



National Student  
Clearinghouse®

Your Organization's Reputation on the Line:

## **The Real Cost of Academic Fraud**



Every spring throughout America, graduates cross stages. Families and friends watch proudly as they collect their college diplomas — the culmination of years of hard work and studying. Meanwhile, every day other “graduates” collect their diplomas in private with just a few clicks of a mouse. Their diplomas are not the result of hard work and honest academic pursuits. Rather, their degrees are the result of online searches and credit card charges. It’s one of the many forms of academic fraud.

To “graduates” who choose to purchase rather than earn their degrees, the act may seem victimless. However, in this highly competitive job market, academic fraud robs honest graduates of opportunities and can be very costly to employers. Your organization could potentially be victimized by prospects who falsify their academic credentials on job applications. The problem is serious, prevalent, and ever-increasing. Fortunately, through our unique **DegreeVerify<sup>SM</sup>** service, the National Student Clearinghouse® offers a solution that can help your organization protect itself from the growing problem of academic fraud.

### Signs of Degree Fraud

1. Spelling or grammatical errors on the degree
2. Printed (instead of embossed) school seal on diploma
3. Degree earned in an unusually short time and/or several degrees awarded in the same year
4. Skipped steps or out-of-order degrees (e.g., going from a bachelor’s to a doctorate without a master’s)
5. Deceptive college name that is very similar to that of a legitimate institution

### 5 Common Things People Lie About On Resumes

1. Education
2. Job title
3. Compensation
4. Reason for leaving last job
5. Professional accomplishments

## The Prevalence of Academic Fraud

Academic fraud is the act of falsely claiming a degree or other credential from a legitimate institution or obtaining a counterfeit degree from a diploma mill. Diploma mills generally sell credentials and transcripts without requiring either any work or the appropriate amount of work typically required for such academic achievement. Some degrees can be purchased for as little as \$100.

Academic fraud is not a new problem. In recent years, this issue has grown rapidly. Sophisticated technology, the Internet, and legitimate-looking advertisements appearing in major news outlets have made it easier to both sell and obtain false credentials, such as high school, bachelor's and even doctorate degrees.

According to the New York Times, there are 3,300 diploma mills selling degrees to anyone willing to pay. More than 50,000 Ph.D.s. are purchased from diploma mills every year — which surprisingly exceeds the quantity legitimately awarded. And some diploma mill names are deceptively similar to those of legitimate, often prestigious, institutions. For example, Columbiana, Barkley, and Mount Lincoln were successful diploma mills that used names strikingly similar to real institutions.<sup>1</sup> This sort of tactic banks on the likelihood that people will see a familiar name and automatically associate it with a legitimate institution. In actuality, the name masks a fraudulent operation.

In a recent CareerBuilder.com survey, **nearly 60 percent** of hiring managers reported catching fabrications on job applicants' resumes.

The percentage of Americans with college degrees has rapidly increased in the past several decades, fueled by employer expectations that applicants should have, at minimum, postsecondary degrees. Meanwhile, rising education costs have made obtaining postsecondary and graduate education difficult and too costly for many. As a result, the allure of obtaining credentials (albeit false credentials) quickly and inexpensively can prove too good to resist.

Diploma mills are only part of the problem. Even those who don't buy fake degrees may falsify or exaggerate their resumes. In a survey conducted by CareerBuilder.com, almost 60 percent of the nearly 2,200 hiring managers surveyed had caught a job applicant fabricating some part of his or her resume. According to CareerBuilder, employers found academic degree to be one of the most commonly falsified items on resumes.<sup>2</sup>

## How Accurate Are Your Employees' Resumes?

Not verifying your potential employees' academic credentials could be costly. Hiring employees who have lied on their resumes or committed academic fraud has wide ranging consequences, including higher turnover. According to various industry estimates, the cost to replace an employee ranges anywhere from \$3,500 to \$40,000, depending on the salary level. In addition to the financial implications, negative consequences can include lost customers and revenue, exposure to theft and lawsuits, and public damage to your reputation. Such a loss of credibility can take years to overcome.

Many organizations have learned the importance of verifying employees' degrees the hard way.

- A Manassas City, Virginia, principal resigned and lost his teaching license in 2014 after it was discovered that he falsified most of his educational credentials, presenting himself as having college degrees he never earned.<sup>3</sup>
- In 2012, it was discovered that Scott Thompson, the then CEO of Yahoo, had not earned the computer science degree he claimed, but instead had a degree in accounting.<sup>4</sup>
- David Tovar, Walmart's former vice president for corporate communications, stepped down in 2014 after it was discovered that he was never awarded the degree that he claimed he received.<sup>5</sup>
- Herbalife's CEO, Gregory Probert, was forced to resign in 2008 after it was revealed that he did not have the MBA he claimed.<sup>6</sup>
- In 2008, *The Wall Street Journal* reported that J. Terrence Lanni, the former CEO of MGM Mirage, did not receive an MBA he stated on his resume.<sup>7</sup>

Even the federal and some state governments have been victims of academic fraud. A 2008 federal investigation of a diploma mill in Washington State found it had been used by 350 federal employees.<sup>8</sup> A 2015 investigation revealed that a high-ranking Interior Department federal employee had bought fake academic transcripts online. This employee had worked for the Interior Department as the assistant director of the technology division of the Office of Law Enforcement and Security for over five years and had high levels of access.<sup>9</sup>

Replacing an employee can cost anywhere from  
**\$3,500 to \$40,000.**

The examples are numerous and show that degree fraud can happen to any employer. Verifying degrees helps ensure that your employees have earned the credentials they claim. Furthermore, as potential applicants hear of more and more organizations verifying degrees, they will be less likely to attempt fraud.

## Taking Action

The FBI began investigating diploma mills both in America and abroad in the 1980s with Operation Diploma Scam (DIPSCAM). DIPSCAM obtained numerous warrants, indictments and convictions and shut down 25 illegal diploma mills. Unfortunately, DIPSCAM ended in the early 90s after the lead investigator retired from the FBI. Since then, the problem has grown steadily because of a lack of further investigation and advances in technology.

Tracking down operators who run diploma mills and people who purchase fake degrees is challenging. Prosecuting them is even harder. That's because defining a diploma mill is problematic. Although it is generally agreed that diploma mills sell educational credentials while requiring little or no academic work, there is no widely accepted definition of what is considered an appropriate amount of work. Adding to the difficulty, many diploma mills have moved abroad where employers and regulators have even less power to stop them. For more than 10 years, Karachi-based software company, Axact, widely considered to be a global diploma mill, operated at least 370 different degree and accreditation mill sites until it was raided by Pakistan authorities.<sup>10</sup>

The good news is that it is possible to combat the problem. Employers can carefully screen applicants and verify education credentials. Online education verification is one of the most inexpensive, easiest, and fastest ways employers can avoid the consequences associated with academic fraud.

DegreeVerify schools represent over  
**90% of all US college degrees.**

## The Clearinghouse – Your Partner in Academic Verification

DegreeVerify, from the National Student Clearinghouse, is the nation's source for accurate degree data. More than 2,600 of the nation's colleges and universities that award over 94 percent of all U.S. four-year college degrees participate in DegreeVerify. Because new institutions are added regularly, the number of degrees available for verification is continually growing.

DegreeVerify is a Web-based service that makes educational verifications so accessible and affordable that thousands of employers, recruiters, and background screening firms use it regularly, making it the preferred online degree verification service in the U.S. By verifying academic credentials via DegreeVerify, you can ensure your applicants and staff members are legitimately qualified and that they graduated from accredited institutions, eliminating concerns about diploma mills.

People claiming fake degrees are like ticking time bombs: eventually they will be exposed. The exposure can come in the form of an embarrassing and costly situation, like the fraud conducted by Walmart's vice president, or something even worse. Avoid a similar situation by proactively uncovering fraud using DegreeVerify before any damage is done.

## Sources

- <sup>1</sup> "A Rising Tide of Bogus Degrees." *The New York Times*, May 20, 2015
- <sup>2</sup> Grasz, J. "Fifty-eight Percent of Employers Have Caught a Lie on a Resume, According to a New CareerBuilder Survey." CareerBuilder, August 7, 2014
- <sup>3</sup> Shapiro, T. R. and Chandler, M. A. "Manassas principal resigns, loses teaching license after allegedly faking résumé." *The Washington Post*, August 12, 2014
- <sup>4</sup> Pepitone, J. "Yahoo confirms CEO is out after resume scandal." CNNMoney, May 14, 2012
- <sup>5</sup> Dudley, R. "Walmart Spokesman Said to Resign Over Resume Falsehood." Bloomberg, September 16, 2014
- <sup>6</sup> Restle, H. and Smith, J. "17 Successful executives who have lied on their resumes." *Business Insider*, July 15, 2015
- <sup>7</sup> Winstein, K. J. and Audi, T. "MGM Mirage CEO to Resign Amid Questions About MBA." *The Wall Street Journal*, November 14, 2008
- <sup>8</sup> Schemo, D.J. "Diploma Mill Concerns Extend Beyond Fraud." *The New York Times*, June 29, 2008
- <sup>9</sup> Waddel, K. "IG: A Fed with Fake Diplomas Worked at Interior for Five Years." *Government Executive*, July 16, 2015
- <sup>10</sup> Walsh, D. "Fake Diplomas, Real Cash: Pakistani Company Axact Reaps Millions." *New York Times*, May 17, 2015

For immediate, affordable degree verifications, or to learn more about any of the Clearinghouse's Verification Services, visit [www.nscverifications.org](http://www.nscverifications.org).

If you perform frequent verifications, contact [verifications@studentclearinghouse.org](mailto:verifications@studentclearinghouse.org) to learn about our volume discounts.





National Student  
Clearinghouse®



2300 Dulles Station Boulevard, Suite 220  
Herndon, VA 20171

**[studentclearinghouse.org](https://studentclearinghouse.org)**