

Preventing Abuse in Federal Student Aid: Community College Practices

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In recent months, some legislators, government agency officials, segments of the media, and campus administrators have called attention to perceived and proven instances of abuse of the federal student financial assistance programs. Concerns have focused on students enrolling in courses primarily to secure student financial aid funds rather than to pursue an education. Organized fraud rings and individuals intending to commit financial aid fraud have allegedly concentrated on community college programs due to their low tuition: once institutional charges are covered, students can directly receive grant and student aid funds in the form of a cash payment or bank account deposit to cover nontuition expenses such as books, transportation, and living costs.

While instances of abuse cannot be quantified, it is clear that it is an extremely small percentage of all students receiving aid at community colleges. However, the American Association of Community Colleges (AACC) and community colleges across the country recognize that no abuse can be tolerated. Not only are student aid funds limited—a situation that has caused Pell Grant program eligibility to be cut twice in the last year—but also instances of abuse, when covered by the media (Field, 2011), can undermine political support for the programs, giving some parties a reason to oppose funding. Simply put, this fraud represents a gross violation of public trust.

People generally use the term “abuse” to refer to one of two types of practices. The first involves individuals who show up on a community college campus, receive student financial aid, and then do not seriously engage in academic activity. (Some of these students then proceed to do the same at other campuses, before their deceptive practices are caught.

They have become known as “Pell runners.”) Another variety of abuse is fraud in online (distance) education; the Department of Education’s Office of Inspector General (2011) has chronicled such abuse. In this context, some fraud rings, led by a knowledgeable ringleader, have developed that include a number of willing accomplices, or victims whose identities have been stolen.

In this document, AACC provides member colleges with some strategies on how to prevent abuse within the federal student aid programs, with a focus on Pell Grants. These recommended strategies derive primarily from a meeting held at AACC’s offices on January 20, 2012.¹ Findings from this gathering and other developments make it clear that community colleges across the country are working actively to prevent any abuse of student aid. However, because not all campuses may be aware of the full range of activities community colleges are employing to prevent abuse, AACC is providing this material to share practices that colleges have found to be successful in curbing financial aid abuse.

Campus Awareness and Cooperation

The first step toward preventing program abuse is developing college-wide awareness of the potential for abuse. Awareness campaigns should engage all key stakeholders; as described below, the need for vigilance extends well beyond the student financial aid office.

Campus CEOs fully understand that the proper administration of student financial assistance programs is essential to the institution’s well-being. Even in these times of extremely constrained resources, in which the

number of students receiving federal aid has exploded while funds for staffing have hardly kept pace, effective student aid administration must be a top institutional priority. AACC has urged campus officials to take all reasonable steps to ensure that each and every student who might qualify for Title IV aid files the Free Application for Federal Student Aid (FASFA). There is evidence this call has been heard across community colleges.

Students

As the central beneficiaries of financial aid, students must also be encouraged to play a role in preserving the integrity of the programs. First, communications vehicles such as campus newspapers, websites, and social media can be used to sensitize the community to the potential of student aid abuse. Individuals should be encouraged to speak to campus officials if they suspect that anyone is violating the intent of the student aid programs. Students and others should be attuned to individuals from outside the campus community who might be trying to encourage unscrupulous behavior. Students should direct reports of troubling activities to a campus ombudsman, director of student financial aid, or other well-situated party.

Students may also be encouraged to develop awareness campaigns, perhaps using student governments or other campus-based student groups. The message of these campaigns is clear: abuse of student aid negatively impacts everyone. In addition, colleges could refine their codes of conduct to indicate that fraudulent practices related to the student aid programs are subject to institutional discipline in addition to legal penalties at the state and federal levels.

Faculty

Faculty is essential to preventing student aid abuse. The type of abuse

most frequently cited as a concern occurs when individuals who are receiving student aid to pursue higher education never attend classes, or drop all classes as soon as they have received disbursed funds. This means that faculty, in concert with other front-line campus offices, generally can provide the first and best line of defense against fraud.

One way to document a minimum, if critical, level of students' participation in their studies is to take class attendance. Not all faculty members are eager or even willing to do this, but the practice is not uncommon and generally is extremely helpful in forestalling abuse. If and when students miss more than a minimum number of classes, faculty can alert other campus offices (registrar, academic affairs, student financial aid).

Faculty can also limit abuse by requiring substantive classroom activity in the first few weeks (especially in online learning environments). This includes expanding test banks, limiting multiple choice questions on exams, limiting time and date to complete an instructional activity so one person cannot complete the work for "straw" students, identifying assignments that are so similar for several students that there is reason to suspect they were all completed by one person, monitoring frequency and duration of engagement (if possible in online environments), and/or providing frequent assessments. In some cases, the use of technology to detect plagiarism will also help to ensure that the submitted work is original to the student. In short, monitoring whether students are authentically engaged in the learning environments and reporting those that are not dramatically lessens the potential for abuse.

More advanced, though often more costly, practices that some institutions have adopted in the online learning environment include keystroke analysis,

biometrics, locking-down computers, webcam surveillance, and comparative facial recognition between submitted information and information available publicly on the internet.

Requiring interactions between students and campus personnel to develop success plans or other advising activities prior to aid disbursement is another way to both ensure student success and limit the potential for abuse. These interactions can be difficult to achieve given personnel limitations and the crush of early session demands, but it may be an effort well worth making.

Student Financial Aid Officers

Obviously, student financial aid officers have a fundamental and primary role to play in curbing potential abuse. Appropriate training of these officers is a necessary foundation. Institutions should train and in some cases cross-train staff in fraud prevention and detection.

Recent federal regulations require colleges to disburse at least the amount of federal Pell Grant funds needed for books and supplies to students within the first seven days of the term. Making funds available prior to classes starting makes it more difficult to ensure that students are actually attending classes. However, one effective fraud prevention practice within the purview of student aid offices is to disburse student aid in two or more payments within each period of enrollment. This adds somewhat to the administrative burden but can prevent students from taking all of their grant money and not participating in class. Of course, administrators must take care to ensure that funds are available when the students need them. For example, to ensure students have the financial aid they require at the beginning of the semester, some colleges have chosen to allow students to purchase books and

supplies with bookstore credits tied to their accounts.

Institutional policies should allow administrators to hold financial aid until all required documentation is accepted and verified. Policies may also stipulate that students need to complete appeals before administrators disburse the aid.

Furthermore, student financial aid staff should be given the clear authority to ask student aid applicants for detailed information about the circumstances of their pursuit of higher education without fear of retribution. Specific policies along these lines may be required.

For every student loan disbursement, student financial aid staff can require borrowers to provide up-to-date contact information and references. This staff can also require budget counseling before loans are originated. Contact information is helpful for subsequent collections efforts.

Working with faculty, administrators can send letters to all students with withdrawal and F grades; these letters would tell the students they potentially owe back 100% of funds received and are at risk of losing financial aid eligibility altogether. (The institution is required to report to the Department of Education [ED] that they had received an overpayment unless the student gets in touch with the faculty member who had issued a withdrawal or F grade and substantiates that he or she has begun attendance in the class.)

Administrators can set a date about two-thirds of the way into the term as the last date that a withdrawal grade could be issued. Administrators should generate reports on all withdrawal grades within a few days after that deadline, and they can counsel students who receive the notices. Where implemented, this approach has helped dramatically reduce the number of Title IV recipients who withdraw.

Some Red Flags for Institutions

Institutions are required to verify student financial aid applications if they believe they include inaccuracies or incorrect information. Cause for further examination may come from the application itself, or from examining trends in the data. Some potential red flags include the following:

Student information from aid and other applications:

- Students with large financial aid refunds or disbursements
- Students who have attended several other colleges
- Students who have large student loan balances but who have not completed a degree

Data features:

- Multiple registrations from similar out-of-state locations
- Multiple uses of the same physical address, PO box, or IP address
- Multiple uses of the same bank account (required by the ED)
- Multiple uses of the same

computer (required by the ED)

- Repeated use of one individual as an emergency contact
- Rapid increase in the number of students enrolled in certain courses
- Frequent interactions, in terms of email correspondence or telephone calls, from similar locations or persons, especially if those interactions are expressed with anger and little patience for institutional safeguards (required by the ED)

Examples of how institutions are currently implementing some of these practices are provided in the appendix.

Support from the U.S. Department of Education

The Department of Education (ED) also has an essential role in helping ensure integrity in the delivery of student aid. This becomes even more important, given that there is no private national student unit record data system.

The ED should deploy its National Student Loan Data System (NSLDS) to provide more real-time information to institutions about prior attendance patterns and loan debt through the use

of flags or messages on the student Institutional Student Information Report (ISIR) records that the ED electronically sends to the colleges.

The ED also can clarify when colleges are justified in placing fraud alerts on student records.

Moving Forward

Adoption of some the practices described above will assist campuses in limiting fraudulent activity in the Title IV programs. Campus-based administrators should also share these practices, and those practices to be developed, with boards and colleagues at regional, state, and national conferences. Again, the message must be that we cannot tolerate even the most limited instances of fraud. Student aid comes from taxpayers who deserve effective management of their investment. A limited number of unethical individuals must not undermine educational opportunity for millions of other students.

Appendix: Examples of Institutional Actions Currently in Place to Prevent Abuse

College A

Preventive practices include, but are not limited to

- Holding the majority of a student's aid until after the census date;
- Providing multiple disbursements of Pell Grants;
- Monitoring out-of-state addresses;
- Working with faculty to develop online security and provide accurate attendance records; and
- Placing student ID photos online for faculty to view.

College B

Preventive practices include, but are not limited to

- Changing admission policy to require all out-of-state students to provide proof of high school completion—either an official high school transcript or an official GED transcript;
- Checking all students who apply for financial aid against the ED's Common Origination and Disbursement (COD) database for previous Title IV payments;
- Reviewing COD records against admission applications. If the applicant failed to disclose previous colleges attended, the college brings this to the individual's attention, informing him or her that it will withhold financial aid until it has received official transcripts from all previous institutions. (This is in addition to the ongoing requirement that the NSLDS must be consulted before the college can disburse aid.)
- Adding disclosure language to the admission application indicating that if an individual previously

attended another institution and plans to receive financial aid that the college must have received all transcripts before it disburses aid.

- Training faculty to report all suspected cases of academic misconduct.
- Reporting all suspected activity to the Office of the Inspector General (ongoing requirement).
- Maintaining files on all suspected fraudulent activity.

College C

Preventive practices include, but are not limited to

- Identifying academic issues early in the process by means of a midyear student review. Those students who receive an "unsatisfactory" grade at the midpoint of the term are encouraged to meet with their advisors and make a plan for turning that bad grade around by the end of the semester when the college runs Satisfactory Academic Progress (SAP). At the end of the semester, if students fail one of the SAP rules, they must meet with their academic advisor and develop an Academic Success Plan, which is then submitted with their SAP appeal. The two documents are reviewed and a decision made regarding reinstatement of the financial aid eligibility for the next semester enrolled.
- Initiating an "affirmative attendance" process where all instructors are required to record daily attendance. The disbursement process not only looks at credits enrolled, but also at the attendance record. The process then disburses the funds accordingly as students meet that eligibility rule.
- The college then disburses aid to students after they are "locked in" following the last day to add/drop

so they only receive the aid for which they are eligible. An added benefit is that the college also has a recorded "last day of attendance," which helps with its Return to Title IV (R2T4) reviews.

- Implementing an "excessive loan debt" review. Upon import of the ISIR, the college compares earned credits and program completions with NSLDS aggregate loan information and makes a decision regarding willingness to certify a loan for that individual student based on available records. Many times students do not submit academic transcripts from previously attended institutions and there is no indication they had any prior experience at another college. Students did have loan debt, however, so the college sees "conflicting" information and initiates a process for reviewing the student's file and request for a student loan. A loan default prevention specialist, an assistant financial aid director for federal programs, and the financial aid director review the file and request. If the college concurs on the recommended decision, which could be a reduced loan amount, it replaces the loan request with other grant aid when available or, as a last resort, "refuses to certify." This practice has led to denying the loan requests of multiple students with little or no positive academic progress at previously attended institutions. Their initial SAP status would then be "probation" at best to "ineligible" at worst (in cases where the student appears to simply be school hopping, taking the money and moving on to the next opportunity).

College D

Preventive practices include, but are not limited to

- Disbursing aid based on reported attendance at the 20% point in the semester.
- Providing bookstore credits only. Cash disbursements or advance payments prior to confirmation of attendance by teaching faculty are not allowed.
- Within regulatory parameters, examining expense budgets for distance education students.
- Running reports to identify common addresses and common bank deposit account numbers. If doing direct deposits, the college monitors the number of deposit transactions to each bank account. Unusually high numbers indicate potential fraud.
- Evaluating satisfactory academic progress after every payment period or semester.
- Identifying and flagging students with unearned F grades and unofficial withdrawals (i.e., students who stopped attending after receiving their financial aid refund payments).

College E

Preventive practices include, but are not limited to

- Creating a population selection program that identifies out-of-state students. These groups are assigned a tracking group when they are downloaded from the ED, which is tied to out-of-state address, driver's license, and legal residency on the FAFSA. The tracking group requires an NSLDS check and verification with documentation (e.g., tax returns, W-2 forms, verification form, and, if student attended any other schools, academic transcripts). The college places holds on these students until the file is complete and staff is satisfied students are not "Pell runners."
- Calling applicants whose information raises a red flag to get a better understanding of the applicant and his or her intentions.

College F

Preventive practices include, but are not limited to

- Implementing a student success pass process. The process begins when students schedule

a meeting with their advisor during the first three weeks of school. After meeting with the advisor, the student receives a Student Success Pass signed by the advisor. (Important note: Card color changes for spring semester.) Students then use their Student Success Pass to pick up Pell/scholarship refund check. Students must hand over their signed Student Success Pass to the business office when picking up their student aid refund check during the first disbursement period.

References

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Office of Inspector General (OIG). (2011, September 26). *Investigative program advisory report: Distance education fraud rings* (Control No. L42L0001). Washington, DC: U.S. Department of Education.

Notes

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