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## U.S. Oversight of College Recruitment Found Lacking (Update2)

By John Lauerma - Oct 07, 2010

Oct. 7 (Bloomberg) -- The U.S. Department of Education must do a better job of enforcing rules intended to protect students from misleading recruitment practices at colleges and universities, investigators said in a report to Congress.

The department has applied fines and penalties inconsistently and hasn't used some of its most effective powers to deter the practice of incentive compensation, or paying recruiters based on the number of students they enroll, the [General Accountability Office](#) said today in its [report](#).

Congress banned incentive compensation in 1992 because the practice encourages colleges to court students who don't have the ability to succeed in school and later may default on student loans, the report said. A separate GAO probe of 15 for-profit colleges released Aug. 4 found that all used misleading practices in student recruitment.

The report from the GAO, the investigative arm of Congress, "underscores the need for the Department of Education to close the loopholes that have allowed for-profit college recruiters to take advantage of far too many American students," Senator [Tom Harkin](#), an Iowa Democrat, said in an e-mail. Harkin is chairman of the Senate education committee, which is investigating for-profit colleges and requested the GAO report.

### 'Mystery Shopper'

The Education Department agrees with the GAO recommendations and is preparing to restore a ban on incentive compensation that was changed to allow some exemptions during the [George W. Bush](#) administration, said Justin Hamilton, a spokesman for the department. The department has also said that it will start a "mystery shopper" program that will monitor recruitment practices and "hold bad actors accountable," Hamilton said in a telephone interview.

The study looked at the Education Department's actions on 60 incentive compensation cases from 1998 to 2009. The department has never used some of its enforcement powers to punish violators of the incentive compensation rules, the study said. Regulators have never limited, suspended or terminated a college's participation in U.S. financial aid programs due to violations of the incentive

compensation rule, the study said.

The department reached financial settlements totaling more than \$59 million during that time. Two of the settlements, worth a combined \$58 million, were with the University of Phoenix, operated by Phoenix-based [Apollo Group Inc.](#), the biggest education company by enrollment, the report said.

### Compensation Changes

The University of Phoenix has cut enrollment targets from its recruiters' compensation terms, said Manny Rivera, a company spokesman, said in an e-mail.

In some cases, the department's enforcement actions appeared inconsistent, the GAO said. In one case, the University of Phoenix's settlement of infractions that were deemed willful violations came to \$3,302 per incident. The [University of La Verne](#), based in La Verne, California, paid more than twice that rate, \$6,875 per incident, to settle alleged infractions that were determined not to have been made to deceive the department.

The department's "disparate treatment of schools raises questions about whether its enforcement of the ban is fair and appropriate," the study concluded.

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