to make a
8 profit.

9 I think it is important that we
10 deliver reliable, secure options that reduce
11 fraud, and that a 100 percent electronic
12 solution is required. Electronic options are
13 more reliable, flexible, efficient. They are
14 easy to track and provide funds more quickly
15 compared to paper checks provided to
16 students.

17 The Department of Education should
18 consider modifying or eliminating a provision
19 in 34 CFR Chapter 4 requiring check and cash
20 options. If you look at -- if you step back
21 and look at the industry as a whole, you
22 know, one of the largest disbursement

1 programs in the world is going 100 percent
2 electronic, the U.S. Treasury. By March 1,
3 2013, they are moving to a 100 percent
4 electronic benefits program. We think this
5 is an excellent model that the Department of
6 Education should study.

7 One hundred percent electronic is
8 not enough, though, without boundaries,
9 regulations, and guidelines that protect the
10 students from current predatory practices.
11 Refund options need to be easy to understand,
12 providing students at least two electronic
13 choices, providing them control and
14 convenience.

15 The practices of marketing by
16 third companies to students directly, in my
17 opinion, needs to be eliminated. Once a
18 student has determined the best option and
19 how they want to receive the refund, they
20 should provide their personal information
21 directly to that provider or that third party
22 or provide direct consent to the university

1 that can share the info with that third
2 party.

3 I would also recommend that
4 enrollment options must be unbiased and
5 presented equally. The GoDirect website
6 administered by the U.S. Treasury provides a
7 good example of how to empower a beneficiary
8 to make an informed, unbiased decision.

9 Lastly, full disclosure of all
10 fees must be presented up front to the
11 students. No fees should be stuck in
12 footnotes or in small text with an asterisk,
13 making them difficult to find. Students
14 should be able to compare anticipated costs
15 between all options easily.

16 Now, we don't believe -- or I
17 don't believe that we should regulate the
18 costs of cards or direct deposit. That is --
19 I think if you disclose those fees people
20 will make the right choice for them.

21 TouchNet will be submitting
22 comments that provide greater detail on this.

1 They developed what is called a four-for-four
2 framework, which is basically the four tenets
3 for a student-friendly program. If these
4 ideas are implemented, we think it will
5 streamline the existing disbursement process,
6 provide students a greater role in deciding
7 how to receive money, and eliminate confusion
8 and common problems with some of the programs
9 today.

10 Thank you.

11 MS. MAHAFFIE: Thank you. We
12 don't have anybody else signed up at this
13 point. But if there's anybody else who would
14 like to provide comments, please let us know.

15 (Whereupon, the proceedings in the
16 foregoing matter went off the record at 10:33
17 a.m. and went back on the record at 10:57
18 a.m.)

19 MS. MAHAFFIE: We're going to
20 get started again.

21 MR. MONTANO: Okay. All right.
22 Good morning. My name is Ricardo Montano.

1 I'm a Financial Aid Technician with Mesa
2 Community College here in Mesa, Arizona. And
3 more or less some of what I will be saying is
4 more or less improvisation, just based on
5 what I have seen and heard.

6 But on the topic of fraud, after
7 dealing with some of the students, meeting
8 with them in person, talking with them over
9 the phone, and actually forwarding their
10 information to the Inspector General, some of
11 the issues that I think we run into isn't so
12 much at the federal level.

13 As a college -- I don't know if
14 other colleges run into this also, but for
15 the fraud rings, those ones do get forwarded
16 to the Inspector General. However, when you
17 have a group of students who usually don't
18 fall into that I guess you could say quota of
19 I think there is, what, \$250,000 or more that
20 a school or the government has lost before
21 OIG will really pay more attention.

22 Forgery, I guess at the school

1 level, is really where it starts, at least
2 from what we have seen. And from there, just
3 I guess the criminal behavior just kind of
4 increases. You know, I can get away with
5 this, so I can probably do this. And we have
6 seen that in more than numerous cases. The
7 only problem with that is that seems to be
8 more of an institutional response versus a
9 federal response.

10 I guess there isn't really
11 anything that we have seen or that I can
12 easily find that would really back us up on
13 that level. It is not so much a -- well, it
14 could technically still be considered fraud,
15 but the most we can really refer to is a
16 little box on the verification form that said
17 you can go to prison, jail, or both. But
18 there really isn't anything that backs that
19 up saying, well, this is the sanction for you
20 forging your own parents' signature.

21 I guess really what I am trying to
22 say is that in order for us to pay more

1 attention to the fraud level I think we
2 should kind of drag it back down to the
3 community level also, since this is one of
4 the primary areas where the problem is
5 starting to come from.

6 You know, we can think on a broad
7 scale, but if we take it down to more of a
8 micro level, maybe we will start to knock off
9 some of the problems there. You know, kind
10 of stop it before it starts.

11 And I know just speaking because
12 on a semester basis we run into these, we see
13 these students, we are -- we could be 98
14 percent sure that they are fraudulent, but we
15 can't make that accusation, which really
16 sucks for the school because our hands are
17 kind of tied because the only thing we can do
18 is just forward it on to the Inspector
19 General.

20 And even at that point, from what
21 they have told us, or at least our
22 understanding of that, they won't act upon it

1 unless an actual crime has been committed,
2 meaning that they won't do anything unless a
3 student has received that actual funding.

4 So I guess it just kind of -- it
5 is like a double-edged sword. You can either
6 prevent it from happening, or you can let it
7 happen and hope that OIG responds as soon as
8 they can.

9 So that would just be my one
10 recommendation is to I guess include maybe a
11 provision that not only addresses fraud as a
12 whole but kind of the subtopics of it, and
13 what kind of recourse is out there for
14 colleges to kind of rely upon if they are
15 going to either temporarily suspend students
16 based on forgery or providing false
17 documents, at least at that level, because
18 one of the bigger things that we run into is
19 fake high school diplomas, fake GEDs,
20 everything to fake driver's licenses.

21 And one difficulty at the college
22 level that we run into is getting

1 confirmation from high schools that these
2 high school diplomas are even valid, because
3 more of us -- as fascinating as crime is, it
4 is not all that great when you are trying to
5 do all of these preventative actions, but
6 there really isn't anything to back you up,
7 and you are not getting the type of response
8 which really -- or I guess the audience you
9 really should be getting to prevent something
10 as important as this, especially when it
11 involves Pell Grant, which has already been
12 overspent anyway.

13 So it just seems kind of
14 counteractive that we want to be preventative
15 towards these fraudulent actions, and the
16 government is saying they have overspent, but
17 they are willing to write off anything less
18 than \$250,000. You know, it is just one of
19 those rolling balls where you won't notice it
20 until it is coming straight at you.

21 So that would just be my
22 recommendation is more of a preventative

1 approach versus repercussions.

2 Thank you.

3 MS. MAHAFFIE: Thank you very
4 much. We appreciate your comments.

5 Is there anyone else who is
6 interested in providing comments at this
7 time?

8 (No response.)

9 Okay. Please let us know if you
10 would like to.

11 (Whereupon, the proceedings in the
12 foregoing matter went off the record at 11:03
13 a.m. and went back on the record at 11:49
14 a.m.)

15 MS. MAHAFFIE: We're going to take
16 a lunch break. We'll be back at 1:30.

17 (Whereupon, the proceedings in the
18 foregoing matter went off the record at 11:49
19 a.m. and went back on the record at 1:44
20 p.m.)

21 MS. MAHAFFIE: Good afternoon.
22 We're back. If anybody would like to provide

1 comments, please let us know.

2 (No response.)

3 (Whereupon, the proceedings in the
4 foregoing matter went off the record at 1:45
5 p.m. and went back on the record at 3:49
6 p.m.)

7 MS. MAHAFFIE: Thank you very
8 much, ladies and gentlemen. We appreciate
9 your coming to this hearing.

10 (Whereupon, at 3:49 p.m., the
11 proceedings in the foregoing matter were
12 concluded.)

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