

**FSA Fall Conference
Las Vegas, NV
December 1, 2011**

Thank you for the invitation to be here today. I understand that I am the first Inspector General to ever speak at this conference. I am pleased to have the opportunity on behalf of my office to speak with you directly about the work we do, which often impacts the work you do, and how we can work together to protect not only Federal student aid funds from waste, fraud, and abuse – but to protect the interests of the next generation of our nation’s leaders...America’s students.

I have really enjoyed being among so many individuals who are charged and committed to helping students make their dreams of a higher education a reality. I had the chance to attend several sessions and have been very impressed with the enthusiasm and seriousness with which you have embraced this opportunity to learn how to better administer the Title IV programs. You approach your work as not just making a living, but making a difference. That is an honorable and noteworthy maxim as you are making this difference on behalf of America’s students. And you know what? So are we.

You may find this surprising. Some may avoid all contact with an OIG employee unless absolutely necessary for fear that one misstated word could open the door to a long, headline grabbing audit or criminal investigation. But take it from me -- we are not about headlines. We are about results.

Some of you may know little about our office and some may know us only all too well. Some of you may believe we are focused on the past, finding fault, nit-picking about compliance with the myriad rules governing the student aid programs. What I want you to know is -- our mission is accountability – to ensure the future success and viability of the essential programs you play a part in administering.

As you work to allow students to pursue their college and career goals, so do we. But, we not only work for America's students, we work for America's taxpayers as well...which would include everyone in this room. In these tough economic times, you as taxpayers should demand accountability for your hard-earned dollars and you should want results. It is the mission of the Office of Inspector General to help ensure that the billions of taxpayer dollars that fund Federal education programs and operations are being used appropriately, that they are reaching the intended recipient, and achieving the desired result. Taxpayers like you are looking to us to provide that assurance, to show that there is accountability, and show that the results of the policies and programs on the books are worthy of your tax dollars.

Taxpayers aren't the only ones demanding our action. The U.S. Congress is demanding it as well. As an Inspector General, I serve at the pleasure of the President and report not only to the Secretary of Education, but I also report to Congress...so I have 537 bosses. All of these bosses are looking to us to ensure the appropriate uses of the billions of dollars entrusted to the Department of Education. They expect the

Department and everyone who is responsible for Federal funds to be good stewards of those hard-earned dollars. That includes me and includes you. To be a good steward means that we are careful and responsible in managing the monies to which we have been entrusted. It means that we exercise good judgment and operate ethically when dispensing those funds. And for those of us in this room, the funds that we touch serve a significant purpose that is tied directly to the future of our nation: the education of our children.

Although the Office of Inspector General conducts work in all areas within the Department's purview, the reason you are here at this conference is Federal financial assistance for students. So, I want to share with you some of what we have been doing as well as some of the issues we intend to examine over the next year. Let me first, thought, provide some brief background on our office.

The Office of Inspector General is the law enforcement arm of the Department of Education; we are responsible for the detection and prevention of waste, fraud, abuse, and criminal activity involving Department funds, programs, and operations. We are also responsible for promoting economy and efficiency in those same programs and operations. To accomplish all of this, we conduct independent audits, investigations, inspections, and other reviews. We make recommendations to the Department to address systemic weaknesses and take administrative action. We also refer criminal matters to the U.S. Department of Justice for prosecution.

In our audit work, we look to help improve Federal education programs and operations, ensure compliance with Federal laws, regulations, and other guidance, and help identify waste, fraud, and abuse. In our inspections work, we conduct analyses, internal and external reviews and special studies aimed at improving Departmental operations. In our investigative work, we conduct investigations involving fraud, bribery, embezzlement and other criminal activity involving Federal education funds. We also operate a unit that specializes in computer crimes and that employs forensic specialists to develop risk models and perform data analytics to uncover anomalies in data reported to the Department and identify adverse trends and possible areas of fraud, waste, and abuse.

We are a staff of just over 300 with responsibilities that cover 56 state and territorial education agencies, 16,000 school districts, 99,000 elementary, middle, and high schools, and over 64 hundred institutions of higher education. That is a lot of ground for us to cover; and in these tough economic and budgetary times, our resources are limited. That is why we have to prioritize our work and focus on those issues we believe pose the most significant risk to Federal funds.

OIG and Higher Education Issues

The Federal student assistance programs have long been a major focus of our audit, inspection, and investigative work, as they have been considered highly susceptible to fraud and abuse. Our ultimate goal is to help ensure that Federal funds reach only students who are entitled to receive them. But it takes a lot of work to get there; as you all well know, the Federal student assistance programs are very large, complex, and

inherently risky due to their design, reliance on numerous entities, and the nature of the student population. Over the years, we have devoted significant resources to efforts related to this area, and our work has led to statutory changes to the *Higher Education Act*, as well as regulatory requirements and Departmental guidance. As we note in this year's Annual Plan – a report we put together every year describing the work we intend to carry out in the fiscal year -- we will once again devote a significant portion of our resources to issues involving Federal student assistance.

As many of you in this room know, over the years we have focused primarily on compliance audits – looking to ensure that individual schools follow Federal laws and regulations in administering Federal student aid funds. And we are going to continue to do so, but we are also going to emphasize performance results. We are going to evaluate whether program goals and objectives are being met in serving America's students. When we find that they are, we will share those results through our reports with all of the institutions and entities that participate in the Federal student aid programs. When we find that they do not, we will make recommendations to help improve the management of those programs and operations – or call on Congress and the Department to reevaluate the program policy.

I think it is important to note that the Office of Inspector General does not make policy. We review policy as it is implemented and practiced and based on what we find, make recommendations as to how the policy can be changed to improve program effectiveness.

Let me give you an example. No one in this room was surprised by reports that in 2010 student financial aid debt surpassed credit card debt as the largest source of consumer debt in our country. One analyst described the accumulation of student loan debt as “like cooking a lobster... [the] increase in total student debt occurs slowly but steadily, so by the time you notice that the water is boiling, you’re already cooked.” In light of this growing debt, we are going to take a look at loan repayment, default prevention, and collections. We are going to evaluate the effectiveness of FSA’s oversight and monitoring of loan operations and the actions taken by FSA, its contractors, and guaranty agencies to prevent defaults and to collect on defaulted loans. We are going to evaluate student loan default trends and the use of longer repayment periods, deferments, and forbearances.

We are also going to try to put some answers to some questions that all of the communities we serve – students, parents, schools, taxpayers, Congress, and the Department itself – want to know: are students – and taxpayers – getting value from the Federal investment in student aid? And are students pursuing degrees in careers that will enable them to pay back their student loans?

Investment. Value. Results. It is about accountability and it is the overall focus of our work.

Distance education is another area where we are evaluating program effectiveness. As I have testified before Congress, distance education presents unique oversight challenges. Determining eligibility, regular student status, attendance, and properly calculating return of Title IV funds are all a challenge in the online environment. We are currently conducting an audit to determine what the Department has done and can do to help reduce the risks associated with distance education at all institutions. We are looking at whether the Department: (1) adapted Title IV program requirements and guidance to mitigate the unique risks of fraud, waste, and abuse inherent in the distance education environment; and (2) whether it is adequately monitoring the participants, such as accrediting agencies, State agencies, and institutions of higher education. As part of this effort we are looking at how the student assistance rules work in the real world by examining their application at a cross-section of distance education institutions – including 4 year public universities, community colleges, and for profit schools. This examination may provide insights on the effectiveness of student aid in distance education.

I know that a number of you attended one of the two panel discussion presentations that our Assistant Inspector General for Investigations participated in regarding our recent report on distance education fraud rings. For those that missed it, another area of concern with distance education programs is the growth in fraud against these programs by large groups of people pretending to be students to improperly obtain Title IV funds. Misrepresenting eligibility and income, these fraud ring participants prey mainly – but not exclusively – on open enrollment lower cost schools or schools that

disburse the full amount of Title IV funds up front. We have made a number of recommendations that we believe are needed to help stem this problem and improve integrity in a highly automated environment.

An issue associated with distance education that we intend to take a closer look at is cost of attendance. Since 2001, we have recommended that the Higher Education Act be amended to address cost of attendance calculations for on-line learners. Currently, students in on-line programs and residential programs can be eligible for the same amount of Federal student aid based on the same cost of attendance. This includes tuition and fees, allowance for books and transportation, room and board, and dependent care for students with dependents. The Higher Education Act limits the cost of attendance for students engaged in correspondence courses to tuition and fees, and, if required, books, supplies, and travel. There is no similar limitation for on-line students. With the number of full-time working individuals that take these courses, a cost of attendance budget that includes an allowance for room and board for on-line learners may not be in the best interest of American taxpayers and may allow students to borrow more than is needed.

I think it will come as no surprise to anyone in this room that the Department's new Program Integrity regulations will receive our attention over this next year or so. Now that they are in effect, FSA must have adequate mechanisms in place to effectively monitor and enforce compliance with these new requirements. FSA must also provide adequate oversight of the schools and servicers participating in the student financial

assistance programs. That is why we are going to take a closer look at both of these areas. We also intend to look at the gainful employment regulations and determine whether the Department has sufficient mechanisms in place to collect, analyze, and verify the accuracy of gainful employment data reported by schools. We are also going to look at incentive compensation and misrepresentation to assess the effectiveness of FSA oversight of, and schools' compliance with, prohibitions related to these two areas.

A few other areas that we intend to examine that may be of interest to you include schools' use of servicers for Federal student aid payment processing. We will look to determine whether schools and servicers are complying with requirements for processing direct payments to students to ensure that they are not unfairly charged fees and have ready access to their credit balances.

We are also going to look at loan discharges for total and permanent disability and identify the problems that borrowers with disabilities face in pursuing discharges and assess FSA's efforts to remedy them.

That gives you an idea of some of the audit work we plan to do this year. We are also going to expand our investigative capabilities. This includes establishing a forensic analytical tool to detect electronic fraud activities, such as school enrollment irregularities, student aid fraud rings, and identity theft within the student financial assistance arena.

Without question, we are going to continue to investigate allegations of waste, fraud, and abuse. I note that a good number of these allegations come to us from individuals like yourselves – administrators and employees at schools that participate in the Federal student aid programs.

You who participate in these programs serve as fiduciaries of the Department and, as such, work to perform a vital public service in the delivery of Federal financial aid to students; you have a special obligation to work with the highest degree of integrity. The schools you work for need to be able to look inward at their own operations to ensure they are also conducted with integrity and can withstand external scrutiny.

Unscrupulous school officials, administrators, and other individuals placed in positions of trust with the public's money and who use those funds to enrich themselves need to know we will find them and hold them accountable for their fraudulent efforts.

Working Together

And a big reason we can make that claim is because of the people in this room. Like us, you have a lot on your plate...and that plate itself is not getting any bigger. Like us, your resources are limited – but less funding can lend itself to opportunities and temptations. Criminals will look to take advantage of that – looking for quick cash schemes and the like. You are on the front line against fraud. I would ask you to remain vigilant and contact the Office of Inspector General with any concerns.

Let me close by thanking FSA for inviting me here to speak with you today. It really has been quite a pleasure and I have very much enjoyed meeting many of you. Just by participating in this conference, it is clear that you are striving for excellence in what you do and for whom you do it. We are committed to doing the same – helping the Department and its program participants -- like you all -- address identified weaknesses and improve overall stewardship of the taxpayer dollars to which we all have been entrusted. And we, like you, never lose sight of who we are really doing this for: America's students.