

Highlights of Public Advocacy Through Use of the GAO Report

Public Officials

Secretary of Education Arne Duncan

- The unethical and potentially illegal practices uncovered by GAO are unacceptable. We have a responsibility to ensure that students can make informed choices about investing in postsecondary education, and that taxpayers' investments in the Federal student aid programs are helping students. We will act swiftly on that responsibility. We are investigating the specific findings of wrongdoing, strengthening our enforcement of existing rules, creating new approaches to detect and prevent abusive recruiting practices, and expanding institutional disclosure and related consumer information. (Letter from Secretary Duncan to Sens. Harkin and Enzi detailing the Department's response to the GAO report's findings [\(8/13/10\)](#))
- "The GAO report confirms what we know: that there are bad actors in the for-profit sector who are defrauding students and taxpayers," said Justin Hamilton, press secretary for Education Secretary Arne Duncan. ([Washington Post, 8/4/10](#))

Sen. Tom Harkin (D-IA)

- "GAO's findings make it disturbingly clear that abuses in for-profit recruiting are not limited to a few rogue recruiters or even a few schools with lax oversight," Sen. Tom Harkin (D-Iowa) said at a hearing by the Senate Health, Education, Labor and Pensions Committee. "To the contrary, the evidence points to a problem that is systemic to the for-profit industry." ([Los Angeles Times, 8/5/10](#))

Sen. Dick Durbin (D-IL)

- "The GAO report's findings are significant and suggest a widespread pattern of fraud and abuse. It calls into question the for-profit sector's assertions that it is the victim of a few bad actors. The GAO visited 15 for-profit colleges and at every single college found recruiters misleading students, providing incorrect information, engaging in aggressive sales tactics, or even encouraging students to commit fraud.

"This is bad for students and bad for taxpayers. Congress needs to take a hard look at whether current regulations are strong enough to prevent these tactics.

"We should also take a serious look at whether federal financial aid dollars that are meant to provide students a chance at an education should be spent on billboards, television

commercials, ads on the sides of buses, and heavy-handed recruiting. Some for-profit colleges are spending a quarter of their revenues on marketing and recruiting, and up to 90% of those revenues are derived from federal funding.” ([Press release 8/4/10](#))

Sen. Al Franken (D-MN)

- This is -- seems to be -- we're fifteen out of fifteen are giving you deceptive information. I think we've located a place where there are tremendous high percentage of bad actors and we got to get after them. ([Senate HELP Committee Hearing, 8/4/10](#))
- Senator Al Franken (Dem., Minnesota) opens by stating, “The Pell Grants are going to schools that are unethical and that are lying to people.” He says he’s “very disturbed” by the videos. (“Andrew Breitbart didn’t edit these, did he?” asks Franken, to much laughter in the chamber.) “There’s a reason to be confining these hearings to for-profit institutions,” says Franken. “Because the numbers are so ridiculous,” by which he means the amount of Federal funding going to for-profit schools. “I think we’ve located a place where there are a tremendous high percent of bad actors, and we’ve got to get after them.” ([Barron’s 8/4/10](#))

State investigations citing GAO report

State of Texas

- The Texas Workforce Commission notified both Everest College and ATI of its "intent to place conditions on their certificates of approval." The state cited the GAO's investigation as the reason. ([KENS 5, 12/31/10](#))
- Westwood College had faced losing licensure amid state concerns about potentially deceptive and fraudulent practices. The state took action after a federal Government Accountability Office investigation found potentially deceptive or questionable practices and the encouragement of fraudulent practices at Westwood and other for-profit colleges. ([Fort Worth Star-Telegram, 1/3/10](#))

Florida Attorney General, Bill McCollum

- Two recent congressional reports highlighting the recruitment and enrollment tactics at some for-profit colleges have spurred consumer-oriented investigations, including one by Florida Attorney General Bill McCollum. ([St. Petersburg Times, 12/25/10](#))
- Florida received a number of consumer complaints about the schools, according to Ryan Wiggins, deputy communications director for the state's attorney general, and a negative report from the U.S. Government Accountability Office pushed the staff to conduct its own investigation. That GAO report, issued at an August U.S. Senate hearing, found that representatives from all 15 for-profit schools it had visited offered misleading or fraudulent information to undercover agents posing as prospective students. ([Wall Street Journal, 10/19/10](#))

Legal actions by law firms based upon GAO report

Law Offices of Howard G. Smith ([Press release 8/6/10](#))

- The investigation concerns allegations contained in a report issued August 4, 2010, by the U.S. Government Accountability Office (GAO) that found some for-profit colleges encouraged fraud and engaged in deceptive and questionable marketing and sales practices directed toward prospective students. GAO undercover investigators posed as prospective students and applied for admissions to fifteen for-profit colleges in six states and found that all fifteen colleges made deceptive or otherwise questionable statements to GAO undercover applicants, such as exaggerating the undercover applicants' potential salary after graduation and failing to provide clear information about a college's program duration, costs, or graduation rate, despite federal regulations requiring them to do so.

Kendall Law Group ([Press release 8/10/10](#))

- The investigation concerns potential breaches of fiduciary duties by the board of directors and other company executives in connection to alleged fraudulent, deceptive, or otherwise questionable marketing practices. Washington Post shareholders should contact the Kendall Law Group at 877-744-3728 or by email at skendall@kendalllawgroup.com.

On August 4, 2010, the Senate Health, Education, Labor, and Pensions Committee conducted a hearing on for-profit education firms, where Government Accountability Office representative, George Kutz, presented the findings of report GAO-10-948T, "For-Profit Colleges: Undercover Testing Finds Colleges Encouraged Fraud in Deceptive and Questionable Marketing Practices." The report detailed undercover investigations into 15 for-profit schools that uncovered misconduct by school staff, such as encouraging applicants to falsify their financial aid forms or pressuring applicants to sign enrollment contracts without speaking to financial advisors. Kaplan College in Florida, a Washington Post school, was named by Kutz as one of the schools that provided "deceptive and questionable" information.

Robbins Umeda LLP ([Press release, 8/16/10](#))

- Specifically, Robbins Umeda LLP is investigating whether the Company's fiduciaries caused APEI to mislead investors by issuing press releases containing false information regarding the Company's operation performance and future growth projections, whereby they predicted revenue growth of between 36% and 39% for 2010.

On August 4, 2010, the Government Accountability Office ("GAO") released report GAO-10-948T, titled For-Profit Colleges: Undercover Testing Finds Colleges Encouraged Fraud in Deceptive and Questionable Marketing Practices. The day after the release of the GOA's Report, APEI announced its second quarter 2010 financial results and revised downward its third quarter revenue guidance, stating the Company expects to tighten its recruitment standards for new students. Upon this news, the value of the Company fell approximately 33%.

Kahn Swick & Foti ([Press release, 8/17/10](#))

- Today's news follows reports by the U.S. Government Accountability Office ("GAO") that implicated for-profit colleges in an investigation alleging that prospective students were misled about their future earning power and job prospects. KSF has been leading the charge nationally on behalf of shareholders against publicly traded for-profit colleges based upon similar allegations, and has filed lawsuits against the following companies: Education Management Corporation, American Public Education, Inc., Lincoln Educational Services Corp., and Apollo Group, Inc.

Third Parties

Campus Progress and TICAS

- The evidence shows that such a rule is urgently needed. In just the last year, the U.S. Government Accountability Office (GAO) conducted an undercover investigation which revealed fraudulent or deceptive practices at all of the 15 for-profit colleges visited, and state attorneys general are investigating, subpoenaing, and suing for-profit colleges for fraudulent, unfair or deceptive practices. Widespread fraud and abuse have been reported in outlets ranging from the New York Times, ABC News, and Bloomberg/Businessweek and the Huffington Post to the Sacramento Bee, Denver Post, St. Petersburg Times, Tulsa World, and WFAA-TV in Dallas. ([Memo to progressive blog community, 1/5/10](#))

TICAS

- “These rules are an important start, but much more needs to be done to protect students and taxpayers. The ongoing Senate hearings, GAO reports, and recent actions by two state attorneys general all point to the need for further action so that taxpayers are not subsidizing career education programs that routinely leave students deep in debt they cannot repay.” ([TICAS press release, 10/28/10](#))

American Association of Collegiate Registrars and Admissions Officers

- “I’m pleased to see that all of the concerns that we’ve been expressing to Congress for the last decade are being borne out by independent observers,” said Barmak Nassirian, associate executive director of the American Association of Collegiate Registrars and Admissions Officers. “This is a slam dunk. There’s no ambiguity to what’s going on.” ([Inside Higher Ed, 8/9/10](#))
- The Government Accountability Office (GAO) study used undercover investigators to pose as applicants at fifteen for-profit colleges around the country. The investigators found that recruiters at four of the schools encouraged prospective students to lie on their financial aid applications and all fifteen misled potential students about their programs' cost, quality and duration, or the average salary of graduates. ([AACRAO News: 8/4/10](#))

U.S. Student Association

- Last week, the Government Accountability Office (GAO), Congress' investigative arm, published its findings into 15 for-profit colleges, all of which have 89 percent of their revenues funded with federal student aid or are in a state that is among the top 10 receiving federal aid. The investigation found that admissions officers at these schools had:
 - Encouraged students to falsify financial aid forms;
 - Encouraged students to take out loans;
 - Misled students about college costs, accreditation status, and job-placement rates;
 - Guaranteed applicants jobs after graduations;
 - Told students "no one will come after you if you don't pay" student loans;
 - Told applicants they could not speak with financial aid representatives about eligibility until they had fully enrolled and paid application fees.

This fraudulent, unethical behavior cannot be tolerated by any organization concerned with the future of America's higher education system. ([USSA Blog, 8/16/10](#))

American Federation of Teachers

- Those concerns were amplified and put under one massive spotlight yesterday as the Government Accountability Office revealed its findings from undercover testing "to determine if for-profit colleges' representatives engaged in fraudulent, deceptive, or otherwise questionable marketing practices" in a hearing before the Senate, Health, Education and Pensions committee chaired by Senator Tom Harkin. The answer to that question? Uh, yeah. GAO's Managing Director, Office of Forensic Audits and Special Investigations Gregory Kutz provided an overview of the investigation and the findings with the help of video clips from the "tests." ([AFT Blog, 8/5/10](#))

US PIRG

- Last week, GAO reported on aggressive recruiting by for-profit colleges, who pay sales staff on commission. From GAO:

Undercover tests at 15 for-profit colleges found that 4 colleges encouraged fraudulent practices and that all 15 made deceptive or otherwise questionable statements to GAO's undercover applicants.

As often happens when scandals are announced, the Washington Post reports in its College, Inc. blog that the big players are now taking action including "housecleaning efforts, ... internal investigations, and (at least in the case of Kaplan) suspension of operations at the campuses cited in the report." Kaplan Higher Education is a Post subsidiary, as the story notes. ([USPIRG Blog, 8/12/10](#))

Editorials citing negative GAO report

Los Angeles Times [\(8/9/10\)](#)

- Although the booming for-profit college industry blames the misleading recruitment pitches on a few rogue operators, a Government Accountability Office report released last week presented a different scenario. Using undercover investigators who pretended to be prospective applicants at 15 for-profit schools, the GAO found that every one of the schools engaged in at least some deceptive practices, including encouraging applicants to take out loans they didn't need, inflating graduation rates, exaggerating the salaries for certain jobs or giving the price for only nine months of training when the program actually took 12 months. In a few cases, the disguised investigators were urged to lie on their loan applications. Though the report doesn't name schools, a congressional hearing revealed that the inquiry included such for-profit giants as University of Phoenix, Kaplan College and a division of Corinthian Colleges.

Charleston Gazette [\(11/23/10\)](#)

- Investigators of the U.S. Government Accountability Office used hidden video cameras to catch school recruiters making outlandish promises to potential students. One school suggested that massage therapists earn \$100 per hour, and that student loans needn't be repaid.
- The GAO cited 15 for-profit colleges for deception or fraud. The Senate Education Committee headed by Sen. Tom Harkin, D-Iowa, held hearings during the summer. Several whistleblower lawsuits have been filed by bitter ex-employees and ex-students of the commercial schools. Florida's attorney general is investigating.

Seattle Times [\(11/29/10\)](#)

- Schools must also do a better job ensuring that only students that qualify receive financial aid. The U.S. Government Accountability Office, ordered by Congress to conduct a sting, found students at for-profit colleges being encouraged to falsify their financial aid forms.

Lexington Herald-Leader [\(12/21/10\)](#)

- At a time when 1 in 10 working Kentuckians is jobless, it's easier than ever to prey on consumers with misleading promises of a high-paying job and bright future.

Criticism from the Obama administration, congressional investigations and now Conway's investigation have put the for-profit schools on notice.

For prospective students, the best advice remains "buyer beware." Step back from high-pressure sales pitches and comparison shop before signing on any dotted lines, whether you're in the market for a used car or an advanced education degree

Courier-Journal, Louisville KY [\(12/23/10\)](#)

- Although the agency said its results could not be projected on all for-profit colleges, the GAO found four of 15 colleges it investigated encouraged fraudulent practices and that all 15 "made deceptive or otherwise questionable statements" to the agency's "applicants." Four applicants were encouraged to falsify their financial aid information to secure federal loans, and applicants were badgered by repeated (and relentless) recruitment contacts.

St. Petersburg Times [\(12/25/10\)](#)

- A 2009 study by the nonpartisan Government Accountability Office found some schools rigged entrance tests required under federal financial aid rules to enroll students who weren't prepared for college-level work. And a 2010 GAO investigation into 15 for-profit colleges found multiple examples of deception and coercion among recruiters, including coaching students to lie on financial aid forms and gross misrepresentations of job prospects upon graduation.

The result: For-profit colleges received 23 percent of all federal student grants and loans in 2008-09, but educated only 12 percent of the country's college students. What's more: The default rate in two-year programs was 82 percent higher than at public colleges and 145 percent higher than at four-year public colleges or universities.

Media coverage citing negative GAO report

Wall Street Journal ([8/3/10](#))

- Shares of for-profit education companies declined Tuesday as a report from the Government Accountability Office alleged that several colleges encouraged fraud and engaged in deceptive and questionable marketing practices.

The report, which was leaked ahead of a Senate committee hearing scheduled for Wednesday, said undercover tests at 15 for-profit colleges found that four privately held schools encouraged fraudulent practices and all 15 made deceptive or otherwise questionable statements to the GAO's undercover applicants.

Bloomberg ([8/4/10](#))

- "College representatives exaggerated undercover applicants' potential salary after graduation and failed to provide clear information about the college's program duration, costs, or graduation rate," the report said.

"Admissions staff used other deceptive practices, such as pressuring applicants to sign a contract for enrollment before allowing them to speak to a financial adviser about program cost and financing options."

The GAO probe examined for-profit colleges in Arizona, California, Florida, Illinois, Pennsylvania, Texas and Washington, D.C.

In one case, a GAO investigator posing as an applicant was told to lie on an aid application about the number of household members.

When the investigators told college employees that they had \$250,000 in savings, officials at three colleges told them to hide their savings.

Reuters ([8/13/10](#))

- "The unethical and potentially illegal practices uncovered by GAO are unacceptable," Duncan wrote in the letter.

Duncan said the department is investigating the findings of the investigation and may demand schools return improperly obtained funds.

The beefed-up enforcement measures are in addition to rules the department has proposed to provide prospective students more data about schools, including student loan repayment rates. The department will release loan repayment rates for individual schools later Friday.

Associated Press [\(8/13/10\)](#)

- Two for-profit colleges whose recruiting tactics were singled out in a scathing undercover government investigation are pledging to stop using enrollment targets as a factor in paying admissions representatives.

On Friday, Education Secretary Arne Duncan revealed that his department would use similar investigative tactics as part of beefed-up oversight of for-profit colleges. Duncan described that step and others in a letter to Democratic Sen. Tom Harkin of Iowa, chairman of the Senate Committee on Health, Education, Labor and Pensions.

Westwood College CEO George Burnett said he was "absolutely appalled" by what he termed unauthorized actions by a few employees brought to light in the GAO investigation. The agency says a Westwood representative in Dallas urged its secret shopper to not report \$250,000 in savings to qualify for federal aid.

ABC News (Chris Cuomo) (8/19/10)

- Lobbyist Harris Miller says even though these schools serve an important role by providing higher education to students who would not ordinarily get a degree, he admits the recruiting practices at many for-profit schools need to be changed.

HARRIS MILLER (PRESIDENT OF CAREER COLLEGE ASSOCIATION)

We should not have a situation where that many bad occurrences are being visible.

CHRIS CUOMO (ABC NEWS)

(OC) You got caught?

HARRIS MILLER (PRESIDENT OF CAREER COLLEGE ASSOCIATION)

No, there are always problems. There are problems in traditional schools too.

CHRIS CUOMO (ABC NEWS)

(OC) 15 for 15. The GAO...

HARRIS MILLER (PRESIDENT OF CAREER COLLEGE ASSOCIATION)

That's right.

CHRIS CUOMO (ABC NEWS)

Miami Herald [\(9/5/10\)](#)

- A federal Government Accountability Office investigation made public last month sent undercover "secret shoppers" into 15 of the largest for-profit colleges -- and found questionable or misleading practices at all 15 of them. Recruiters at four schools, including the Miami campus of Medvance Institute, went so far as to induce students to commit financial aid fraud so they would have the money necessary to enroll.

At Kaplan College's Pembroke Pines campus, the GAO report found recruiters pressured students to enroll using car-salesman-like intimidation, while exaggerating how much graduates typically make in their new jobs. GAO investigators posed as prospective students in the inquiry.

Economist ([9/11/10](#))

- The recent GAO report offers anecdotal support for Mr Eisman's view that much of the recruitment of students is predatory. Also troubling was another report that found for-profit college students defaulted on their loans at a far higher rate than students at public or non-profit colleges. This the government took as evidence that many students found their courses less useful than they had expected, so dropped out or stopped paying. Among the new rules expected on November 1st is a "gainful employment" requirement that would make a course eligible for government loans only if enough current or past students are repaying their loans.

NPR ([9/20/10](#))

- MARTIN: What about the GAO report in August that found that – and they say in the report that they cannot extrapolate this across all institutions.

But they visited 15 different institutions. And in every one of those institutions, those for-profit institutions, some deceptive statements were made either that underplayed the cost, that underreported the true cost of what the student would be paying, or it made statements that they verified were deceptive. What do you say about that?

Chicago Tribune ([9/23/10](#))

- Government investigators, Congress and the Obama administration are raising concerns about for-profit colleges, scrutinizing an industry accused of permitting high-pressure sales tactics, low graduation rates, poor career placement and excessive profit margins.

Their graduates are more likely than other college students to default on their student loans, many of which are subsidized by American taxpayers. A recent undercover investigation by the U.S. Government Accountability Office found that 15 of 15 for-profit colleges studied, but not identified, made deceptive or otherwise questionable statements to undercover applicants. Four encouraged outright fraud.

USA Today ([9/29/10](#))

- Recent lawsuits, and a probe by the Government Accountability Office, suggest that some nationally accredited colleges may be exploiting confusion about accreditation by omitting or glossing over relevant details.

The GAO report, for example, said a representative for the nationally accredited Kaplan College in Florida told an undercover government investigator who was pursuing an associate's degree in criminal justice that the college was accredited by "the top accrediting agency -- Harvard, the University of Florida, they all use that accrediting agency." But that was not true.

Orlando Sentinel (10/3/10)

- Government investigators, Congress and the Obama administration are raising concerns about for-profit colleges, scrutinizing an industry accused of permitting high-pressure sales tactics, low graduation rates and poor career placement.

A recent undercover investigation by the U.S. Government Accountability Office found that 15 of 15 for-profit colleges studied, but not identified, made deceptive or otherwise questionable statements to undercover applicants. Four encouraged outright fraud....

The GAO report found that one admissions representative from a for-profit college in Washington, D.C., told a prospective student that barbers can earn up to \$150,000 to \$250,000 a year

CQ Weekly (11/2/10)

- GAO's Take on For-Profit Colleges * Findings of the GAO's undercover investigations of 15 for-profit colleges:

All 15 made deceptive statements to GAO's undercover applicants.

Sacramento Bee ([11/7/10](#))

- In August, the Government Accountability Office issued a report summarizing the experiences of undercover applicants sent to enroll at for-profit colleges across the country. The report – and an accompanying video shot with hidden cameras – show college recruiters lying to students about a school's accreditation, exaggerating how much graduates can earn once trained for a trade and encouraging applicants to lie on their financial aid applications so they can get more government loans.

Indianapolis Business Journal ([11/8/10](#))

- Indeed, Hawkins argued, there have been so many abuses documented within the for-profit industry that it suggests widespread abuse of the 1992 law that banned outright incentive compensation for college recruiters and counselors.

The results of an investigation by the U.S. Government Accountability Office, released in August, lent support to Hawkins' fears. The GAO sent staff to pose as student applicants at 15 for-profit colleges. At four of them, financial aid counselors encouraged the applicants not to disclose their \$250,000 in savings so they could instead use federal loans to cover the school's tuition.

Recruiters at all 15 schools made deceptive or questionable statements to applicants, such as overstating potential earnings after graduation, failing to disclose the school's graduation rate, or quoting prices for nine months of classes in a year while signing up students for 12 months.

Dow Jones ([11/12/10](#))

- The U.S. Government Accountability Office in August issued a report showing that a number of for-profit colleges offered misleading and even fraudulent information to undercover agents posing as prospective students. DeVry was not among the schools identified in the GAO report, though two University of Phoenix campuses were.

Florida Times-Union ([11/15/10](#))

- "The federal climate definitely played a big part in the investigation," she said.

An August study by the Government Accountability Office exposed sketchy dealings by admissions officers at 15 national for-profit schools, including a number of those listed in the Attorney General's Office probe.

"The decision was made to take a look at this after seeing the GAO report and considering all the money that's coming into these schools," she said.

Florida Attorney General Bill McCollum last month launched a full-scale investigation into a handful of for-profit schools with regional outposts in Northeast Florida.

The probe started with five schools - the University of Phoenix, Argosy University, Everest University, Kaplan Inc. and MedVance Institute - but was expanded this month to eight. Added were Keiser University, Sanford Brown College and Concorde Career College.

St. Petersburg Times ([11/28/10](#))

- The Attorney General's Office said the schools were being investigated because of complaints and information from an August report from the U.S. Government Accountability Office, which sent undercover investigators into 15 for-profit schools nationwide.

On those visits, the GAO's investigators encountered high-pressure sales tactics, lies and sketchy promises about salaries they could make upon graduation. Some recruiters would not let prospects talk to financial aid counselors until after they had enrolled. Some urged students to lie on applications for federal financial aid.