Chairman Levin, Ranking Member Moore, and Subcommittee Members, thank you for giving the Department of Veterans Affairs (VA) Office of Inspector General (OIG) the opportunity to discuss the draft bill titled Quality Education for Veterans Act of 2022. This bill would significantly strengthen the OIG’s efforts to prevent fraud in VA’s education and training programs. My statement on behalf of the OIG discusses our recent oversight of these programs and provides examples of criminal fraud schemes that could have been prevented or mitigated by the draft bill’s provisions. Given that more than $10 billion in taxpayer funds is expended on education and training programs each year and hundreds of thousands of veterans, servicemembers, and family members receive these benefits, the OIG supports efforts to strengthen programmatic and beneficiary protections.

OIG OVERSIGHT OF VA’S EDUCATION AND TRAINING PROGRAMS

The OIG’s mission is to improve the lives of veterans and serve the public by conducting meaningful, independent oversight of the programs and operations of VA through audits, inspections, investigations, and reviews. The OIG also recommends improvements in VA programs and operations and acts to deter, detect, and address fraud and other crimes, waste, and abuse.

In recent years, the OIG’s Office of Audits and Evaluations has reviewed many aspects of VA’s education benefits, including the Post-9/11 GI Bill (GI Bill) and Veteran Readiness and Employment (VRE) programs. This work includes a review of VA’s oversight of State Approving Agencies (SAAs)—the entities responsible for the review, evaluation, approval, and oversight of post-secondary schools and training facilities. The review determined whether state and federal criteria for high-quality programs are being met for veterans, servicemembers, or other beneficiaries using GI Bill funds.¹ The OIG’s audit teams have also reviewed and reported on the early implementation challenges of the Forever GI Bill (which expanded education benefits and eliminated the deadline to use benefits within

¹ VA’s Oversight of State Approving Agency Program Monitoring for Post-9/11 GI Bill Students, December 3, 2018.
15 years), as well as multiple audits examining the accuracy of payments made to veterans participating in the GI Bill and VRE programs. The OIG verified that VA implemented the recommendations made in these audit reports, and all recommendations are considered closed. OIG auditors have ongoing work in these areas and continue to monitor complaints and issues regarding VA education programs.

The OIG’s Office of Investigations has worked more than 200 cases involving educational institutions accused of misconduct. Crimes and other wrongdoing by institutions have included not providing educational services for which they were paid, making false statements to the government about these services, and noncompliance with VA regulations that are meant to protect students and the Department from fraud, waste, and poor-quality services.

The most significant cases involve harm to veterans due to loss of time and opportunity and the misuse or waste of government funds. These cases often entail owners and operators of nonaccredited educational institutions providing false documentation or making misleading claims to VA and SAAs. Fraudulent documents and actions allowed those institutions to be approved, continue to operate, and accept veterans’ earned benefits even while providing inadequate and, in some cases, no training or education at all. In just the past five years, education fraud investigated by the OIG has resulted in losses to the government in excess of $150 million.

The statutory changes in the draft bill do not appear to be burdensome or costly to educational institutions or VA, and yet they have the potential to make a significant impact on the amount of education fraud that occurs. The OIG agrees that these changes would work to lessen the harm suffered by veterans and beneficiaries and reduce losses to the government.

THE QUALITY EDUCATION FOR VETERANS ACT OF 2022
The OIG’s education-focused oversight has identified systemic issues and administrative gaps that allow bad actors to be approved and operate, though offering sub-par education and training to veterans. Many of the provisions in the Quality Education for Veterans Act of 2022 would help prevent education fraud by

- creating a uniform SAA application for all schools applying to the GI Bill program with consistent documentation requirements that will help SAAs perform more effective compliance checks and ensure the quality and stability of the institutions applying, and
- encouraging compliance and risk-based surveys (inspections and examinations) to occur with limited notice to reduce opportunities for institutions to hide fraudulent activity.

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The OIG's criminal investigations, several of which are mentioned below, highlight how these proposed legislative changes could have reduced the risk for common types of education fraud the OIG encounters. These examples help demonstrate how the proposed bill provisions would make it easier for VA and SAAs to prevent fraud and monitor compliance with rules and requirements, as well as for the OIG to detect and take action against those schools engaged in criminal conduct.

**A Uniform SAA Application — § 3672A**

Requiring the use of a uniform application for institutions seeking to participate in the GI Bill program helps SAAs treat all schools equally and hold them to the same standards. Currently, SAA applications in some states do not require schools to disclose certain key information, such as a certification of compliance with applicable laws and regulations, a requirement to provide articles of incorporation and proof of licensing, and a requirement to provide a financial statement prepared by a third party. A uniform application with all key disclosures will help the government identify those institutions that do not meet requirements and hold schools accountable for noncompliance. The OIG also believes there is value in requiring SAAs to check with the Department of Education, as the bill proposes, to determine if any adverse actions have been taken against the applying institution.

**Certification of Compliance with Applicable Laws and Regulations — § 3672A (b)(1)(A)**

Educational institutions should be required to attest that they will comply with all applicable laws and regulations associated with the receipt of VA education benefits (as outlined in Title 38 of the US Code). This ensures that schools acknowledge their responsibilities in connection with the receipt of these benefits from the start. Further, when a school is found to be noncompliant, it may allow the government to take quicker action. Also, this provision may better equip the government to recover funds paid to the school starting on the date the school certified that it would comply with these laws and regulations.

**Articles of Incorporation Registration Requirement — § 3672A (b)(2)(A)(i)**

There is currently no law or regulation that mandates educational institutions submit either articles of incorporation or proof of licensing to the SAAs as part of their application for VA education benefits. Federal law requires that to be eligible to accept GI Bill benefits educational institutions must demonstrate that they have been operating successfully as an educational institution for two years. This requirement—known as the two-year rule—is meant to act as a safeguard to ensure veterans are provided quality training, at a reasonable cost, by seasoned institutions. However, allowing schools to assert their compliance without providing official documentation as proof provides an opportunity for

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3 VA education benefits are outlined in Title 38 of the US Code, specifically in Part III, Readjustment and Related Benefits, Chapters 30-36.

4 38 U.S.C. §3680A (e)(1)
fraud. The requirement proposed in the bill for schools to provide the articles of incorporation or proof of licensing to operate would assist in preventing schools from misrepresenting their period of operation. The OIG would further support requiring schools to provide both documents, which would confirm incorporation and licensing standards have been met and provide an opportunity to compare the period of operation listed on each document to ensure they match. In an OIG case involving Retail Ready (a Texas-based, non-college-degree-granting school), the school owner lied to the SAA by stating that the school had been operating for two years, when, in fact, the company had existed only for a few months and had never trained any students. The money that was meant for educating veterans instead was used by the owner for such purchases as numerous luxury vehicles, including a Lamborghini, a Ferrari, a Bentley, two Mercedes-Benzes, and a BMW; and real estate in Dallas and Utah worth more than $2.5 million. The owner of Retail Ready recruited student veterans, promising to prepare them for well-paying careers in the heating and air conditioning industry. However, many of these veterans discovered that when they entered the workforce Retail Ready had failed to teach them many of the basic skills needed by entry-level technicians. Requiring Retail Ready to submit the articles of incorporation and proof of licensing would have served as an additional hurdle in the implementation of its fraudulent scheme. Additionally, having both documents could have aided the SAA to verify Retail Ready’s true corporate identity and period of operation, potentially allowing the detection of the school’s fraudulent scheme at the approval stage. Doing so would have spared VA the loss and attempted recovery of over $71 million and many veterans the significant loss of their benefits, time, and opportunities.

There is no current law or regulation that mandates educational institutions submit to the SAA independently prepared financial statements as part of their applications for eligibility to accept VA education benefits. Adding this requirement as proposed in the draft bill would provide SAAs with another tool when judging the quality of the training. Importantly, it could help provide notice that a school is approaching insolvency, which can have disastrous consequences for veterans. In that same OIG case involving Retail Ready, the SAA required the school to submit “statements of financial position.” To obtain approval, the school owner lied to the SAA about the financial condition of the school and submitted false financial statements showing the company was financially stable and had operated successfully for two years. It is worth noting that almost any business, including most educational institutions, operating in good standing would already have a third party prepare their annual financial statements, so this provision would not require additional effort or cost for most schools.

U.S. Department of Education Check Prior to Approval — § 3672A (c)
Currently, SAAs are not required to check with the U.S. Department of Education regarding any action the department may have taken against a school that is seeking eligibility to accept VA education

5 Department of Justice Press Release, Retail Ready Owner to Forfeit $72M for VA Tuition Fraud, September 2, 2021
benefits. In an OIG case involving a cosmetology school receiving GI Bill funds, investigators found that the school enrolled students but provided few, if any, hours of instruction. During the investigation, the OIG found that the school had lied on multiple occasions to the Department of Education in connection with its application for Title IV funding eligibility. After being denied Title IV funding, this school applied to receive VA education benefits and was approved. The SAA and the VA were unaware the school was denied Title IV funding based on the false statements it made to the Department of Education. The loss to VA in this case totaled over $3.4 million. This requirement in the draft bill may give SAAs additional information about a school that they should consider before making an approval decision and help prevent bad actors from being authorized to receive VA education benefits.

**Reducing the Notice for Compliance and Risk-Based Surveys**

Current law does not dictate the amount of notice to be given to schools in advance of risk-based and compliance surveys conducted by VA and SAAs. In most cases, schools are given some advanced notice that can vary from days to weeks and is determined by VA or the SAA tasked with completing the survey. Some of the OIG’s education fraud investigations found that there were schools that used this time between notification of an upcoming survey and the date of the inspection to manipulate and falsify records, arrange for students to be present on the date of the survey, and prepare students for potential questioning by VA or SAA staff. In an OIG case involving the College of Beauty and Barber Culture (a Virginia-based, non-college-degree-granting school), investigators found that the school enrolled students but provided them with little or no instruction. The owner represented that full-time schooling was being provided to hundreds of veterans when in fact there were no tests, exams, or practical exercises as well. Investigators learned that in preparation for upcoming compliance surveys, school officials created fake student files, arranged for students who were enrolled but never attended classes to be present at the survey, and coached students for questioning. The loss to VA in this case totaled over $4.5 million. This bill’s requirement would limit notice for these surveys to not more than one day for risk-based surveys and not more than 10 days for compliance surveys. Shortening the notice period as much as possible would hinder bad actors’ attempts to prepare false documentation, arrange for students to be present, and prepare students for questioning.

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6 Title IV of the Higher Education Act of 1965, P.L. 89-329, covers the administration of the United States’ federal student financial aid programs.

7 Compliance surveys are conducted to help ensure that schools and training establishments, and their approved programs, are adhering to all applicable provisions of the laws administered by VA. They are meant to prevent, identify, and redress deficiencies and violations. Risk-based surveys are meant to identify and mitigate misleading and deceptive practices within approved GI Bill institutions and training facilities.

8 Department of Justice Press Release, *Owner of Chesapeake Barber College Sentenced for $4.5 Million GI Bill Fraud*, March 8, 2017
CONCLUSION
The objective of VA’s education and training programs is to provide veterans, servicemembers, and family members access to quality educational programs that can provide valuable knowledge and skills. In so doing, the VA should work to ensure that programs offered are of the highest quality and value, and that students are not put at risk of losing their education benefits in fraudulent or low-quality programs. The OIG believes the provisions in the Quality Education for Veterans Act of 2022 makes meaningful improvements that will help VA, SAAs, and the OIG better protect GI Bill beneficiaries in furtherance of that shared objective.

Chairman Levin, this concludes my statement. I would be happy to answer any questions you or other members of the Subcommittee may have.