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Online and For-Profit Colleges Face Beefed-Up Aid Audits From Education Dept.

By Goldie Blumenstyk

Washington

The U.S. Department of Education plans to increase its scrutiny of how colleges award federal grants and loans to their students, and a department official told *The Chronicle* it will pay particular attention to for-profit colleges owned by publicly traded companies and on all institutions with large distance-education programs.

The department, which has been beefing up the compliance-office staffing in its Office of Federal Student Aid, expects to conduct about 300 program reviews of student-aid operations next year, in contrast to about 200 this year. Program reviews are audit-like examinations of student-aid operations designed to ensure that students receive only the grants and loans they are entitled to and that institutions make refunds in accordance with the law in cases where students withdraw.

With the focus on the nation's deficit, the Obama administration wants to be sure the billions of dollars in new federal funds for student-aid programs are serving students, said James Kvaal, deputy under secretary of education, speaking on Friday at a meeting of the Association of Private Sector Colleges and Universities. "People are taking the budget very, very seriously."

Mr. Kvaal said the administration also wanted to protect Pell Grants from cuts. Some members of Congress have proposed reducing federal spending to 2008 levels. "The White House is calling that 'economic unilateral disarmament,'" Mr. Kvaal said.

That was welcome news to people in the audience, many of them operators of for-profit colleges. About 30 percent of all Pell Grant funds now go to students in the for-profit sector. Mr. Kvaal said colleges that educate such needy students with good programs are performing "a service to those students and a service to the country." But he said then, and at several other times during his talk, that the department remained very concerned about for-profit colleges that rely on "deceptive and high-pressure sales tactics" to

enroll students or leave them with unreasonable levels of student debt.

He said the department's proposed "gainful employment" rule, aimed at curbing such abuses, was designed not as an attack on the for-profit industry but as a means to deal with some of the "worst-performing programs."

For-profit colleges have undertaken a vast lobbying and public-relations campaign that assails the rule as an ill-conceived approach that will hurt students and their own companies. At the session on Friday, Mr. Kvaal said that the proposal, as released in July, "was not perfect" and that the department would consider the criticisms, including more than 90,000 comments pro and con, before issuing a final version of the rule in early 2011.

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