



Highlights of [GAO-03-647](#), a report to Congressional Addressees

STUDENT LOANS AND FOREIGN SCHOOLS

Assessing Risks Could Help Education Reduce Program Vulnerability

Why GAO Did This Study

Recent events have increased concerns about the potential for fraud in Education's student loan programs related to loans for U.S. residents attending foreign schools. In 2002, GAO's Office of Special Investigations created a fictitious foreign school that Education subsequently certified as eligible to participate in the student loan program. GAO investigators subsequently successfully obtained approval for student loans totaling \$55,000 on behalf of three fictitious students. Over the past decade, Education's Inspector General has investigated many instances of suspected student loan fraud involving individuals applying for loans for purported attendance at foreign schools. The conference report accompanying the 2001 Labor, Health and Human Services, and Education Appropriations Act mandated that GAO examine and report on fraud, waste, and abuse with respect to student loans for Americans attending foreign schools.

What GAO Recommends

- GAO recommends that Education
- develop on-line training resources specifically designed for foreign school officials and
 - undertake a risk assessment to determine how best to ensure accountability while considering costs, burden to schools and students, and access to foreign schools.

Education agreed with our recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-647.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Cornelia M. Ashby at (202) 512-8403 or ashbyc@gao.gov.

What GAO Found

Foreign schools offer unique educational opportunities for Americans and help ensure that U.S. students have a wide range of options in pursuing postsecondary education. Almost 70 percent of all U.S. residents receiving Federal Family Education Loan Program (FFELP) funds to attend foreign schools are in medical school and they account for three-quarters of the total loan volume. While some foreign schools participating in the FFELP enroll large numbers of U.S. residents, others enroll only a few, as seen in the table below, which also indicates the countries wherein FFELP loan volume is highest.

Countries with Highest FFELP Loan Volume for Americans Attending Foreign Schools, Academic Year 2000-01

Country	Number of schools	Average number of students per school	Loan volume
Dominica	1	1776	\$35,235,509
Grenada	1	1528	\$30,666,842
Mexico	11	138	\$27,003,357
England	182	9	\$25,405,722
Dominican Republic	6	177	\$20,653,159

Source: GAO analysis of FSA data.

We found that FFELP is vulnerable to fraud, waste, and abuse in several ways. For instance, many foreign schools do not submit required audited financial statements and program compliance audit reports, which would allow Education to monitor for and detect significant fraud or other illegal acts. For fiscal year 2001, about 57 percent of foreign schools failed to submit audited financial statements, while the vast majority of foreign schools failed to submit program compliance audit reports. Education has taken limited steps to address instances of vulnerabilities to fraud, waste, and abuse. For example, Education has issued a reference guide and conducted training for foreign school officials. However, a number of foreign school officials reported that they had not received training prior to administering FFELP funds. In addition, we found that some foreign school officials are not properly determining and documenting student eligibility for loans; as a result FFELP funds may be provided to students who should not be receiving them. We also found that the on-line training to which Education refers foreign school officials presents information in some cases that is contrary to how foreign schools are to administer FFELP. Education could take additional action to reduce the potential for fraud, waste, and abuse, but will have to address the trade-offs that arise from its actions that may affect student access and burden for various program participants. A comprehensive risk assessment is one method that Education could employ to determine how to balance an appropriate level of oversight with the desire to provide American students access to foreign educational opportunities.