



Date: 09/29/2026

To: Campus Financial Aid Administrators

From: Meghan Flores, Director of State Financial Aid Programs, Office of Higher Education (OHE)

RE: Suspected Fraud and Fraud Involving State Financial Aid Funds

The Office of Higher Education has received several requests for guidance that reiterates a campus financial aid administrator's required actions when student records are suspected or determined to be fraudulent. The guidance and treatment of state aid is the same regardless of whether it is suspected fraud or determined fraud. Whether or not your school has placed a fraud hold on a student record and reported the record to the Office of Inspector General (OIG) within the U.S. Department of Education, this guidance applies in any case where state funds are disbursed to a person who is not an eligible student.

When funds have been disbursed to a person who is not an eligible student, that disbursement must be returned to OHE. The school shall not make any additional disbursements of state aid, and all forms of state financial aid must be returned to OHE. Please note that SELF Loan is not included in this guidance, as an institution must have a separate agreement that controls participation in that program. In cases where fraudulent activity is suspected or determined, student records must be reviewed for all previous aid years for which they are available, and any ineligible disbursements must be returned to OHE.

Guidance on returning funds for the current aid year:

For Fostering Independence Higher Education Grant, Get Ready Student Success Scholarship, Intellectual & Developmental Disability Grant, Minnesota Indian Scholarship Program, Public Safety Officer's Survivor Grant and Student Teacher Grants, funds must be returned using the [Refund Return Form](#). Include the student record information, the correct aid year and indicate "Fraud/Ineligible Disbursement" from the reason drop down menu.

For Postsecondary Child Care Grant and Work Study, schools may not merely cancel the funds for the impacted student record and return the funds to the school's corresponding account for the program. Funds must be individually returned to the Agency using the Refund Return Form in the manner described above.

For North Star Promise and State Grant, schools are required to cancel the awards, and the change to a \$0 amount will be reflected in the program files uploaded to MNAid. Schools must then complete the [Refund Return Form](#) and indicate "Fraud/Ineligible Disbursement" as the reason for the return. Do not route this form to your financial services or business office to create a check. Directly route the form to financialaid.ohe@state.mn.us using the subject line: SG/NSP Ineligible Disbursement.

Guidance on returning funds for previous aid years:

For all forms of state financial aid, excluding SELF Loan, funds must be returned using the [Refund Return Form](#). Include the student record information, the correct aid year and select the reason “Fraud/Ineligible Disbursement” from the reason drop down menu.

Questions and Answers

Question: If aid was disbursed in the current or prior award year and we later determine that the student’s application was fraudulent, are we required to return funds?

Answer: Yes. A school’s fiduciary responsibility extends to ensuring that state financial aid funds are disbursed only to students who meet all statutory eligibility requirements. Under the Institutional Participation Agreement, a school agrees to administer the Programs in accordance with all Federal and Minnesota State Statutes and Administrative Rules governing the Programs and the Program policies and procedures contained in the Agency’s Minnesota Financial Aid Manual. This includes disbursing funds only to eligible students.

The Agency advances funds in reliance on the school’s certification that each student meets all applicable eligibility requirements. If a person is later determined not to be an eligible student, regardless of whether the school had actual knowledge of the ineligibility at or after the time of disbursement, the past award of funds was nevertheless improperly disbursed and must be returned to the Agency.

This applies in all cases involving fraud, even where the school did not have verification flags or other indicators at the time of disbursement. The absence of prior knowledge does not relieve the school of responsibility if the student was not, in fact, eligible under statutes or rules. The financial responsibility for improper payment lies with the school. This allocation of risk reflects the structure of the state financial aid programs, which places primary responsibility for front-end eligibility determinations and proper disbursements on participating schools. This was agreed upon when the school entered program participation.

As part of its fiduciary responsibility, a school must maintain effective internal controls and monitoring procedures to detect and prevent fraud and other improper payments to ensure that state funds are used only for their intended purposes.

Question: How will the Agency hold harmless the state record of students who have had aid fraudulently disbursed using their personal identification information (PII)?

Answer: When an individual has had aid fraudulently disbursed using their personal identification information (PII), when OHE receives the Refund Return Form with the applicable information then within the MNAid system, we will hold that PII under no harm and will restore applicable program usage.

Question: Can aid be disbursed while a fraud investigation is pending?

Answer: No. A student is not considered eligible if fraud is suspected.

Question: What documentation should be collected and/or retained in fraud cases?

Answer: Schools should maintain sufficient documentation to demonstrate the concern, investigation, decision, actions taken, and resolution.