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JOINT LEGISLATIVE BUDGET

April 23, 2025

The Honorable John Harabedian, Chair
Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

RE: Audit Request – Financial Aid Fraud within the California Community College System

Dear Chair Harabedian,

We are writing to formally request that the Joint Legislative Audit Committee approve an audit of the California Community Colleges Chancellor's Office concerning financial aid fraud within the state's community college system perpetrated by automated bots and fictitious students. This fraud has led to the misallocation of both federal and state financial aid funds.

An article published by CalMatters on April 8, 2025, titled "*Fake student aid: California colleges detect more fraudsters stealing millions*," highlights that scammers have stolen more than $10 million in federal financial aid from California's community colleges in the past year alone – more than double the amount stolen in the previous year.

The article further notes that the percentage of fraudulent college applicants has risen from approximately 20% in 2021 to 25% in January 2024, and now to 34% in the most recent data. This surge in fraudulent applications has led to millions of taxpayer dollars being misappropriated, with fake students receiving more than $5 million from the federal government and nearly $1.5 million from the state between September 2021 and December 2023, based on data provided by campuses.

In response to earlier concerns, the Legislature allocated $150 million to cybersecurity in 2022, which the Chancellor's Office used to purchase subscriptions to authentication companies such as ID.Me, N2N, and LexisNexis. However, fraudulent actors continue to find ways to enroll fake students and bots.

The CalMatters article states, "In the last 12 months, colleges reported disbursing more than $10 million in federal dollars to fake students and over $3 million in state money. Data from the first few months of 2025 show that colleges have already given away more than $3 million in federal aid and over $700,000 in state dollars."

Beyond fleecing financial aid, these fictitious students disrupt classroom access and instruction. Faculty are faced with having to make decisions with respect to identifying and dropping students who are not participating or may be submitting work that makes no sense. Meanwhile, real students are being denied enrollment in impacted courses due to fraudulent occupancy.

Given the magnitude and persistence of this fraud, we believe an audit is necessary. We are requesting that the State Auditor review the California Community Colleges Chancellor's Office past handling of this issue, analyze what they are doing to stop the enrollment of fictitious students, and what steps they should take in the future to keep this from happening. Specifically, the audit will review the following:
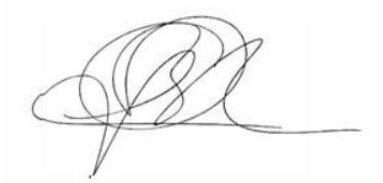
1. Determine systemwide how many fictitious students have been enrolled, denied entry, and disenrolled since the start of 2020.

2. Determine how much federal, state, and local financial aid, and other forms of assistance, have been provided to fictitious students. Determine how much has been recovered, if any.

3. Evaluate the tools, technologies, and protocols used by the Chancellor's Office and individual colleges to detect and prevent fraudulent enrollment and aid disbursement. Analyze if any of these strategies or technologies has the potential to deny admission for legitimate students, and what processes are in place for those individuals to prove their identity.

4. Highlight any systemic weaknesses that may be exploited by those masquerading behind fictitious students, particularly in light of advancements in artificial intelligence that can mimic legitimate student behaviors.

5. Determine what the Chancellor's Office did with the $150 million provided by the Legislature for cybersecurity in 2022. Identify how much of that money was allocated to addressing the issue of fictitious students.

6. Evaluate what steps local community colleges are taking to address fictitious student enrollment. We would request that the Auditor visit three community colleges and review what steps each has taken to address the issue. This should include a small community college based on student enrollment, a medium community college, and a large community college.

7. Review best practices provided to local community colleges from the Chancellor's Office on how they should address students they believe are fictitious.

8. Review best practices provided to faculty from the Chancellor's Office, or their local community college, on how they should address students that they believe are fictitious.

9. Analyze the impact that removing fictitious students has had on local community college Full Time Equivalent Student (FTES) calculations and funding allocations.

10. Make policy and regulatory recommendations that would reduce the number of fictitious students in the community college system and reduce financial aid fraud by individuals using these methods.

11. Review and assess other issues and statutes that are significant to the audit.

Given the negative impact that fictitious students are having on our financial aid system, we request that the Auditor make this audit a priority. For any questions, please contact (916) 651-4019.

Thank you for your consideration.

Sincerely,

ROSILICIE OCHOA BOGH
Senator, 19th District

ROGER NIELLO
Senator, 6th District