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Report to the Ranking Member, Committee on Education and the Workforce, House of Representatives

December 2014

HIGHER EDUCATION

Education Should Strengthen Oversight of Schools and Accreditors

On January 22, 2015, GAO reissued this report to revise the first sentence of footnote 11, page 49.

GAO-15-59

GAO Highlights

Highlights of GAO-15-59, a report to the Ranking Member, Committee on Education and the Workforce, House of Representatives

December 2014

HIGHER EDUCATION

Education Should Strengthen Oversight of Schools and Accreditors

Why GAO Did This Study

To access federal student aid—which totaled more than $136 billion in fiscal year 2013—schools must be accredited to ensure they offer a quality education. In light of accreditors' important role in overseeing schools, this report examines (1) accreditor sanctions of schools for non-compliance with accreditor standards, (2) how likely accreditors are to sanction schools with weaker student outcome or financial characteristics, and (3) how Education uses accreditor sanction information for oversight. GAO analyzed sanction data from October 2009 through March 2014—the most recent data available—and conducted statistical modeling using data Education collects on schools to test whether schools with weaker characteristics are more likely to be sanctioned by accreditors. GAO also reviewed Education documents, relevant federal laws and regulations, prior research on student outcomes, and interviewed representatives of accreditors, higher education associations, schools, and Education.

What GAO Recommends

GAO recommends that Education consider ways to better assess whether accreditor standards effectively address academic quality; and systematically use available accreditor sanction information to better oversee schools and accreditors. Education generally agreed with the report's recommendations, and noted plans to address them.

View GAO-15-59. For more information, contact Melissa Emrey-Arras at (617) 788-0534 or emreyarrasm@gao.gov

What GAO Found

Over a 4-1/2-year period, accreditors—independent agencies recognized by the Department of Education (Education)—sanctioned about 8 percent of schools for not meeting accreditor standards. They terminated accreditation for about 1 percent of accredited schools, thereby ending the schools' access to federal student aid funds. Accreditors must be officially recognized by Education as reliable authorities on assessing academic quality, and schools must be certified by these accreditors as meeting both academic and financial standards to qualify for federal student aid funds. From October 2009, when data were first consistently collected, through March 2014, when the latest data were released, GAO found that accreditors issued at least 984 sanctions to 621 schools, terminating the accreditation of 66 schools. Of sanctions issued in 2012, the most recent full year on reasons for sanctions at the time the study began, GAO found that accreditors most commonly cited financial rather than academic problems.

A GAO analysis found that from October 2009 through March 2014, schools with weaker student outcomes were, on average, no more likely to have been sanctioned by accreditors than schools with stronger student outcomes. Researchers have reported that assessing multiple student outcomes could shed light on the quality of education provided by schools. Such outcomes are characteristics that Education and researchers consider important indicators of educational quality, but which accreditors are not necessarily required to use. On the other hand, accreditors were more likely to have sanctioned schools with weaker financial characteristics than those with stronger ones. With regard to academic quality, accreditors GAO interviewed reported that this area is difficult to oversee, saying that few quantifiable indicators exist. However, academic quality is a key accreditor responsibility under the Higher Education Act, and student aid funds may be at risk when schools that do not provide a quality education have access to these funds. The act prohibits Education from specifying the specific content of accreditor standards. However, Education must determine that these accreditor standards are effective in ensuring educational quality. GAO's analysis raises questions about whether the standards accreditors use ensure that schools provide a quality education, and whether Education is effectively determining if these standards ensure educational quality.

Education does not consistently use accreditor sanction information for oversight. For instance, Education does not systematically use sanction information to prioritize schools for in-depth review, as required by law. In addition, although Education's 2014 strategic plan calls for better use of data in decision making, the department does not make consistent use of the accreditor sanction information it collects when it decides whether to re-recognize accreditors. While accreditor standards may be limited in enabling accreditors to effectively ensure academic quality, consistent use of accreditor sanction information could help Education determine whether schools are complying with federal financial aid requirements and oversee accreditors effectively. Moreover, federal internal control standards require agencies to assess risk and establish procedures to safeguard federal funds.

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Abbreviations

Education	Department of Education
Higher Education Act	Higher Education Act of 1965, as amended
IPEDS	Integrated Postsecondary Education Data System
NACIQI	National Advisory Committee on Institutional Quality and Integrity
NCES	National Center for Education Statistics
PEPS	Postsecondary Education Participants System

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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December 22, 2014

The Honorable George Miller
Ranking Member
Committee on Education and the Workforce
House of Representatives

Dear Mr. Miller:

The U.S. Department of Education (Education) spent over $136 billion in fiscal year 2013 to help more than 14 million students pursue higher education. These funds were disbursed to students and their families through federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended (Higher Education Act). To help ensure that schools with access to federal student aid provide a quality education, the act requires these schools to be accredited by entities recognized by Education as reliable authorities on assessing educational quality.[1] These recognized accreditors must regularly assess the quality of schools they accredit, and take actions such as issuing sanctions when schools do not meet the standards that accreditors establish for them. Education also provides oversight of these federal funds by monitoring schools' compliance with federal student aid requirements and collecting data on student outcomes and school finances.[2]

You requested that GAO examine issues related to accreditation.

This study examines the following questions:

[1]In order to participate in federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended, schools must meet the act's definition of an institution of higher education, which provides, in part, that in addition to being accredited, such institutions must be authorized to provide postsecondary education by the state in which they are located. Schools must also be determined to be eligible and certified by Education as meeting certain administrative capability and financial responsibility requirements. In this we report we are using the term "school" to refer to an institution of higher education.

[2]In this report we refer to information collected by Education about a school's students (e.g., graduation rates) as student outcome characteristics and to information collected about a school's financial health (e.g., financial health scores) as financial characteristics.

1. What sanctions have accreditors taken against schools that did not comply with accreditor standards?
2. How likely are accreditors to sanction schools with weaker student outcome or financial characteristics by terminating their accreditation or placing them on probation?
3. How does Education use information on accreditor sanctions to support its oversight efforts?

To answer these questions, we reviewed relevant federal laws, regulations, and Education's procedures for recognizing accreditors and overseeing schools. To determine what sanctions accreditors took against schools they accredit, we analyzed sanction data from Education's accreditation database from October 2009—when data were first consistently collected—through March 2014—when the latest data were released at the time of our study, focusing on all the sanctions that accreditors reported to Education.[3] We used data from Education's Integrated Postsecondary Education Data System (IPEDS) to examine selected characteristics of sanctioned schools and the students these schools serve.[4] To develop a better understanding of the reasons behind sanctions, we analyzed all termination and probation sanctions for fiscal year 2012, the most recent full year available when we began our study,

[3]These data were collected in Education's database of postsecondary schools that are accredited by Education-recognized agencies. The database was developed to help the public, including employers, make decisions about the quality of education provided by these schools. We included all terminations and probations in our analysis because all accreditors are required to report these sanctions to Education. We also included all show cause orders (which may indicate that a school must demonstrate why its accreditation should not be withdrawn) and warning sanctions (which may indicate a school does not meet one or more accreditation standards) reported to Education, which accreditors may, but are not required to, report to the department. In addition, we requested additional information on show cause orders and warning sanctions against member schools from accreditors that did not report these data to Education for fiscal years 2010, 2011, 2012, and 2013, and received responses from 27 of 31 accreditors. Based on these responses, we added an additional 90 show cause orders and 26 warning sanctions to our data set. It is difficult to know how many schools were placed on show cause or warning overall, because accreditors are not required to report these data to Education.

[4]IPEDS is the federal government's core postsecondary data collection effort. All postsecondary schools participating in federal student aid programs are required to complete a group of annual surveys on a variety of topics, ranging from total number of graduates to what percentage of revenue comes from financial aid. To ensure that we compared a consistent set of student outcomes and financial characteristics, we used data that were collected by Education for all schools that participate in federal student aid programs.

and a sample of other kinds of sanctions that accreditors reported to Education for that same timeframe.[5]

To determine how likely accreditors are to sanction schools with weaker student outcome or financial characteristics, we conducted statistical modeling, using data Education collects on schools, to test whether schools with weaker characteristics—such as low graduation rates—are more likely to be terminated or placed on probation by accreditors. We analyzed characteristics data that Education collects in IPEDS and other Education data systems and that Education and researchers consider to be important indicators of educational quality. In addition, we examined federal internal control standards that call for agencies to establish and review ways to assess how they are evaluating their oversight, and to identify the risks they face in achieving their objectives, including risk from external parties.[6]

To determine how Education used information on accreditor sanctions to support its oversight, we examined all schools with fiscal year 2012 accreditor sanctions, the most recent full year of information on why accreditors issued sanctions that was available when we began our study, and drew upon data from Education's Postsecondary Education Participants System (PEPS) database to determine if these sanctions prompted any follow-up monitoring or enforcement activity by Education, such as conducting in-depth reviews or imposing restrictions on a school's access to federal student aid.[7] For additional analysis, we selected a nonrandom sample of 10 schools that were sanctioned by their accreditors in fiscal year 2012 for reasons that could be related to federal student aid requirements. We reviewed Education's information about the

[5]We included all terminations and probations in our analysis because all accreditors are required to report these sanctions to Education. We also included a sample of 10 warning sanctions and 10 show cause orders. For these sanctions, we drew a nonrandomized sample from different accreditors to examine the reasons for these types of actions and determine if they differed from the reasons for terminations and probations. These reasons are not generalizable. It is difficult to know how many schools were placed on show cause or warning overall, because accreditors are not required to report these data to Education.

[6]GAO, *Standards for Internal Control in the Federal Government,* GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

[7]This database contains Education's oversight information of schools such as their eligibility for federal student aid programs, financial audit, and student loan default rate data.

cases, and discussed with Education officials what action they took or did not take as the result of these sanctions. While this sample is not generalizable, we believe it provides valuable examples about how Education has responded to information from accreditors. We evaluated Education's efforts to oversee schools and accreditors using federal internal control standards for control activities, risk assessment, information, and communications. To assess the reliability of the accreditation database, the IPEDS data, and the PEPS data used in our analyses, we interviewed knowledgeable agency officials about the variables we used and conducted electronic testing to assess the reliability of these variables. We found these data sufficiently reliable for our purposes.

We conducted this performance audit from July 2013 to December 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Accreditors—generally nongovernmental, nonprofit organizations—play a critical role in protecting the federal investment in higher education as part of the "triad" that oversees schools participating in federal student aid programs authorized under Title IV of the Higher Education Act.[8,9] The roles and responsibilities of accreditors and the two other entities in the triad—Education and states—are intertwined under the Higher Education Act.[10] However, each entity is typically understood to bear chief responsibility for a distinct aspect of the higher education oversight system, as seen in table 1.

[8]Title IV of the Higher Education Act is codified at 20 U.S.C. §§ 1070 – 1099d and 42 U.S.C. §§ 2751 – 2756b.

[9]Accrediting agencies are generally funded by dues and fees paid by member schools.

[10]20 U.S.C. §§ 1099a, 1099b, and 1099c.

Table 1: Oversight Roles and Responsibilities of the "Triad"

Accrediting Agencies	Apply and enforce standards that help ensure that the education offered by a postsecondary school is of sufficient quality to achieve the objectives for which it is offered.
Education	Recognize accreditors determined to be reliable authorities as to the quality of education offered by schools; certify schools as eligible to participate in federal student aid programs; and ensure that participating schools comply with the laws, regulations, and policies governing federal student aid.
States	Authorize schools to offer postsecondary education and respond to student complaints.

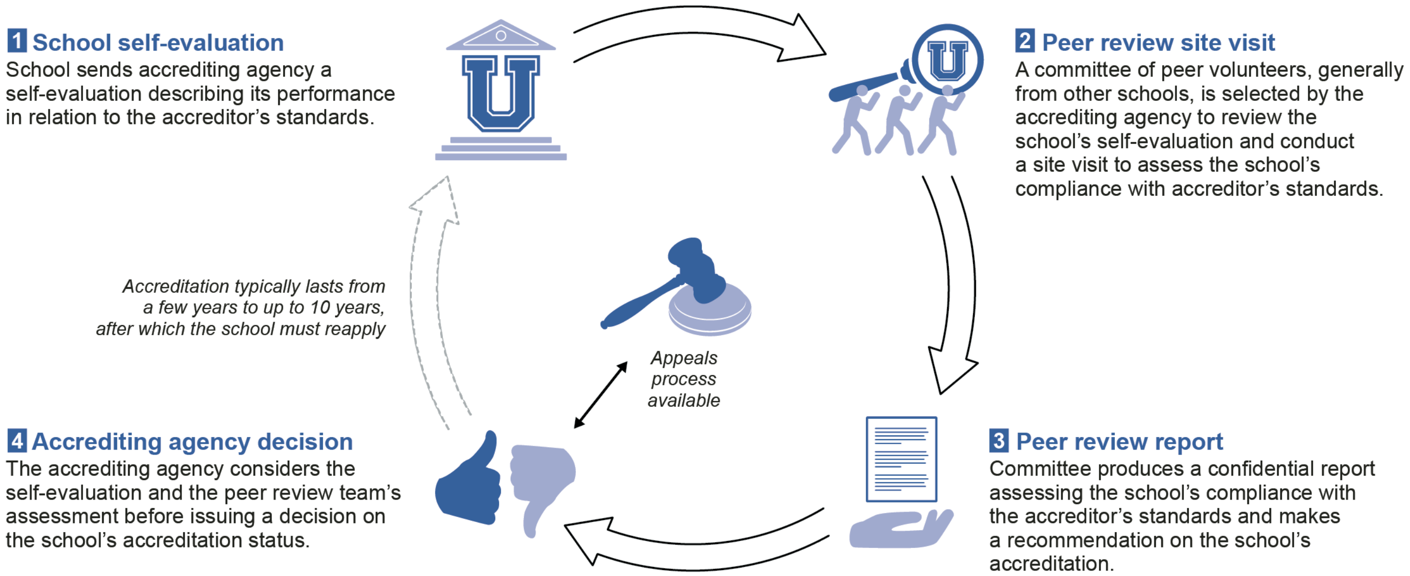
Source: GAO analysis of relevant federal laws and regulations. | GAO-15-59

Accreditation Process

The purpose of accreditation in the oversight triad is to help ensure that member schools meet quality standards established by accrediting agencies. While accreditation first arose in the U.S. as a means of ensuring academic quality by nongovernmental peer evaluation, today the process also serves as one of the bases for determining a school's eligibility to participate in federal student aid programs.. Accreditation agencies and processes predate the Higher Education Act, and accreditation is a peer review process that serves several purposes in addition to being a gatekeeper for federal funds, including facilitating the transferability of courses and credits across member schools. According to representatives of schools and accrediting agencies, accreditation also encourages schools to maintain a focus on self-improvement.

While Education is required to determine whether accrediting agencies have standards in certain areas before recognizing them, the accrediting agencies are responsible for evaluating member schools to determine if they meet the accreditors' standards. This accreditation process generally occurs at least every 10 years, depending on the accreditor and the school. The process is typically conducted by volunteer peer evaluators, generally from other member schools, selected by the accreditor, with final accreditation decisions made by a board that includes representatives from member schools and the public. While specific steps vary by accrediting agency, schools generally go through a similar accreditation process (see fig. 1).

Figure 1: Sample Accreditation Process



Source: GAO analysis of information from accreditors and relevant federal law. | GAO-15-59

Type of Accreditors

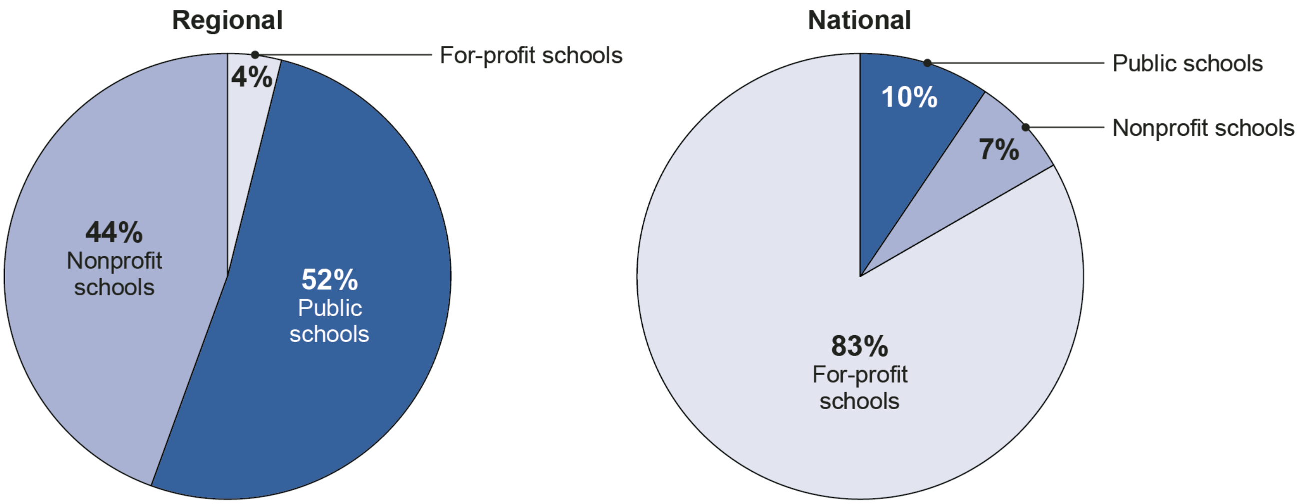
In general, two different types of accreditors—regional and national—offer accreditation to schools that allows the schools to access federal student aid funds.[11,12] Regional accreditors accredit mostly nonprofit and public schools, while national accreditors generally accredit for-profit schools. At the time of our review, regional accreditors had 3,134 member schools in

[11]This study examines accreditors that are recognized to accredit entire schools, thereby allowing them to receive federal student aid funds, as opposed to accreditors that only accredit specific programs within schools. Education also recognizes some programmatic accreditors to accredit free-standing professional or vocational schools (such as law schools or schools of massage therapy) for federal student aid purposes.

[12]A wide variety of postsecondary schools offering different types of postsecondary education programs may be eligible to participate in federal student aid programs. Postsecondary schools include: (1) public schools—operated and funded by state or local governments; (2) nonprofit schools—owned and operated by nonprofit organizations whose net earnings do not benefit any shareholder or individual; and (3) for-profit schools—privately owned, and net earnings can benefit shareholders or individuals.

total, while national accreditors had 3,719.[13] Seven regional accreditors accredit schools within a particular region and have historically accredited public and private nonprofit schools that award degrees. In addition, eight national accreditors operate nationwide and have historically accredited vocational or technical schools that do not award degrees. Differences between regional and national accreditors still exist, as seen in figure 2, but some for-profit schools have obtained regional accreditation in recent years and many for-profit schools currently award two- and four-year degrees.

Figure 2: Membership of Regional and National Accreditors



Source: GAO analysis of data from the Integrated Postsecondary Education Data System (IPEDS) and the Department of Education's accreditation database. | GAO-15-59

Note: Figure refers to accreditors that provide accreditation to schools that allows the schools to receive federal student aid funds, as opposed to accreditors that only accredit specific programs within schools.

Accreditor Standards

The Higher Education Act lays out areas in which federally recognized accreditors must have standards for their members (see sidebar below),

[13]Programmatic and "other" accreditors, including state entities that can accredit schools, had a total of 1,334 member schools. For programmatic accreditors, 1 percent of their member schools were public, 66 percent were nonprofit schools, and 33 percent were for-profit schools.

and requires them to assess compliance of member schools with standards in these areas to ensure the quality of education offered.[14]

Areas in Which Accreditors Are Required to Have Standards

1. Success with respect to student achievement (Standards may be established by the school and differ according to its mission.)
2. Curricula
3. Faculty
4. Facilities, equipment, and supplies
5. Fiscal and administrative capacity
6. Student support services
7. Recruiting and admissions practices
8. Measures of program length and objectives
9. Student complaints
10. Compliance with federal student aid program responsibilities

Source: 20 U.S.C. § 1099b(a)(5) | GAO-15-59

Education is required to assess whether an accreditor consistently applies and enforces standards in the specified areas that are effective in ensuring that the education offered is of sufficient quality to achieve its stated objective.[15] However, the Higher Education Act does not dictate the specific content of the standards and prohibits Education from promulgating regulations with respect to such standards or establishing additional areas in which accreditors must judge schools' compliance.[16] It also prohibits Education from establishing criteria to specify, define, or prescribe standards accreditors use to assess any school's success with respect to student achievement (otherwise known as student outcomes).[17] While accreditors are not required to use information on specific student outcome or financial characteristics of schools to assess whether schools are meeting their standards, and although no single outcome can be used to fully examine something as complex as educational quality, prior research and experts in the field of postsecondary education have reported that assessing multiple student outcomes (e.g., graduation rates and student loan default rates) can shed light on the quality of education provided by schools.

The specific standards that each accrediting agency develops may differ. Accreditors may also establish standards in areas not required by law.[18] For example, accreditors may evaluate schools based on governance, which helps ensure that the board, the school administration, and the faculty each have responsibilities according to their expertise and function.

Accreditor Sanctions and Other Decisions

When schools do not meet accreditor standards, accrediting agencies may impose sanctions or take other interim actions (such as requiring

[14] 20 U.S.C. § 1099b(a)(4)(A) and (5).

[15] 20 U.S.C. § 1099b(a)(4) and 34 C.F.R. § 602.16(a).

[16] 20 U.S.C. §§ 1099b(o) and 1099b(g).

[17] 20U.S.C. § 1099b(g).

[18] 20 U.S.C. § 1099b(g).

Sanction Definitions

Regional Accrediting Agencies (as of April 2014):

- **Termination:** a school has its accreditation withdrawn.
- **Probation:** a school has been determined not to meet one or more standards for accreditation. An indication of a serious concern about the level of non-compliance related to the standards.
- **Warning:** a school has been determined not to meet one or more standards for accreditation.
- **Show cause order:** a school is asked to demonstrate why its accreditation should not be withdrawn.

National Accrediting Agencies:

- **Termination:** a school has its accreditation withdrawn.
- **Probation:** no single agreed-upon definition, but could be used to indicate a serious concern about non-compliance with one or more standards.
- **Show Cause Orders and Warnings:** no single agreed-upon definition for either. “Warning” may indicate that a school has been determined not to meet one or more standards for accreditation. “Show cause” may indicate an accreditor will impose a sanction if a school cannot demonstrate why it should not be imposed.

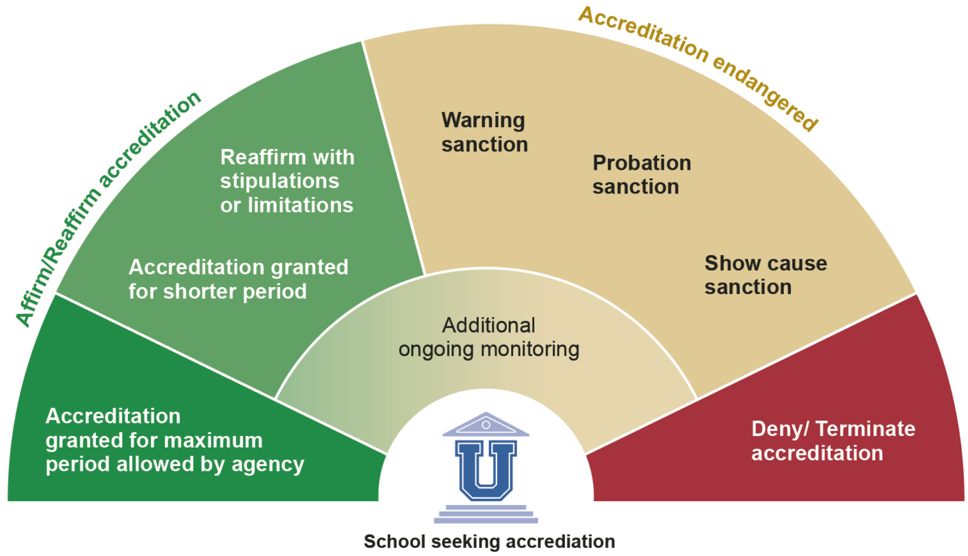
Source: Council of Regional Accrediting Commissions and GAO analysis of information from accrediting agencies. | GAO-15-59

annual reports on finances). The Higher Education Act requires accreditors to report certain sanctions, including terminations and probations, to Education within 30 days, and to provide Education a summary of the reasons leading them to terminate a school’s accreditation.[19] Regional accreditors recently agreed on common sanction definitions, while national accrediting agencies do not have agreed-upon sanction definitions (see sidebar).

In addition to issuing sanctions when schools do not meet accreditor standards, accrediting agencies may take a variety of other actions, such as requiring annual reports on finances or enrollment, requiring an interim report on whether a school is meeting certain accreditor standards, or reaccrediting schools for a shorter amount of time (see fig. 3). Moreover, several of the accreditors we contacted noted that a key way they ensure newly applying schools meet minimum quality standards is to deny initial accreditation to any school that does not fully meet their standards. For example, national accreditors tend to have their own benchmarks to assess academic quality, which might include licensure exam pass rates for fields in which graduates must pass an exam to practice. If a school does not meet the standards developed by an accreditor for initial accreditation—including any academic quality standards, such as licensure exam pass rates—it could be denied initial accreditation.

[19]Accreditors must also report such sanctions, and provide summaries to the appropriate state licensing or authorizing agency. 20 U.S.C. § 1099b(a)(7) and (8). Specifically, accreditors must notify Education and the appropriate state licensing or authorizing agency of any final decision to place a school on probation; deny, withdraw, suspend, revoke, or terminate a school’s accreditation; or take other adverse action, as defined by the accrediting agency. 34 C.F.R. § 602.26(b). Accreditors must provide written notice to the public of such sanctions within 24 hours of its notice to the school. 34 C.F.R. § 602.26(c).

Figure 3: Range of Potential Actions Available to Accrediting Agencies



Source: GAO interviews with accrediting agencies and a review of accreditor documentation. | GAO-15-59

Education's Oversight of Schools and Accreditors

Oversight of Schools

Education oversees schools' compliance with federal student aid requirements in several ways, including by monitoring their financial activities and conducting in-depth reviews known as program reviews. For example, Education calculates the financial health of for-profit and nonprofit schools and provides additional oversight when a school's score falls below a certain level.[20] For a program review, Education assesses a school's compliance with relevant federal laws and regulations.[21] If a school has weak federal financial health indicators or significant findings on a program review, Education may take enforcement action against a school by requiring it to post a letter of credit to ensure it meets its financial obligations to the department or submit additional

[20]Education does not calculate financial health scores for public schools because it considers a public school to be financially responsible if its debts and liabilities are backed by the full faith and credit of the state or other government entity.

[21]Education conducts about 300 program reviews per year.

documentation, such as detailed student information, before receiving federal student aid funds. Education may also limit, suspend, or end the school's eligibility to participate in federal student aid programs. For example, Education terminates access to federal student aid when a school loses accreditation.

Education also collects information about student outcome characteristics that research has found can be related to academic quality, such as graduation, retention, and dropout rates, to provide information to the public. Education does not use these outcomes to regularly assess school compliance with federal student aid requirements.

Oversight of Accreditors

The Higher Education Act requires accrediting agencies to meet certain statutory recognition criteria and have certain operating procedures in order to be recognized by Education, and accrediting agencies must have their recognition renewed by Education at least every 5 years.[22] To recognize an accrediting agency, Education's Accreditation Group and the independent National Advisory Committee on Institutional Quality and Integrity (NACIQI), which advises the Secretary of Education on accreditation issues,[23] must:

- review and assess compliance with Education's recognition criteria, including accrediting agency standards, policies, and procedures in areas required by statute (as seen in fig. 4);[24]
- evaluate the extent to which an agency applies these standards, policies, and procedures when it accredits schools; and
- make a recommendation on whether and for how long the accreditor should be re-recognized to the Assistant Secretary for Postsecondary Education, or other official who is designated to make the final decision regarding recognition.

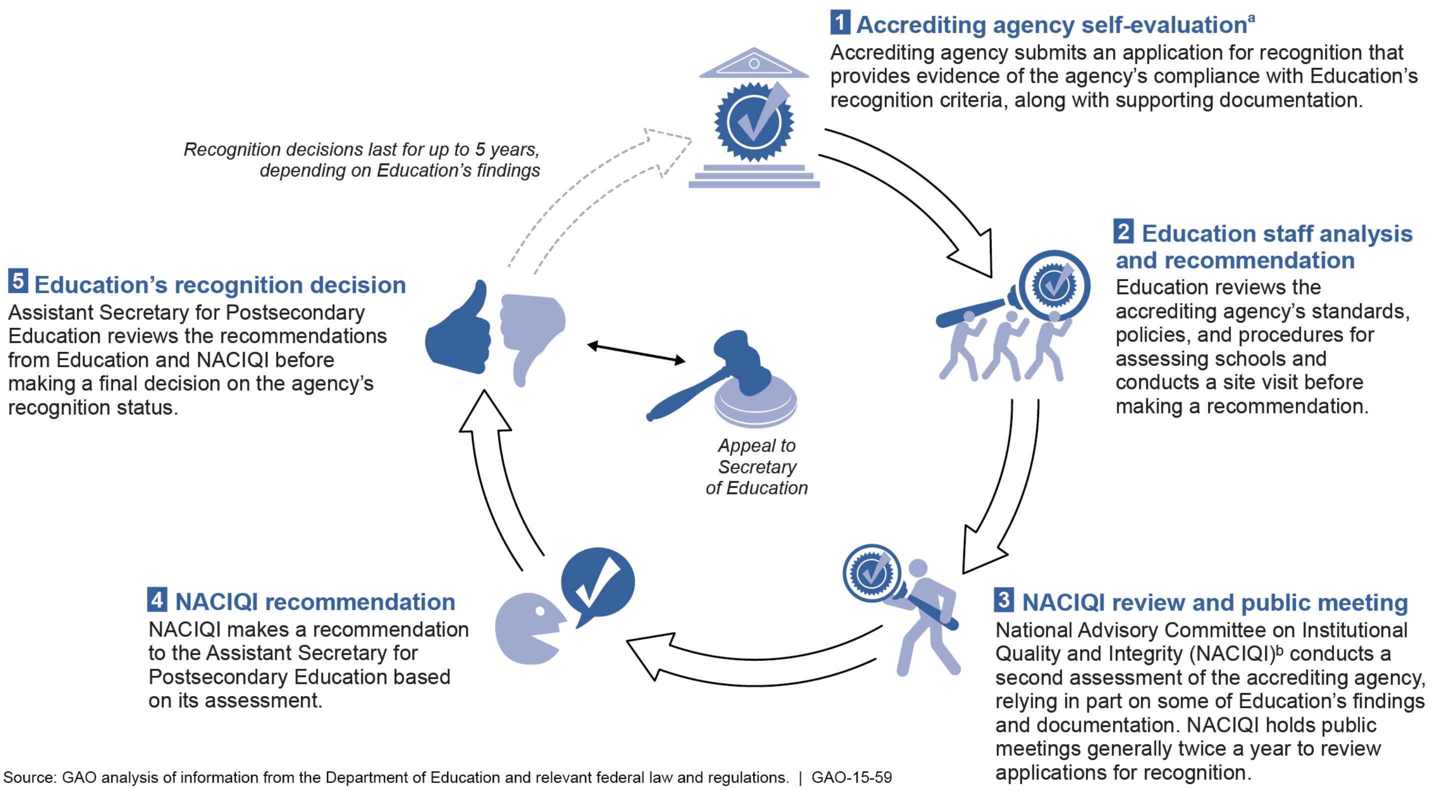
[22] 20 U.S.C. § 1099b(a), (c), and (d).

[23] NACIQI advises the Secretary of Education on matters related to postsecondary accreditation and the eligibility and certification process for postsecondary schools to participate in federal student aid programs. The House of Representatives, the Senate, and Education each appoint six of NACIQI's 18 members. NACIQI members are appointed on the basis of their technical qualifications, professional standing, and demonstrated knowledge in the fields of accreditation and administration in higher education. 20 U.S.C. § 1011c.

[24] See 20 U.S.C. § 1099b.

If Education has concerns regarding an agency's standards or application of them, the Assistant Secretary may choose to recognize the accrediting agency for a limited time, or reject the agency's application for recognition or re-recognition. Education is required to publish a list of accrediting agencies that the Secretary recognizes as reliable authorities on the quality of education or training provided by the schools they accredit.[25]

Figure 4: Education's Process for Recognizing Accrediting Agencies



Source: GAO analysis of information from the Department of Education and relevant federal law and regulations. | GAO-15-59

[a]Recognition Process: 34 C.F.R. Part 602, Subpart C.

[b]NACIQI advises the Secretary of Education on matters related to postsecondary accreditation and the eligibility and certification process for postsecondary schools to participate in federal student aid programs. The House of Representatives, the Senate, and Education each appoint six of NACIQI's 18 members. NACIQI members are appointed on the basis of their technical qualifications, professional standing, and demonstrated knowledge in the fields of accreditation and administration in higher education. 20 U.S.C. § 1011c.

[25]20 U.S.C. § 1001(c).

Accreditors Terminated the Accreditation of Less Than 1 Percent of Their Member Schools

Accreditors Rarely Terminated Accreditation, and More Frequently Issued Other Sanctions against Schools

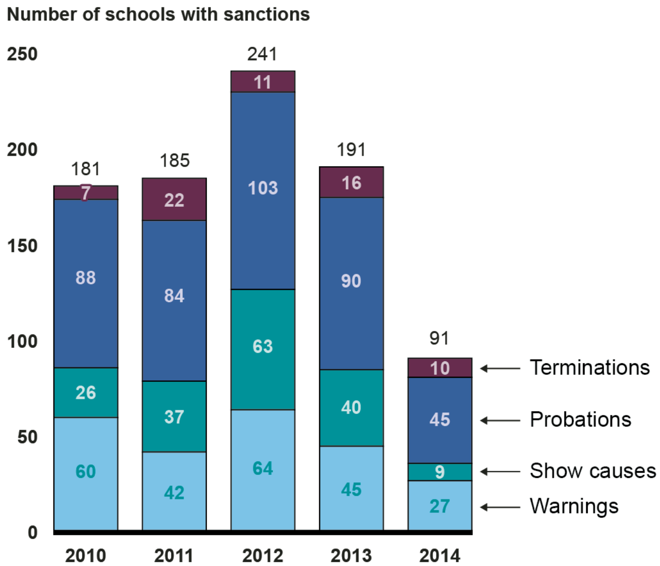
From October 2009 through March 2014, accreditors issued at least 984 sanctions against 621 schools—about 8 percent of member schools.[26] During this timeframe, accreditors terminated the accreditation of less than 1 percent of their member schools (66 schools) and placed about 4 percent (328 schools) on probation.[27] Accreditors sanctioned some schools more than once during our timeframe. For example, 45 of the 66 schools (68%) whose accreditation was terminated had received at least one prior sanction since the start of fiscal year 2010.[28] In addition, 74 of the 328 schools (23%) with a probation sanction received at least one other sanction during our timeframe. See figure 5 for information on the number and type of sanctions issued by fiscal year.

[26]We limited our review to accrediting agencies that accredit schools, including programmatic accreditors that accredit free-standing schools, as opposed to those that accredit programs within schools. We included all probations and terminations (both are required to be reported to Education), as well as show cause orders and warnings that accreditors voluntarily reported to Education. It is difficult to know how many schools were placed on show cause or warning overall because accreditors are not required to report these data to Education. We requested additional information on show cause orders and warning sanctions against member schools from accreditors that did not report these data to Education for fiscal years 2010, 2011, 2012, and 2013, and received responses from 27 of 31 accreditors. Based on these responses, we added an additional 90 show cause orders and 26 warning sanctions to our data set. We did not include sanctions that were continued, but not started, during our time frame. Overall, 8,187 schools were accredited at the time of our review, including both schools that were eligible to participate in federal student aid programs and those that were not eligible or that were eligible but not drawing down federal funds. These schools may have been receiving other forms of federal aid such as grants.

[27]According to our analysis, accreditors also issued show cause orders to at least 1.5 percent of member schools and warnings to over 2 percent.

[28]Of these, 34 had a prior probation sanction, nine had a prior show cause order, one had a prior show cause order and probation sanction, and one had prior warning and probation sanctions.

Figure 5: Number of Schools with Sanctions by Type of Sanction and Fiscal Year, October 2009 through March 2014



Source: GAO analysis of data from the Department of Education's accreditation database and followup with accreditors. | GAO-15-59

Notes: Any school could have received a sanction in more than one fiscal year and could have received more than one sanction within a given fiscal year. If a school was issued the same type of sanction more than once in a fiscal year, it is counted once for that type of sanction in this figure. The show cause orders and warnings depicted by this graph were voluntarily reported to Education or obtained from accreditors by GAO. Unlike terminations and probations, show cause orders and warnings are not required to be reported to Education. Show cause orders may indicate an accreditor will withdraw accreditation if a school cannot demonstrate why it should not be terminated.

Data for federal fiscal year 2014 cover the first half of the year—October 2013 through March 2014—which were the most recent available data at the time of our study.

In addition, the proportion of member schools that accreditors sanctioned varied. For example, two accreditors each sanctioned fewer than 2 percent of their member schools during our timeframe, compared to 41 percent for another accreditor. A representative from one accrediting agency explained that a key challenge for accreditors is grappling with competing expectations of accreditation. The representative noted that there is a general view by policy makers and those who influence policy that accreditors do not terminate accreditation enough. However, if an accreditor does terminate a particular school's accreditation, she said there may be significant negative reaction from the public in the affected region, and a view that the accreditor is being too punitive.[29]

Accreditors Sanctioned For-Profit, Public, and Nonprofit Schools

Sanctions by School Characteristics

Accreditors issued sanctions to for-profit, public, and nonprofit schools with various program lengths and enrollment. Accreditors issued terminations and probations mainly to for-profit schools whose longest programs were 2 years or less, and which enrolled fewer than 1,000 students (see fig. 6).[30] Over 80 percent of terminated schools and 63 percent of schools placed on probation were for-profits, even though for-profit schools make up only about 38 percent of all schools participating in federal student aid programs.[31]

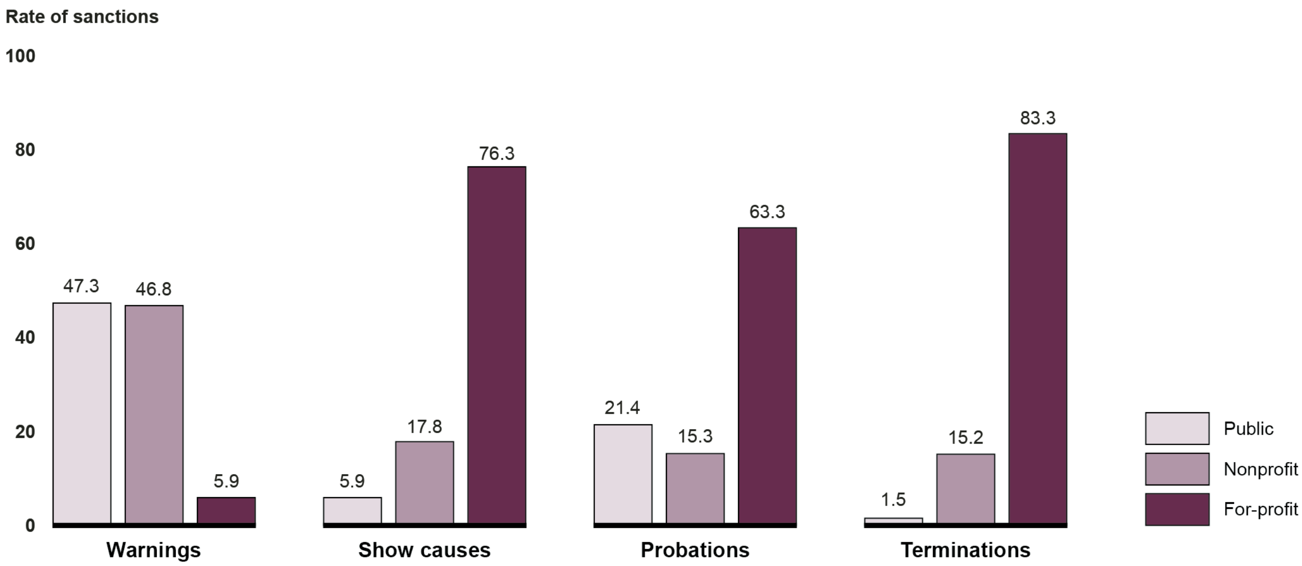
In contrast, accreditors mainly issued warnings to public schools whose longest programs were 2 years or nonprofit schools whose longest programs were 4 years or longer, both of which enrolled fewer than 5,000 students. Almost half of the 186 schools that received warning sanctions were public, although public schools make up about 32 percent of all schools participating in federal student aid programs (see fig. 6).

[29]Of the 38 accreditors we examined, over half (19) did not issue any formal sanctions during our timeframe. According to the accreditation database, these 19 agencies are generally programmatic accreditors that accredit about 5.6 percent of all of the accredited schools. They tend to accredit schools that are small and offer only one type of program (e.g., nursing programs).

[30]We focused on terminations and probations because accreditors are required to report these sanctions to Education.

[31]207 of the 327 schools with probations were for-profit schools and 55 of the 66 schools with terminations were for-profit schools. Show cause orders were also mainly issued to for-profit schools whose longest programs were 2 years or less and which enrolled fewer than 1,000 students.

Figure 6: Sanctions against Schools (percent) by School Type, October 2009 through March 2014



Source: GAO analysis of data from the Department of Education's Integrated Postsecondary Education Data System (IPEDS) database. | GAO-15-59

Note: Percentages may not add to 100 because of rounding. The show cause orders and warnings depicted by this graph were voluntarily reported to Education or obtained from accreditors by GAO. Unlike terminations and probations, show cause orders and warnings are not required to be reported to Education. Show cause orders may indicate an accreditor will withdraw accreditation if a school cannot demonstrate why it should not be terminated.

There were also variations in some of the student characteristics at schools with different types of sanctions. For example, terminated schools had fewer students and a smaller proportion of part-time students compared to schools with probations, show cause orders, and warning sanctions and to all schools participating in federal student aid programs. Terminated schools also had a larger proportion of students receiving Pell grants compared to schools issued other sanctions, and to all other schools. In contrast, schools with warnings tended to have more students, a higher proportion of part-time students, and a lower proportion of students receiving Pell grants, compared to schools receiving other sanctions, and to all schools participating in federal student aid programs.[32]

Sanctions by Type of Accreditor

National accreditors and regional accreditors each sanctioned about 8 percent of their member schools during our timeframe. National accreditors were more likely to issue probations and regional accreditors were more likely to issue warnings compared to other types of sanctions.

In Fiscal Year 2012, Accreditors Most Frequently Issued Terminations or Probations to Schools that Did Not Meet Accreditor Standards on Financial Capability

Reasons for Accreditor Sanctions

In fiscal year 2012, accreditors most frequently issued terminations and probations to schools for not meeting accreditation standards on financial capability (62 and 58 percent of these sanctions, respectively)—such as not appropriately demonstrating that the financial structure of the school was sound.[33,34]

[32]An exception to this was schools with probations, which had a higher proportion of part-time students than schools with warnings. Pell grants primarily benefit low-income students, indicating that schools that received warnings, as opposed to terminations, had a higher-income student body. GAO, *Higher Education: Improved Tax Information Could Help Families Pay for College*, GAO-12-560 (Washington, D.C.: May 18, 2012).

[33]We reviewed fiscal year 2012 sanctions because this was the most recent full year of data available when we began our detailed review of all accreditor notification letters to schools to determine the reason(s) for each sanction. Our analysis of all terminations and probations is based on 26 schools that had their accreditation revoked and 101 schools that were placed on probation in fiscal year 2012. Five of these schools received both a probation and a termination during this time. See appendix I for a detailed discussion of our methodology. Accreditor standards for academic quality and financial capability are different from the information collected by Education on student outcome and financial characteristics.

[34]In the sample of 10 show cause orders and 10 warnings that we reviewed, show cause orders were also most frequently issued for reasons of financial capability. In contrast, the warnings were most frequently issued for academic quality reasons—such as failing to comply with educational objectives or to measure student learning outcomes. Accreditors also frequently issued probations for reasons related to academic quality and governance.

Reasons for Accreditor Sanctions

Academic quality: issues with student achievement in relation to the mission and curricula, or other student outcomes.

Administrative capability: issues such as those related to facilities, supplies, and administrative capability.

Financial capability: issues with financial capability and compliance with federal student aid responsibilities.

Integrity: fraud or misrepresentation.

Governance: issues with division of responsibility, such as between the Board and a college president.

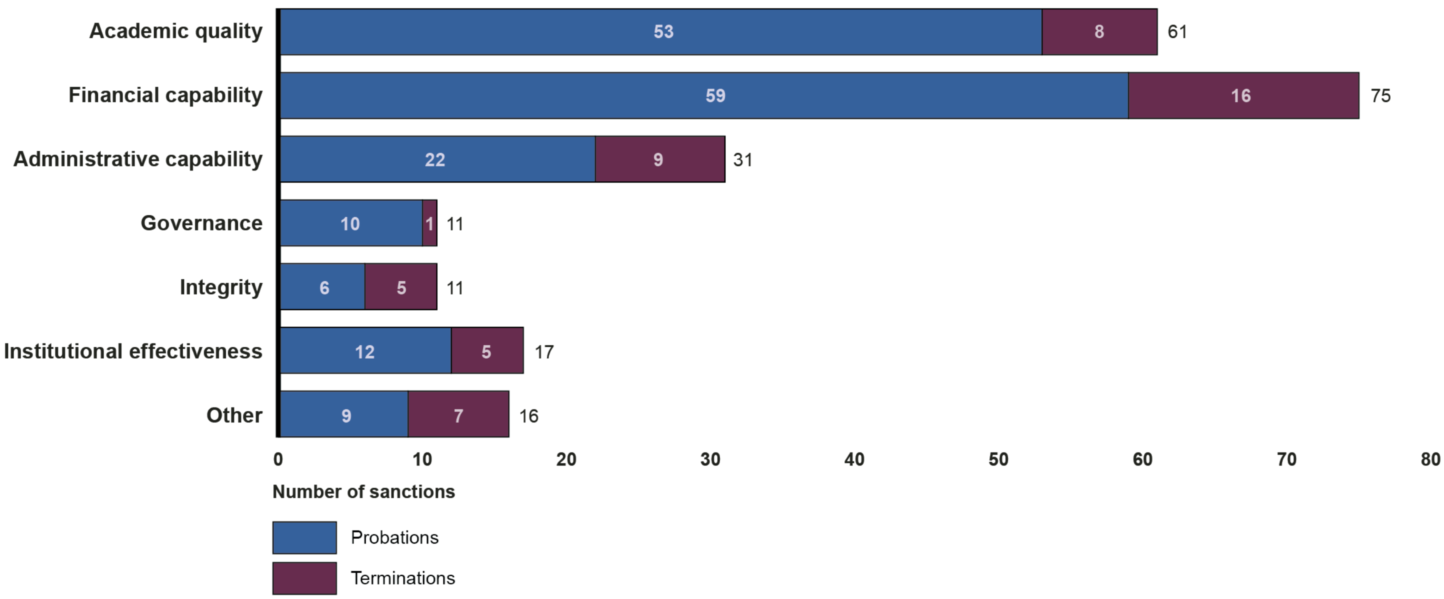
Institutional Effectiveness: issues related to long-term plans for assessing learning and academic achievement.

Other: other issues that do not fall into the categories noted above.

Source: GAO analysis of information from accreditors and Education. | GAO-15-59

See figure 7 for the number of terminations and probations issued for each type of reason. According to an accreditor we spoke with, regional accreditors are more likely than national accreditors to have a governance standard, to ensure the appropriate division of responsibility between the Board and faculty at public schools. Refer to side-bar for additional information about the reasons for accreditor actions.

Figure 7: Number of Terminations and Probations Issued by Reason for Sanctions, Based on GAO's Review of Accreditor Standards and Reasons Analysis, Fiscal Year 2012



Source: GAO analysis of data from the Department of Education's accreditation database and from accreditor notification letters. | GAO-15-59

Note: This figure includes all terminations and probations taken during fiscal year 2012. The count of the reasons for sanctions does not add up to the total number of sanctions because sanctions could be taken for more than one reason. Of the 127 terminations and probations we reviewed, 44 were taken for multiple reasons and we counted each reason (e.g., 3 sanctions were taken for 6 reasons each). The reasons are based on our review of accreditor standard areas. Accreditor standards for assessing academic quality and financial capability are different from the information collected by Education on student outcome and financial characteristics.

Reasons by Type of Accreditor

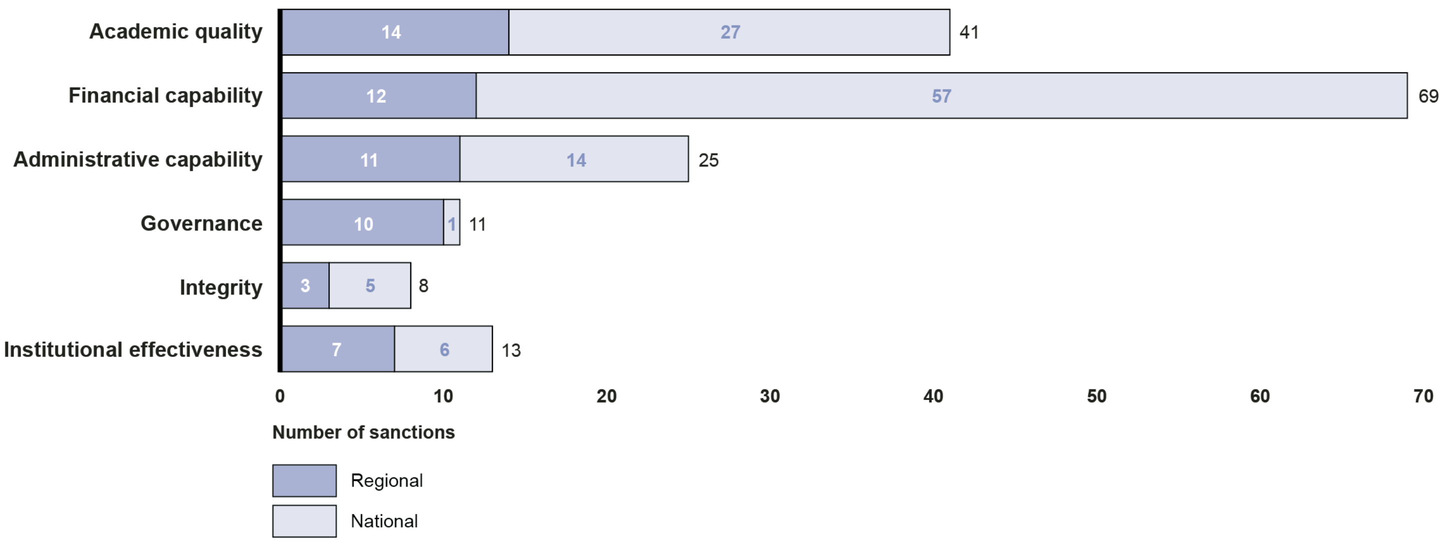
The reasons cited for terminations and probations varied by type of accreditor.[35] Consistent with our overall analysis of reasons across all types of accreditors, national accreditors more frequently issued sanctions to schools that did not meet accreditors' financial capability standards, compared to other reasons (see fig. 8).[36] For example, one national accreditor terminated the accreditation of a school because it did not appropriately demonstrate that its financial structure was sound. In

[35]We only included terminations and probations in this analysis, since we did not have the full universe of show cause orders and warnings, which accreditors are not required to report to Education.

[36]Programmatic accreditors issued most of their sanctions for reasons of academic quality or administrative or financial capability.

contrast, regional accreditors most frequently issued sanctions to schools that did not meet accreditors' academic quality capability standards, followed by financial and administrative capability.

Figure 8: Number of Terminations and Probations Issued by Type of Accreditor and Reason for Sanction Based on GAO's Review of Accreditor Standards and Reasons Analysis, Fiscal Year 2012



Source: GAO analysis of data from the Department of Education's accreditation database and from accreditor notification letters. | GAO-15-59

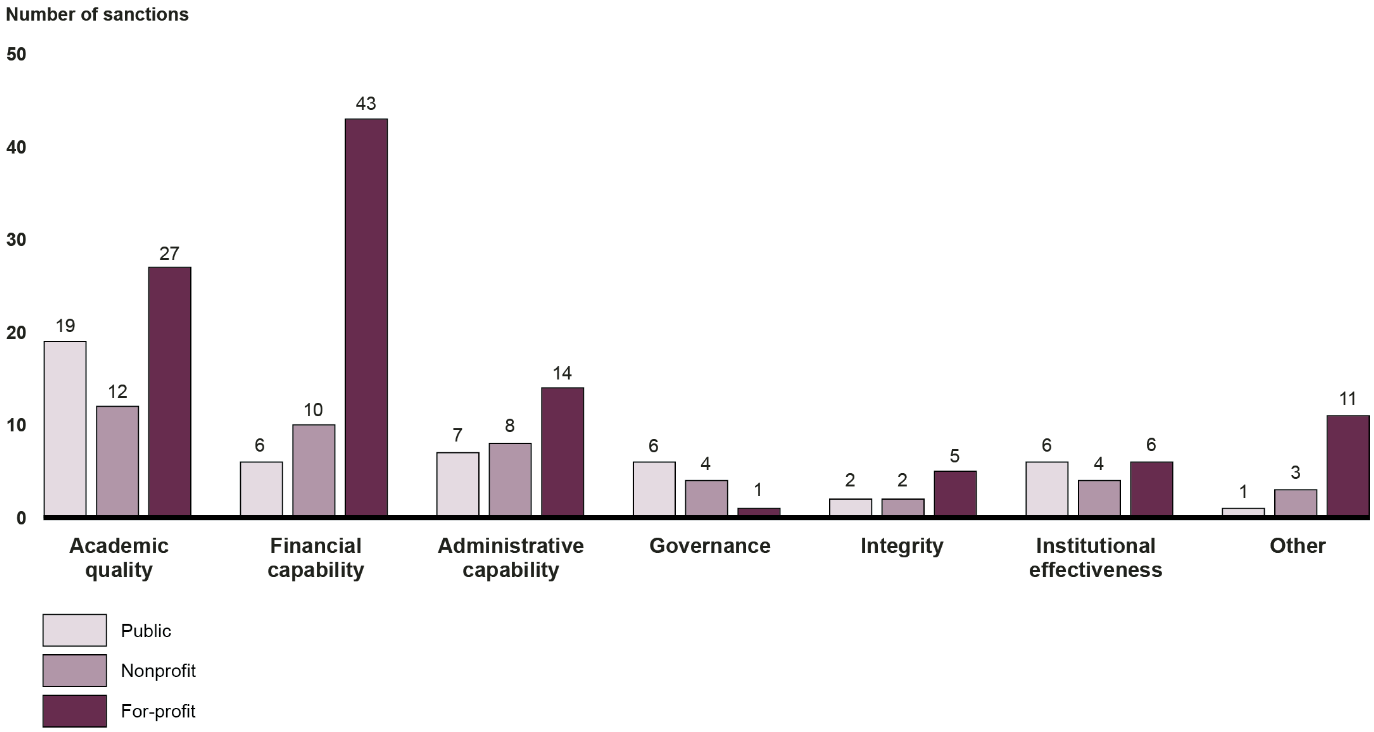
Note: Any sanction could have been taken for more than one reason. This figure excludes terminations and probations taken by programmatic accreditors. At the time of our review, regional accreditors had 3,134 member schools in total, and national accreditors had 3,719. Accreditor standards for assessing academic quality and financial capability are different from the information collected by Education on student outcome and financial characteristics.

Reasons by School Characteristics

Reasons for accreditor sanctions varied by the type of accredited school. For-profit schools received the highest proportion of sanctions for reasons related to financial capability (43 of 104) from their accreditors. In contrast, public and nonprofit schools received the highest proportion of sanctions for academic quality reasons (19 of 47 and 12 of 43) (see fig. 9).[37]

[37]Our analysis of school and student characteristics includes all of the schools in the reasons analysis (142) that we were able to link to IPEDS for each given variable (the number of schools for a given variable ranged from 99 to 119). As a result, the universe for schools with sanctions for each variable is based on the number of schools that had a value for that variable. A single sanction can be issued for more than one reason.

Figure 9: Number of Terminations and Probations Issued by Type of School and Reason for Sanction, Fiscal Year 2012



Source: GAO analysis of data from the Department of Education's accreditation database, accreditor notification letters, and from the Integrated Postsecondary Education Data System. | GAO-15-59

Note: The "other" category covers reasons that did not fit into the existing categories, such as findings by the accreditor that the school was not following applicable federal or state laws.

Reasons for accreditor sanctions also varied for combinations of school type and program length. For example, for-profit schools with programs of 2 years or less were most frequently sanctioned for reasons related to financial capability, while nonprofit schools with programs of 2 years or less were most frequently cited for academic quality. Accreditors also most frequently cited academic quality reasons for for-profit schools with programs of 4 years or longer, but at nonprofit schools with programs that lasted more than 4 years, accreditors most frequently cited financial capability issues. All public schools, regardless of size, were most frequently cited for academic quality as the reason for sanctions. Financial capability may be less of an issue for public schools because they receive state and local funding.

See appendix II for additional data on selected characteristics of schools and the students at schools with sanctions.

Accreditors Were No More Likely to Sanction Schools with Weaker Student Outcomes Than Those with Stronger Outcome Characteristics

Overall, Accreditors Were No More Likely to Issue Terminations or Probations to Schools with Weaker Student Outcomes Than Those with Stronger Outcomes

We found that, on average, accreditors were no more likely to issue terminations or probations to schools with weaker student outcomes compared to schools with stronger student outcomes from October 2009 through March 2014, as seen in table 2 below. This held true for one combined indicator incorporating all of the student outcome characteristics we reviewed, as well as for most of the individual characteristics we examined. (The sidebar describes the student outcome characteristics we examined.)[38] Regional accreditors, however, were more likely to issue terminations or probations to schools with weaker outcomes on the combined indicator. (See appendix I for additional details on this analysis and appendix III for additional information on accreditor sanctions associated with student outcomes.)

[38]Because program review findings could reflect either student outcome or financial characteristics of schools, we included this variable in both the student outcome and financial characteristics analyses.

Selected Student Outcome Characteristics:

- **Three-Year Cohort Default Rate:** the percent of borrowers in default 3 years after entering repayment status. Education views this characteristic as an indicator of academic quality at schools, since students who received a lower quality education may be less likely to have adequate income to repay their loans.
- **Forbearance Rate:** the percent of borrowers in forbearance (and therefore not repaying their loans on a temporary basis) during the official cohort default period. Education views this characteristic as an indicator of academic quality at schools, since students who received a lower quality education may be less likely to have adequate income to repay their loans.
- **Graduation Rate:** the percent of first-time full-time degree/certificate-seeking undergraduate students who complete a program within 150 percent of the program length. A low graduation rate may indicate a lack of academic quality.
- **Dropout Rate:** the percent of students who left school during a particular year, but did not graduate. A high dropout rate may indicate a lack of academic quality.
- **Retention Rate:** the percent of first-time degree/certificate-seeking students who enrolled in one fall and either successfully completed their program or re-enrolled in the next fall. A low retention rate may indicate a lack of academic quality.
- **Increases in Federal Student Aid:** annual growth in federal student aid volume, which may indicate in extreme cases that growth may be too rapid to maintain academic and administrative services needed to adequately support students.
- **Number of Program Review Findings:** the number of findings at schools selected by Education for in-depth review due to the presence of certain risk factors, and the number of issues found in those reviews.

Source: GAO analysis of information on selected student characteristics collected by Education. | GAO-15-59

Table 2: Likelihood of Termination or Probation for Schools with Weaker vs. Stronger Overall Student Outcome Characteristics, by Type of Accreditor, October 2009 through March 2014

Was there a significant difference in accreditors' responses to weaker and stronger student outcomes at schools?	Nonprofit and for-profit schools	Public schools
All Accreditors	No	No
Regional accreditors	Yes	Yes
National accreditors	No	NA[a]

Source: GAO analysis of school-level student outcome characteristics collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to concurrently examine accreditors' likelihood of sanctioning schools with weaker versus stronger student outcomes across one combined indicator incorporating a range of related student outcome characteristics."Yes" indicates a statistically significant difference in the likelihood of termination or probation between schools in the top and bottom 25 percent of the distribution of combined scores. For regional accreditors of nonprofit and for-profit schools, the difference was significant at the 90 percent confidence level, while the other differences were all significant at the 95 percent confidence level.

[a]Because of sample size limitations, the results of for-profit and nonprofit schools could not be separated and we could not analyze nationally accredited public schools as its own group.

We also examined how likely accreditors were to issue terminations or probations to schools with weaker student outcomes for each individual characteristic we considered. The results of this outcome-by-outcome analysis also suggest that, on average, accreditors were not more likely to issue terminations or probations to schools with weaker student outcome characteristics collected by Education than those with stronger outcomes, with the exception of default rates (see table 3). For instance, national accreditors did not issue terminations or probations to schools with low graduation rates at a higher rate than schools with high graduation rates. Regional accreditors, on the other hand, were more likely to do so for most of the student outcome characteristics we examined, as seen in table 3. Accounting for relevant differences across schools' student bodies–such as the percentage of students who were low-income, Black, Hispanic, over the age of 25, or attending school part time—did not affect the association between each outcome we analyzed and the chance of a termination or probation.

Although accreditors are required by law to have standards in academic and financial areas, among others, they are not required to use the student outcome characteristics that we selected to assess school academic quality, or to sanction members with weaker outcomes. Some accreditors do examine school student-level outcomes as benchmarks to determine whether their member schools are providing quality education, but would not necessarily sanction or revoke the accreditation of a school for not meeting these benchmarks.[39]

Table 3: Likelihood of Termination or Probation for Schools with Weaker vs. Stronger Individual Student Outcome Characteristics, by Type of Accreditor, October 2009 through March 2014

	Was there a significant difference in accreditors' responses to weaker and stronger student outcomes[a] at schools?				
	Default Rate	**Graduation Rate**	**Dropout Rate**	**Retention Rate**	**Forbearance Rate**
Overall	Yes	No	No	No	No
Regional accreditors	Yes	Yes	Yes	Yes	No
National accreditors	No	No	No	No	No

Source: GAO analysis of school-level student outcome characteristics collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker student outcome characteristics, compared to schools with stronger outcomes, for each individual outcome. Schools with weaker student outcomes were considered to be those in the bottom vs. the top for each characteristic (those in the 1st vs. 99th percentile and 5th vs. 95th percentile). "Yes" indicates that the difference between the 1st and 99th percentiles and/or 5th and 95th percentiles was statistically significant at the 95 percent confidence level. All comparisons were significant for the 1st and 99th percentiles as well as for the 5th and 95th percentiles, with the exception of default rate for regional accreditors, which was only significant when comparing the 5th and 95th percentiles.

[a]Default rate indicates the percent of borrowers who entered repayment in fiscal 2009 or 2010 and were in default as of the end of the second following fiscal year; graduation rates reported to IPEDS in 2011 and 2012 are for first-time full-time degree/certificate-seeking undergraduate students that completed their degree within 150 percent of the expected time; dropout rate indicates the total number of withdrawals reported by each school during a particular year divided by the total number of graduates plus withdrawals reported to the National Student Loan Data System for that year for award years 2008-2009 through 2012-2013; retention rate indicates the percent of first-time degree/certificate-seeking students who enrolled in the previous fall and either successfully completed their program or re-enrolled in the next fall as reported to IPEDS in the fall of 2010 and 2011; and forbearance rate indicates the percent of borrowers who entered repayment status in fiscal year 2009 and 2010 and were in forbearance as of the end of the following fiscal year.

Because the graduation rate collected by Education is limited to first-time full-time degree/certificate-seeking undergraduate students, we also estimated accreditors' likelihood of sanctioning schools with higher

[39]For example, one accreditor noted that it takes an array of monitoring and reporting actions and sanctions with respect to below-benchmark student outcomes, and that it allows institutions an opportunity to demonstrate the success of its students in a program with below benchmark rates based on various factors such as the school's ability to remedy its deficiencies.

dropout rates.[40] Similar to the results of our graduation rate analysis, we found that national accreditors were not more likely to issue terminations or probations to schools with higher dropout rates than those with lower dropout rates. In contrast, regional accreditors were more likely to issue terminations or probations to schools with higher dropout rates (see table 3 above).

Our findings suggest that terminations and probations issued by national accreditors may not focus on schools with weaker student outcomes that are collected by Education, although national accreditors often establish their own quantitative student outcome standards for member schools.[41] Conversely, while regional accreditors typically rely on member schools to determine their own standards of academic quality rather than establishing quantitative student outcome standards, their terminations and probations appear to more consistently focus on schools with weaker student outcomes.[42] Accreditors are not required to use information on student outcomes collected by Education to assess the academic quality of schools, and no single outcome can be used to fully examine something as complex as educational quality. However, prior research and experts in the field of postsecondary education have reported that assessing multiple student outcomes (e.g., graduation rates and student loan default rates) could shed light on the quality of education provided by schools.

There are various factors that may help account for our findings:

- Limitations in currently available information on student outcome characteristics at schools, which make certain characteristics less

[40]Specifically, Education excludes part-time and returning students from its graduation rate calculations. Therefore, these calculations may not adequately reflect student outcomes at schools serving a high proportion of non-traditional students. Our dropout rate calculation includes the total number of withdrawals reported by each school during a particular award year divided by the total number of graduates plus withdrawals reported for that year. The dropout rate includes both part-time and returning students, and excludes students who do not receive federal student aid.

[41]For example, one major national accrediting agency requires each program at accredited schools to have graduation and job placement rates not less than one standard deviation below the mean for comparable programs.

[42]While accreditors may use school-developed standards to demonstrate student success, Education requires accreditors using such standards to have mechanisms in place to assess those standards.

useful in evaluating the academic quality at some types of schools. For instance, community colleges typically serve a high proportion of part-time and returning students, but these students are not included in official graduation rate statistics. In addition, accreditors may review different outcomes, such as job placement rates, that are not captured by Education.[43] Further, some accreditors require schools to have their own processes in place to assess student outcomes. In general, accreditors noted more challenges in monitoring schools' academic quality than their financial stability due to limitations in currently available information on academic quality.

- The difficulty of comparing actions other than sanctions. For example, accreditors may provide oversight in other ways than issuing sanctions, such as conducting frequent monitoring. An official from an association representing accrediting agencies noted that one explanation for a low rate of sanction taking may be that some accreditors would work with a school to improve the quality of its academic programs rather than apply sanctions. In addition, a representative from one regional accreditor noted that its oversight of currently accredited member schools seeking reaffirmation of their accreditation is based on school-wide information and analysis that goes beyond a set of outcomes and they are aware of the contextual details that would allow them to determine if a sanction is needed.

See appendix III for additional findings on how the likelihood of probation or termination is associated with selected student outcome characteristics at schools.

Accreditors are required under the Higher Education Act to consider student achievement in their assessments of academic quality, but they do not have to use information collected by Education on student outcomes to do so, and the information they use may differ from Education's.[44] The ways accreditors assess student outcomes and

[43]For information on state licensing and job placement rates by school sector, see GAO, *Postsecondary Education: Student Outcomes Vary at For-Profit, Nonprofit, and Public Schools,* GAO-12-143 (Washington, D.C.: December 2011).

[44]The Higher Education Act specifically requires accreditors to assess schools' success with respect to student achievement in relation to the school's mission. These assessments may include different standards for different schools or programs, as established by the school, including, as appropriate, consideration of course completion, state licensing examination, and job placement rates. 20 U.S.C. § 1099b(a)(5)(A).

academic quality vary widely.[45] For example, some accreditors use graduation rates—one of the student characteristics of schools that is collected by Education—while others have more qualitative standards such as whether a school is evaluating success with respect to its mission. However, in order for an accreditor to be recognized, Education must determine that its standards are effective in ensuring that the education schools offer is of sufficient quality to achieve the stated objective.[46]

In addition, accreditors we spoke with said that their goal for schools is the same as Education's—to ensure student achievement.[47] While the federally available information on student outcomes that we used in our analysis has limitations and may vary from what is used by accreditors, it nonetheless provides important information about student achievement among accreditors' member schools.

Our analysis raises questions about whether the standards accreditors currently use ensure that schools provide a quality education, and whether Education is effectively determining if these standards ensure educational quality.. Consequently, schools that do not provide a quality education may be allowed access to federal student aid funds. Federal internal control standards require agencies to assess risk, including risk from external parties, and establish procedures to safeguard federal funds.[48] Identifying ways to strengthen their assessment of the effectiveness of accreditor standards could help Education to protect the billions of dollars of federal student aid funds that the department distributes each year.

[45]Accreditor standards may vary in part because they reflect the diverse missions of the schools that accreditors oversee, which can range from small vocational schools to large research universities.

[46]20 U.S.C. § 1099b(a)(4)(A) and 34 C.F.R. § 602.16(a).

[47]One accreditor also noted that accreditors have additional goals, such as ensuring the institutions operate with integrity and have the resources needed to ensure stability and provide a quality education.

[48]GAO/AIMD-00-21.3.1.

Overall, Accreditors Were More Likely to Issue Terminations or Probations to Schools with Weaker Financial Characteristics than to Their Peers with Stronger Characteristics

We found that, on average, accreditors were more likely to issue terminations or probations to schools with weaker financial characteristics compared to schools with stronger characteristics from October 2009 through March 2014 (see table 4). National and regional accreditors were also more likely to sanction schools with weaker financial characteristics than those with stronger ones on our one combined indicator for financial responsibility (see sidebar for a description of the characteristics examined).[49] (See appendix I for additional details on this analysis and appendix IV for additional findings on how accreditor sanctions are associated with the financial characteristics of schools.)

Selected Financial Characteristics:

- **Financial Health Scores:** annual Education calculation of the financial health of for-profit and nonprofit schools using three ratios that capture different aspects of a school's overall financial health.
- **Program Reviews**: schools selected by Education for in-depth review due to the presence of certain risk factors, many of which are financial, and the number of issues found in those reviews.
- **Other Education Sanctions:** schools sanctioned by Education for issues regarding the administration of federal student aid funds, which may relate to financial health and problems with a school's financial stability. Sanctions may include heightened cash monitoring (requiring schools to disburse federal student aid funds before receiving funds) or a letter of credit (an assurance that financial obligations to Education would be met in the event of school closure).
- **Decreases in Federal Student Aid:** sharp declines in annual federal student aid volume may indicate financial instability for a school.
- **90/10 Ratio:** for-profit schools must report the percentage of their total revenues obtained from federal student aid funds (referred to as the 90/10 rate). A high 90/10 ratio indicates high reliance on federal student aid funds and risk of non-compliance with a requirement that a for-profit school must obtain at least 10 percent of its revenue from non-Title IV sources. This could also indicate that a school is having difficulty obtaining other sources of funds and financial instability.

Source: GAO analysis of information on selected financial characteristics collected by Education. | GAO-15-59

Table 4: Likelihood of Termination or Probation for Schools with Weaker vs. Stronger Overall Financial Characteristics, by Type of Accreditor, October 2009 through March 2014

Was there a significant difference in accreditors' responses to weaker and stronger financial characteristics at schools?	
All accreditors	Yes
Regional accreditors	Yes
National accreditors	Yes

Source: GAO analysis of financial characteristics information collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us concurrently to examine accreditors' likelihood of sanctioning schools with weaker versus stronger financial characteristics across one combined indicator incorporating a range of related financial characteristics. "Yes" indicates a statistically significant difference at the 95th percent confidence level in the likelihood of termination or probation between schools in the top and bottom 25th percent of the distribution of combined scores.

This analysis is restricted to nonprofit and for-profit schools. Because Education does not measure the financial health of public schools, as they rely, in large part, on state and local funding, we did not include them in our review of this characteristic.

Our analysis produced similar findings when we separately examined accreditors' likelihood of sanctioning schools with weaker individual financial characteristics for each characteristic we considered. For instance, both national and regional accreditors were more likely to

[49] We used the same statistical technique to compare the results for schools across a range of related financial characteristics concurrently as we used to compare student characteristics. We analyzed whether or not a school received a termination or probation from at least one accreditor from October 1, 2009 through March 31, 2014. Because Education does not measure the financial health of public schools, as they rely, in large part, on state and local funding, we did not include them in our review of this characteristic.

sanction member schools with low financial health scores than those with high scores, as seen in table 5 below.[50]

Table 5: Likelihood of Termination or Probation for Schools with Weaker vs. Stronger Individual Financial Characteristics, by Type of Accreditor, October 2009 through March 2014

	Was there a significant difference in accreditors' responses to weaker and stronger financial characteristics[a] at schools?			
	Financial Health Score[b]	**Program review by Education**	**Number of Education program review findings related to financial health**	**Sanctioned by Education for financial risk**
Overall	Yes	Yes	Yes	Yes
Regional accreditors	Yes	Yes	Yes	Yes
National accreditors	Yes	Yes	Yes	Yes

Source: GAO analysis of financial characteristics information collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual financial characteristics, compared to schools with stronger characteristics. Schools with weaker financial characteristics were considered to be those in the bottom vs. the top for each characteristic (those in the 1st vs. 99th percentile and 5th vs. 95th percentile). "Yes" indicates that the difference between the 1st and 99th percentiles and 5th and 95th percentiles was statistically significant at the 95 percent confidence level.

[a]Financial health score refers to a school's fiscal year 2010 and 2011 financial composite score, which is calculated by Education using three key financial ratios measuring different aspects of a school's financial health; program review by Education refers to whether a school had at least one program review initiated in fiscal years 2011 or 2012 by Education; and sanctioned by Education indicates that a school was on heightened cash monitoring (requiring schools to disburse federal student aid funds before receiving funds), was required to have a letter of credit (an assurance that financial obligations to Education would be met in the event of a school closure), and/or had a program review with at least one finding in fiscal years 2011 or 2012.

[b]Because Education does not measure the financial health of public schools, as they rely, in large part, on state and local funding, we did not include them in our review of this characteristic.

Our findings suggest that both national and regional accreditors focused their sanctions on schools with weaker financial characteristics. The challenges associated with making judgments about academic quality, described above, may exist to a lesser extent in assessing schools' financial health, due to the availability of more widely accepted indicators of financial health, and the difficulties associated with assessing

[50]There were no significant differences in sanctions by accreditors based on a school's outcome on the 90/10 ratio. For changes in federal student aid, schools with the biggest and smallest increases were more likely to be sanctioned by accreditors than those in the middle (99th and 95th percentile vs. 50th percentile and 1st and 5th percentile vs. 50th percentile, respectively).

academic quality, as reported by accreditors we spoke with. In addition, our findings suggest that accreditors may be more likely to accredit schools that have stronger financial characteristics, even if they have weaker student outcomes. Representatives of both regional and national accreditors noted that they had strong, regular procedures for assessing schools' financial health, such as reviewing schools' annual financial statements and requesting additional reporting from schools with problematic financial conditions. For instance, representatives of one national accreditor noted that they have a full-time financial analyst on staff who examines schools' financial stability, and a financial review committee comprised of various financial experts who may require financial improvement plans for schools with problematic financial situations. They also noted that they place schools identified by Education as having financial problems on a watch list. Another accreditor described routine financial monitoring activities including reviewing annual audited financial statements and "red flags" that may trigger additional monitoring and reporting requirements, such as interim reports or site visits to schools. These include declining cash flow or financial health scores, among other information.

See appendix IV for additional findings on how the likelihood of a probation or termination is associated with various financial characteristics at schools.

Education Does Not Systematically Use Information on Accreditor Sanctions to Oversee Schools and Accrediting Agencies

Education Staff Do Not Consistently Review and Respond to Accreditor Sanctions

Education staff review accreditor sanction information and record their response to sanctions on an inconsistent basis, and existing guidance for Education staff on how to respond is unclear. Accreditor sanctions are an important information source about accreditor oversight of schools participating in federal student aid programs. Furthermore, the sanctions may provide information on potential noncompliance with federal student aid requirements.

Inconsistent Review of Sanction Information

According to Education officials, Education directors who oversee schools typically forward copies of accreditor sanctions to their staff who are responsible for assuring that schools comply with federal student aid requirements. However, based on our review of a sample of 10 accreditor sanctions from fiscal year 2012 and interviews with Education officials who oversee schools, we found that Education did not consistently provide its analysts with these sanction notices.[51] In three of our 10 selected cases, Education had received a copy of the sanction from the accreditor, but officials had no record that the analyst responsible for providing oversight of the relevant school ever received it.[52] The three sanctions cited failure to comply with accreditor standards in numerous areas including, respectively, financial practices and management; school integrity and quality of administrative officers; and financial resources, financial stability, and federal student aid program responsibilities. These issues could warrant further review from Education staff who oversee schools. For example, a school whose administrative officers do not meet accreditor standards may have trouble overseeing federal student aid funds. Education collects and archives sanction information it receives from accreditors in its accreditation database, and also maintains some accreditor sanction information in two other databases—an archival database and one related to grants management. However, Education officials we interviewed who oversee schools told us they do not access sanction information from these databases, which serve purposes not related to the ongoing oversight of schools participating in federal student aid programs. Analysts who oversee schools generally rely instead on their own working database, PEPS, for oversight information, but sanction

[51]We selected these sanctions in part because they indicated potential federal student aid concerns. While in three cases there was no indication of monitoring by Education, records showed that Education took monitoring or enforcement action in the other seven cases.

[52]In the other seven cases, Education was able to provide us with documentation indicating that the analyst who oversaw those schools had received information about the respective accreditor sanction.

information is not stored in this database.[53] Currently, analysts rely on their directors for distribution of sanction information, but they do not always receive such information, as we found in three of the ten cases we reviewed, described above. Officials who oversee the three schools also did not report checking any of the databases discussed above for this information.

Information about sanctions may not be provided to analysts for review in some cases due to inconsistent information-sharing practices across Education's eight regional divisions that provide oversight of schools that participate in federal student aid programs. Education officials we spoke with who oversee schools said that division directors are the key recipients of accreditor sanctions within the regional divisions, and that they should generally forward these sanctions to analysts responsible for overseeing the sanctioned schools. One division director we spoke with said she always did so, but an official from another division said her director would not necessarily forward a sanction if immediate action did not appear to be required. These inconsistencies in Education's practices in providing accreditor sanctions to analysts for review may hinder its ability to monitor schools with accreditor sanctions. Moreover, even if it appeared that an action was not required by Education at the time a division director received a notification, this sanction information could still help inform the analyst overseeing the school about possible future actions. Federal internal control standards note that agencies should have relevant, reliable, and timely communications about internal and external events.[54] Because it is not clear whether Education communicated information about accreditor actions to the responsible officials, its analysts may have missed a chance to identify and respond to issues that could affect the administration of federal student aid funds.

Inconsistent Recording of Sanction Review

Furthermore, even when they review sanction data, Education staff who oversee schools do not always record decisions they make in response to an accreditor sanction in their working database, PEPS. Analysts who

[53]As noted earlier, the PEPS database contains Education's oversight information of schools such as their eligibility for federal student aid programs and financial audit and student loan default rate data. Its purpose and users are completely separate from the accreditation database, mentioned above. The PEPS database contains limited information on accreditor sanctions that inform decisions by Education staff to take a specific monitoring or enforcement action against a school.

[54]GAO/AIMD-00-21.3.1.

oversee schools that participate in federal student aid programs use PEPS to track the overall compliance of these schools, but reported that they do not always record their reviews of accreditor sanctions in the database, particularly when no action is necessary. However, Education officials acknowledged that the sanction review decisions—even the decisions for no action—can be significant and useful to the ongoing oversight of schools. According to federal internal control standards, information should be recorded and communicated to management and others who need it in a form and within a timeframe that enables them to carry out their responsibilities.[55] By not recording its review of accreditor sanctions, Education limits its ability to systematically monitor schools with accreditation concerns.

For 36 of the 93 schools receiving federal student aid funds that were placed on probation by their accreditors in fiscal year 2012, we found no indication of follow-up activities by Education between the beginning of fiscal year 2012 and December 2013.[56,57] Not all accreditor sanctions require follow-up by Education, such as a sanction issued for failure to obtain student feedback. However, oversight actions by Education may be warranted if accreditor sanctions indicate potential federal student aid violations or other weaknesses affecting a school's ability to appropriately administer federal student aid programs. As discussed above, our review of 10 schools with fiscal year 2012 accreditor sanctions found three cases in which analysts had no record of accreditor sanctions that could indicate

[55] GAO/AIMD-00-21.3.1.

[56] The oversight activities for which we requested data from Education included program reviews, heightened cash monitoring, letter of credit requirements, and termination of access to federal student aid. Program reviews are reviews of schools' compliance with federal student aid standards. They may be initiated in response to potential performance problems or other risks exhibited by a school. Heightened cash monitoring may be imposed when schools have been determined not to be administering federal student aid appropriately. Schools on heightened cash monitoring are required to make federal student aid payments to students prior to: a) drawing down federal student aid funds, or b) submitting a request for reimbursement of those funds from Education. Schools that do not meet certain federal student aid requirements may also be required to post a letter of credit, which assures Education that funds would be available to make refunds to students, and pay obligations to the department and other expenses in the event that the school closed or ceased offering instruction.

[57] For 57 of the 93 sanctioned schools, Education records indicate that its analysts had undertaken some oversight action during this period. Education noted accreditation problems for 15 of the 93 schools that were receiving federal student aid funds and were placed on probation in fiscal year 2012.

a need for heightened federal student aid oversight. Because Education did not capture its decisions or the rationale for them in these cases, it is not possible to know if analysts did not review the cases at all, or if they reviewed them and determined that no action should be taken.

Not consistently reviewing and recording decisions in response to accreditor sanction data also limits Education's ability to systematically prioritize schools with accreditor sanctions for in-depth reviews (known as program reviews). The Higher Education Act requires that Education provide for the conduct of program reviews on a systematic basis, designed to include all schools participating in federal student aid programs. It provides that Education is to give priority to schools with certain specific risk factors, including those that have been reported to have deficiencies or financial aid problems by their accrediting agency.[58] While Education selects schools for program review on both a case-by-case basis and as part of an annual selection process, the inconsistencies in reviewing and recording sanction information described above make it difficult for Education to ensure that it is selecting schools for program review based on complete information. For example, when selecting schools on a case-by-case basis, Education uses a risk matrix that includes accreditor sanctions to determine if a program review is appropriate. However, officials who oversee schools do not always receive sanction notices, and thus are not always aware when a school has been sanctioned. As a result, officials would not be able to systematically prioritize schools with sanctions for program review. Moreover, officials further noted that they have not considered including accreditor sanctions as a factor in their annual program review planning efforts. These efforts involve ranking and selecting schools for program review by indicators that Education has determined to reflect a likelihood of noncompliance with financial aid requirements. Education has incorporated other risk factors listed in law into this analysis but officials indicated that it has not used accreditor sanctions. These lapses in both types of selection processes make it difficult for Education to

[58] 20 U.S.C. § 1099c-1(a)(1) and (2). The law also requires Education to prioritize schools for program review based on their default rates, changes in loan and grant volume, state licensing agency findings, dropout rates, and other factors that Education determines could put the school at significant risk of failing to comply with Title IV administrative capability or financial responsibility requirements.

systematically prioritize schools for review based on accreditor sanctions, as required by law.[59]

Unclear Guidance

Unclear guidance from Education may also make it difficult for Education staff who oversee schools to respond consistently to these sanction notifications and contribute to lapses in oversight of schools, since the guidance does not lay out the recommended approach to specific types of accreditor sanctions.[60] Moreover, although several officials who oversee schools told us they believed official guidance required them to restrict access to federal student aid funds for schools with show cause orders, the guidance does not specifically refer to show cause orders. In addition, the fact that Education may not have reviewed accreditor information about up to one-third of the 93 schools that were receiving federal student aid funds and that were placed on probation in fiscal year 2012, as discussed above, may also reflect the lack of clear guidance by sanction type. Having clear written guidance is consistent with federal internal control standards, which call for agencies to establish control activities that enforce management directives.[61] Officials we spoke with who oversee schools agreed that while they do have written guidance, their procedures are unclear, and noted that GAO's study is prompting them to revise their guidance.

Moreover, in part because Education's guidance does not lay out the recommended approach to specific types of accreditor sanctions, officials who oversee schools do not consistently view accreditor sanction notifications as a valuable oversight tool. For example, one official noted that her team would never respond to accreditor probations because they occur too frequently to track and would disrupt other work.[62] However, our review found that just under 100 schools of the more than 6,000 participating in federal student aid programs were placed on probation by their accreditor in fiscal year 2012. Another official said reviewing accreditor sanctions was not very useful in overseeing schools, as

[59] 20 U.S.C. § 1099c-1(a)(2)(D).

[60] Federal Student Aid, *Financial Analysis Procedures* (Washington, D.C.: Nov. 14, 2012), 787.

[61] GAO/AIMD-00-21.3.1.

[62] This official also noted the importance of responding to show cause orders. However, these orders are not required to be reported to Education, and they vary in gravity.

accreditors would take additional action to prompt a response by Education if a school's situation became more serious. However, other officials who oversee schools stated that they found show cause order notifications helpful.[63] Consequently, Education's response to sanctions is inconsistent. Since accreditors may take other, informal steps prior to issuing a sanction, as discussed earlier in the report, accreditor sanctions can in fact be a serious indication of problems at a school. More specifically, all accreditor sanctions—including probations—can be an important source of information on schools. Consistent with federal internal control standards that call for ongoing, continual monitoring, reviewing accreditor sanctions in a timely manner can help analysts who oversee schools detect school compliance issues as they occur and prevent more serious problems from developing in the future.[64]

Education Does Not Systematically Use Sanction Data to Identify Accreditor Weaknesses

Education does not systematically examine accreditor sanction data that could help identify insufficient accreditor oversight and thereby reduce potential risk to students and federal funds. Accreditors provide Education with records of terminations, probations, warnings, and show cause orders, which Education records in its database of accredited postsecondary schools.[65] According to Education officials who oversee accreditors, this database was created in response to a GAO report on diploma mills in 2004 to help the public identify accredited schools.[66] It contains information on the frequency and type of accreditor actions, which may provide insight during recognition reviews into an accreditor's

[63]As noted earlier in the report, accreditors' definitions of show cause may vary in seriousness.

[64]GAO/AIMD-00-21.3.1.

[65]Accreditors are required to notify Education of all terminations and probations that they issue, as well as denials of accreditation, suspensions, and withdrawals. 20 U.S.C. § 1099b(a)(7). Accreditors voluntarily provide Education copies of some warning notifications and show cause orders.

[66]GAO, *Diploma Mills: Diploma Mills Are Easily Created, and Some Have Issued Bogus Degrees to Government Employees at Federal Expense,* GAO-04-1096T (Washington, D.C.: Sept. 23, 2004). Education uses the accreditor database that was created in response to this report to publish a list of accrediting agencies that the Secretary recognizes as reliable authorities on the quality of education or training provided by the schools they accredit.

ability to assess academic quality and appropriately identify schools for further oversight.[67]

According to Education officials who oversee accreditors, they have not used sanction information for oversight because current regulations do not have specific criteria that require them to do so. While Education is not required to use sanction data or analyze accreditor sanctions as part of the recognition process, it could be useful for Education to consider these data when evaluating whether agencies meet prescribed criteria, such as whether accrediting agencies consistently apply and enforce standards.[68] Federal internal control standards call for federal agencies to track data to help them make decisions, as well as conduct ongoing, consistent monitoring to identify weaknesses.[69] The fact that Education does not broadly examine data for a given accreditor also makes it harder for the department to comprehensively identify potential risks and analyze them for possible effect, as required by federal internal control standards.[70] In addition, Education's own strategic plan calls for better use of data. While we are not suggesting using sanction data as a criterion for recognition, examining sanction information such as sanction rates for a given accreditor could provide another tool for Education to oversee the wide range of accreditors with varied and diverse member schools. Since accreditors are gatekeepers for tens of billions of dollars in federal student aid from Education as well as the key oversight bodies for ensuring academic quality, failure on the part of Education to spot

[67] Not all of this information is available to the public, which uses the database to obtain high-level information on whether a specific school is accredited.

[68] 34 C.F.R. § 602.18.

[69] GAO/AIMD-00-21.3.1.

[70] According to these standards, risk identification methods may include, among other things, qualitative and quantitative activities and considering findings from assessments. Once risks have been identified, agencies should assess their significance and likelihood of occurrence. GAO/AIMD-00-21.3.1.

weaknesses in accreditor processes could result in poor quality schools gaining access to federal funds.[71]

More specifically, not systematically examining available sanction data deprives the department of a chance to detect problems that may not be apparent using the current recognition process. While these in-depth recognition reviews help Education assess accreditor oversight, they are limited because they rely mainly on evidence selected by accreditors themselves.[72] For example, Education's recognition guidelines allow accreditors to demonstrate that they appropriately issue sanctions by selecting and providing to Education examples of letters, meeting minutes, timelines, and required actions associated with specific sanctioned schools. Education officials who oversee accreditors stated that they recognize the limitations of allowing accreditors to submit the best examples they can to demonstrate compliance and noted it would not be difficult for an accreditor to hide problematic documentation. While a low sanction rate alone does not necessarily signal poor accreditor monitoring in all cases, it can serve as an important indicator of potential weak oversight on the part of accreditors, such as a failure to respond to schools that face academic quality or financial challenges. In fact, Education officials who oversee accreditors told us they value this information on accreditor sanctions, and explained that when they learn that an accreditor has issued few sanctions, they will take a closer look at

[71]Accreditation also affects eligibility for other federal higher education benefits provided by the Department of Veterans Affairs and the Department of Defense, since accreditation by an Education-recognized accreditor enables schools meeting other applicable requirements to participate in these programs. In fiscal year 2013, the Department of Veterans Affairs provided over $12 billion in benefits for veterans' postsecondary education. See GAO, *VA Education Benefits: VA Should Strengthen Its Efforts to Help Veterans Make Informed Education Choices,* GAO-14-324 (Washington, D.C.: May 13, 2014). In the same fiscal year, the Department of Defense provided $540 million through its military Tuition Assistance Program to help service members pursue a postsecondary education. See GAO *DOD Education Benefits: Action is Needed to Ensure Evaluations of Postsecondary Schools Are Useful,* GAO-14-855 (Washington, D.C.: Sept. 8, 2014).

[72]In fiscal year 2015, Education will allow certain accreditors seeking re-recognition to submit shorter "focus reviews" to lessen the burden on accrediting agencies and to better focus Education's assessment of these agencies' effectiveness in ensuring academic quality. This streamlined process will enable these accreditors to demonstrate compliance with a smaller set of recognition criteria that Education considers most relevant to ensuring academic quality, including accreditor organization and administration, accreditor standards, application of standards, monitoring, enforcement, and how accreditors monitor substantive change at member schools. Education officials have not reported any plans to use sanction data to inform this process.

the accreditor and its oversight efforts. However, Education officials acknowledged that they have no systematic way of determining accreditors' sanctioning rates, which can vary considerably. A more systematic examination of sanction data through the use of the database, with a follow-up that examines samples that are not selected by accreditors, could enhance this process. Indeed, our examination of accreditor sanctions from October 2009 through March 2014 showed that sanctioning rates among accreditors ranged from zero to 41 percent. In addition, one of the largest regional accreditors only issued one sanction in fiscal year 2012. In not utilizing these data, Education could be missing opportunities to determine if its recognized accreditors are effectively overseeing member schools that receive billions of dollars in federal funds each year.

Education officials who oversee accreditors also expressed concern that analyzing data in the accreditation database would be too time- and labor-intensive. In particular, they state that to be of any value, an analysis of accreditor sanctions would have to examine the reasons behind the actions. According to Education officials who oversee accreditors, the department does not have the resources to undertake this effort. However, an analysis of these reasons need not be time-consuming, as the one that we undertook for all of fiscal year 2012 sanctions involved just over 100 notices that were generally no longer than several paragraphs. Federal internal control standards state that the scope and frequency of monitoring can vary depending on the assessment of risk, effectiveness of ongoing monitoring, and rate of change within an entity and its environment.[73] Education could choose to further limit its focus by examining a sample of reasons for accreditor actions based on risks, such as accreditors with low sanctioning activities. Education officials reported that while they do not currently plan to conduct this analysis or any other potentially simpler ones, such as examining counts of accreditor sanctions, they are open to using additional available information to improve Education's oversight of accreditors and place importance on developing an increasingly effective accreditation system.

[73]GAO/AIMD-00-21.3.1.

Conclusions

While accreditation developed as a nongovernmental, peer review process, one of its main purposes now is to help ensure that the over $136 billion in federal student aid disbursed annually is invested wisely to help educate students at schools that provide a quality education. Although Education is prohibited from specifying the specific content of accreditor standards, the agency is responsible for assessing whether accreditors are effectively overseeing academic quality as part of their criteria for recognizing accreditors. However, our analysis found that accreditors were no more likely to sanction schools with weaker student outcomes than schools with stronger student outcomes. These findings raise questions about whether existing accreditor standards are sufficient to ensure the quality of schools, whether Education is effectively determining if these standards ensure educational quality, and whether federal student aid funds are appropriately safeguarded.

While accreditor standards may be limited in enabling accreditors to effectively ensure academic quality, Education could nonetheless make better use of sanction information to determine whether schools are complying with federal financial aid requirements. Specifically, accreditors' reviews of their member schools can provide valuable information to the government about instances when schools may have financial problems. Because Education does not consistently use accreditor sanction data in its oversight of schools, it may miss opportunities to identify and respond to school weaknesses that could put students and federal funds at risk. Clear guidance on how its analysts should consistently review, record, and respond to accreditor sanctions could enhance Education's monitoring and oversight of schools. For example, ensuring that accreditor sanction information is easily accessible to analysts and that it is consistently reviewed, recorded, and responded to, where appropriate, could strengthen Education's detection of potential federal student aid violations. Additionally, drawing upon accreditor sanction data to track sanctioned schools could help Education better focus its resources and prioritize schools with accreditor sanctions for program review on a systematic basis, as required by law. Since Education aims to conduct around 300 program reviews per year, it is particularly important that the department make judicious and well-informed choices about which schools to review out of the more than 6,000 that participate in federal student aid programs.

Similarly, without the use of data on accreditor sanctions, Education lacks information on trends and patterns that could indicate poor accreditor oversight of schools' academic quality. Our review found that accreditor sanctioning rates can vary widely. Collecting and analyzing accreditor data on the rate of sanction taking or doing additional analyses, such as using both sanction data and information collected by Education on student outcomes and financial characteristics, would help the department better determine if accreditors are consistently applying accreditor standards.

Recommendations for Executive Action

1. To ensure that accreditors are reliable authorities on educational quality, we recommend that the Secretary of Education consider further evaluating existing accreditor standards to determine if they effectively address educational quality in key areas, such as student achievement. In carrying out this evaluation, Education could consider whether there are additional actions it could take, within the scope of its existing authority, to assess accreditor standards on an ongoing basis, and if appropriate, Education could develop a legislative proposal to expand its authority to assess accreditor standards.
2. To strengthen Education's oversight of schools, we recommend that the Secretary of Education ensure that Education staff consistently review, record, and respond to accreditor sanction information, and clarify its guidance on how the agency will respond to specific accreditor sanctions.
3. To further strengthen Education's oversight of schools, we recommend that the Secretary of Education determine how Education can consistently leverage available accreditor sanction data for oversight of schools to ensure it can systematically prioritize sanctioned schools for program review.
4. To strengthen Education's oversight of accreditors through the recognition review process, we recommend that the Secretary of Education draw upon accreditor data to determine whether accreditors are consistently applying and enforcing their standards to ensure that the education offered by schools is of sufficient quality. For example, Education could systematically use available information related to the frequency of accreditor sanctions or could do additional analyses, such as comparing accreditor sanction data with Education's information on student outcomes, to inform its recognition reviews.

Agency Comments

Education provided us with written comments on a draft of this report, which are reproduced in appendix V. The agency agreed with three of our four recommendations, and partially concurred with one of them.

Education partially concurred with our recommendation that it consider further evaluating existing accreditor standards to determine if they effectively address educational quality, particularly in areas such as student achievement, and that it consider whether there are additional actions it could take, within the scope of its existing authority, to assess accreditor standards on an ongoing basis. We further recommended that if appropriate, Education develop a legislative proposal to expand its authority to assess accreditor standards. While Education stated that it will consider whether there are additional uses it can make of student achievement data in its accreditor oversight, it noted that the Higher Education Act and its implementing regulations currently do not supply any measure of the effectiveness of accreditor standards other than individual institutions meeting their stated objectives. Education stated that it intends to further evaluate existing accreditor standards as it formulates its recommendations for Higher Education Act reauthorization. We are pleased Education is considering whether it can make additional use of student achievement data in overseeing accreditors and that it will examine accreditor standards in the context of Higher Education Act reauthorization. In our report, we acknowledge that Education may face statutory limitations in strengthening accreditor standards, which is why we suggested that the department could consider developing a legislative proposal to expand its authority to assess accreditor standards. We hope that in its recommendations to Congress regarding Higher Education Act reauthorization, Education will include a request for any authority the department may need in order to fully assess the effectiveness of accrediting agency standards in evaluating educational quality.

Education agreed with the remainder of our recommendations. The department noted that it is committed to identifying ways to use data about and from accreditors in its oversight, and it would provide a copy of our final report to the National Advisory Committee on Institutional Quality and Integrity. In addition to providing Education a draft copy of this report, we also provided relevant sections of the report to accreditors and associations we spoke with for review and comment. We received technical comments, which we incorporated as appropriate.

We are sending copies of this report to the Secretary of Education, relevant congressional committees, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (617) 788-0534 or emreyarrasm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.

Sincerely Yours,

Melissa Emrey-Arras

Melissa Emrey-Arras, Director
Education, Workforce, and Income Security Issues

Appendix I: Scope and Methodology

Our research objectives were to examine: (1) what sanctions accreditors have taken against schools that did not comply with accreditor standards, (2) how likely accreditors are to sanction schools with weaker student outcomes or financial characteristics by terminating their accreditation or placing them on probation, and (3) how the Department of Education (Education) uses information on accreditor sanctions to support its oversight efforts.

Overview

To determine the sanctions that accreditors took against postsecondary schools that did not comply with accreditor standards, we analyzed sanctions taken by accreditors against their schools from October 2009, when these data started to be consistently collected and reported, through when the latest data were released in March 2014, focusing on those reported to Education by accreditors.[1] We included all probations and terminations (both of which are required to be reported to Education), as well as show cause orders (which indicate in some cases that a school must demonstrate why its accreditation should not be withdrawn) and warnings (which indicate a school does not meet one or more accreditation standards) that accreditors voluntarily reported to Education. We requested additional information on show cause orders and warning sanctions from accreditors that did not report these data to Education, and received responses from 27 of 31 accreditors. Based on these responses, we added an additional 90 show cause orders and 26 warning sanctions to our data set. However, we are not able to comment on whether this represents the full universe of show cause orders or warning sanctions. We used the Integrated Postsecondary Education Data System (IPEDS) to examine the characteristics—such as size and sector—of sanctioned schools and the students they serve.[2]

[1] Based on conversations with Education officials and a review of data from the accreditation database, we determined that the data in Education's accreditation database were consistently collected and reported starting in fiscal year 2010. For this reason, our review of data covers from October 1, 2009 (the beginning of federal fiscal year 2010), through March 31, 2014, the most recently available data at the time of our analyses.

[2] Sector refers to whether a school is a public, nonprofit, or for-profit school, and size indicates whether a school offers programs of less than 2 years, 2 years, or 4 years or longer.

Reasons for Accreditor Sanctions

Academic quality: issues with student achievement in relation to the mission and curricula, or other student outcomes.

Administrative capability: issues such as those related to facilities, supplies, and administrative capability.

Financial capability: issues with financial capability and compliance with federal student aid responsibilities.

Integrity: fraud or misrepresentation.

Governance: issues with division of responsibility, such as between the Board and a college president.

Institutional Effectiveness: issues related to long-term plans for assessing learning and academic achievement.

Other: other issues that do not fall in to the categories noted above.

Source: GAO analysis of information from accreditors and Education.

To develop our reasons categories we reviewed the accreditation standards of all seven regional accreditors and of two of the eight national accreditors.[3] We also reviewed the statutory criteria that Education uses to recognize accrediting agencies. Based on this review, we developed seven categories for our reasons analysis: (1) academic quality; (2) financial responsibility; (3) administrative capability; (4) integrity; (5) governance; (6) institutional effectiveness; and (7) other (see side bar to left).

In addition, we obtained feedback on our categories from Education officials and from eight of the accreditors whose standards we reviewed. Any one sanction could be taken for more than one reason.

To develop a better understanding of the reasons behind sanctions, we analyzed all probation and termination notification letters sent to Education by accreditors for fiscal year 2012 and a nongeneralizable sample of other kinds of sanctions for that year.[4] For terminations, accreditors are required to provide Education with written notification related to the reasons for the sanctions. We also followed up with Education and accreditors to obtain notification letters for all probations in fiscal year 2012 and for our sample of other sanctions. In our analysis of these letters, we categorized the reasons for sanctions into seven categories, such as academic quality and financial capability.[5]

To determine how likely accreditors are to sanction schools with weaker student outcome or financial characteristics, we conducted statistical modeling using data Education collected on schools to test whether

[3]These two national accreditors were selected because they are two of the four largest national accreditors and reflect variation in the member schools they accredit.

[4]We selected our sample from fiscal year 2012 because it was the most recent full year of data available when we started this analysis and obtained copies of all accreditor notification letters from Education. Because accreditors are not required to report show cause or warning actions to Education, we did not have a full universe of such actions. We selected a nonrandomized sample of 10 show cause and 10 warning sanctions from the 125 show causes and 99 warnings reported by accreditors in Education’s database. We did this in order to include at least one sanction from each accreditor that reported show cause and/or warnings to Education. Any one sanction could be taken for more than one reason. This analysis was not generalizable.

[5]For each notification letter, one analyst reviewed the letter and determined which reason categories it fit into, and then a second analyst reviewed and verified the categorization. Any discrepancies were discussed and resolved.

schools with weaker characteristics are more likely to be terminated or placed on probation by accreditors. We analyzed characteristics data that Education collects in its IPEDS and other data systems, including the Postsecondary Education Participants System (PEPS), and that researchers have cited as indicators of academic quality, to evaluate whether accreditors were more likely to sanction schools that exhibited weaker characteristics in these two areas when compared to schools that did not.[6] We obtained input from Education on our list of characteristics.

We examined accreditors' overall responsiveness to student outcomes and financial characteristics—two key categories in which they are required to have standards—using statistical techniques that allowed us to compare schools' findings concurrently across a range of related student outcome and financial characteristics, respectively. We also examined accreditors' overall responsiveness to each individual student outcome and financial characteristic included in our analyses. The student outcomes and financial characteristics we used can be seen below:[7]

Selected Student Outcome Characteristics[8]

- *Three-Year Cohort Default Rate:* the percent of borrowers in default 3 years after entering repayment status. Education views this characteristic as an indicator of academic quality at schools, since

[6]Accreditors set their own standards and are not required to assess school performance with respect to the information we used to examine the likelihood of sanctioning schools with results below any specific level in the areas we incorporated into our analysis. To ensure that we consistently compared how schools did on selected student outcome and financial characteristics, we used data that were collected by Education for all schools that participate in federal student aid programs. We used data from 2009 through 2014 since this was the most recent and complete accreditor sanction data available at the time of our review. We also considered including transfer rates but did not do so because they do not indicate whether a student has transferred to a 4-year program or to another 2-year program. Education does not have other national indicators of student success, such as graduate school applications and job placement or licensure exam pass rates. We limited our review to accreditors that accredit schools as opposed to unique programs within schools.

[7]We defined weaker characteristics as being in the bottom one to five percent of the distribution for each individual characteristic, and stronger characteristics as being in the top one to five percent for each characteristic. We defined weaker characteristics as being in the bottom 25 percent of the distribution for the combined indicators for both the student outcome and the financial characteristics, and stronger ones as being in the top 25 percent.

[8]GAO analysis of key student outcome characteristics information collected by Education, based on program documents and interviews.

students who received a lower quality education may be less likely to have adequate income to repay their loans.

- *Forbearance Rate:* the percent of borrowers in forbearance (and therefore not repaying their loans on a temporary basis) during the official cohort default period. Education views this characteristic as an indicator of academic quality at schools, since students who received a lower quality education may be less likely to have adequate income to repay their loans.
- *Graduation Rate:* the percent of first-time full-time degree/certificate-seeking students who complete a program within 150 percent of the program length. A low graduation rate may indicate a lack of academic quality.
- *Dropout Rate:* the percent of students who left school during a particular year, but did not graduate. A high dropout rate may indicate a lack of academic quality.
- *Retention Rate:* the percent of first-time degree/certificate-seeking students who enrolled in one fall and either successfully completed their program or re-enrolled in the next fall. A low retention rate may indicate a lack of academic quality.
- *Increases in Federal* Student Aid: annual growth in federal student aid volume, which may indicate in extreme cases that growth may be too rapid to maintain academic and administrative services needed to adequately support students.
- *Number of Program Review Findings:* the number of findings at schools selected by Education for in-depth review due to the presence of certain risk factors, and the number of issues found in those reviews.

Selected Financial Characteristics[9]

- *Financial Health Scores:* annual Education calculation of the financial health of for-profit and nonprofit schools using three ratios that capture different aspects of a school's overall financial health.
- *Program Reviews:* schools selected by Education for in-depth review due to the presence of certain risk factors, many of which are financial, and the number of issues found in those reviews.

[9]GAO analysis of key financial characteristics information collected by Education, based on program documents and interviews.

- *Other Education Sanctions:* schools sanctioned by Education for issues regarding the administration of federal student aid funds, many of which relate to financial performance and problems with a school's financial stability. Sanctions may include heightened cash monitoring (requiring schools to disburse federal student aid funds before receiving funds) or a letter of credit (an assurance that financial obligations to Education would be met in the event of a school closure.
- *Decreases in Federal Student Aid:* sharp declines in annual federal student aid volume may indicate financial instability for a school.
- *90/10 Ratio:* for-profit schools must report the percentage of their total revenues obtained from federal student aid funds (referred to as the 90/10 rate). A high 90/10 ratio indicates high reliance on federal student aid funds and risk of non-compliance with a requirement that a for-profit school must obtain at least 10 percent of its revenue from non-Title IV sources. This could also indicate that a school is having difficulty obtaining other sources of funds and financial instability.

For both types of analysis (combined indicators and each individual characteristic, respectively), we also separately examined how likely different types of accreditors—notably, regional versus national—were to sanction schools with weaker and stronger characteristics. We also examined whether accreditors responded to weaker characteristics differently at different types of schools (such as 2-year vs. 4-year public schools). For the student outcomes, we reviewed prior research on student outcomes, and because such research has shown that certain types of student body demographics may affect outcomes, when analyzing each unique outcome, we controlled for (1) students over 25 years; (2) minority students; (3) students attending part time; and (4) low-income students—using the percentage of Pell grant recipients as a proxy for low income.[10] (See page 50 for more about our methods.)

To learn about how Education uses information on accreditor sanctions to support its oversight of schools and accreditors, we reviewed Education's procedures for recognizing accreditors and overseeing schools, relevant federal laws and regulations, and interviewed Education officials. To obtain input regarding the accreditation process and Education's

[10]See GAO, *Postsecondary Education: Student Outcomes Vary at For-Profit, Nonprofit, and Public Schools,* GAO-12-143 (Washington, D.C.: Dec. 7, 2011).

oversight, we also interviewed representatives from seven regional and two national accrediting agencies that have different oversight approaches, as well as the Council for Higher Education Accreditation, the Council of Regional Accrediting Commissions, and two schools with varying perspectives on the accreditation process. We also interviewed Education officials and representatives of the National Advisory Committee for Institutional Quality and Integrity, which advises the Secretary of Education on accreditation issues.[11] We examined all schools that had been issued terminations and probations by their accreditor in fiscal year 2012, and drew upon data from PEPS to determine whether these sanctions prompted any follow-up monitoring or enforcement activities by Education, such as conducting program reviews or imposing restrictions on their access to federal student aid.[12] We also selected a nonrandomized sample of 10 schools that were sanctioned by their accreditors in fiscal year 2012, reviewed information about how Education monitored these schools and discussed with Education what action they took or did not take as the result of these sanctions.[13] While this sample is not generalizable, we believe it provides valuable examples about how Education has responded to information from accreditors.

To assess the reliability of the accreditation database, IPEDS, and PEPS data used in our analyses, we interviewed knowledgeable agency officials about the variables we used and conducted electronic testing to assess the reliability of these variables. We found these data sufficiently reliable for our purposes. We conducted this performance audit from July 2013 to December 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[11]The Council for Higher Education Accreditation is an association of 3,000 colleges and universities that currently recognizes 60 accrediting agencies, ranging from large regional accreditors to small programmatic ones. The Council of Regional Accrediting Commissions is a consortium of regional accreditors.

[12]We selected schools with fiscal year 2012 accreditor sanctions because it was the most recent full year of information about the reason(s) for accreditor sanctions that was available when we began this analysis.

[13]We selected these sanctions in part because they indicated potential federal student aid concerns, and to capture a variety of Education response types.

Modeling the Accreditor Sanctioning Process

We analyzed the association between various indicators of academic and financial risk (student outcomes and financial characteristics) and the likelihood that an accreditor sanctions a particular school participating in federal student aid programs. Through our interviews with accreditors, as well as our review of the literature and interviews with Education, we found that accreditors evaluate the quality of each school against its unique mission and the context in which it operates. Consequently, a single quantitative model of the decision to sanction a school—or even several types of models fit to different subsets of data—is unlikely to precisely reflect reality or fit the data closely.

This type of comprehensive or causal modeling effort that we chose not to pursue has several limitations, given the many interactive and contextual factors involved in evaluating school quality. First, we would need to develop a strategy for accounting for all other variables that could obscure the relationship between the accreditor sanctions and each risk indicator, across multiple types of schools and accreditors. These confounding variables vary widely across schools and their accreditors, and also may vary depending on the indicator For example, a 2-year school with larger population of students who transfer to 4-year schools might have a lower graduation rate than a school with fewer students likely to transfer. This makes it difficult to credibly isolate the causal relationship between each indicator and accreditor sanctions. Second, the accreditation process considers various information about a school's management and performance. Accreditors may consider quantitative data on school finances and student outcomes—the standardized data available from Education on schools nationwide—but accreditors also may consider more holistic or qualitative data on a school's curriculum, faculty, administration, resources, and facilities. The latter can be difficult to examine and model quantitatively.

Given the complexity of the accreditation process, we do not seek to comprehensively model the decision to sanction a school or to do a causal analysis. Rather, we seek to assess whether, in practice, schools with more risk on several plausible indicators are more likely to be sanctioned by their accreditors than schools with less risk. Accreditors may not literally consider a particular risk factor we analyze, such as graduation rates, when deciding whether to sanction a school. However, standardized indicators of quality, which are comparable and available across schools nationwide, are necessary for a quantitative assessment of how accreditors focus their sanctions.

We acknowledge that no single factor, or set of factors, necessarily should be correlated with sanctions across all schools receiving federal financial aid. Our approach balances the need to assess accreditors' behavior against risk factors that Education views to be nationally important against a more nuanced evaluation process that considers the unique context of each school and information that cannot be precisely quantified. Our quantitative analysis is one part of our larger review, in which we consider the issues above in more detail.

Variables Used As Risk Indicators: Population of Interest and Data Sources

We identified various indicators of risk by consulting with Education officials, by reviewing the literature on higher education accreditation and academic quality, and by using professional judgment. Table 6 describes the risk indicators and provides basic statistics on their distribution in our data. The statistical analysis here does not seek to validate the risk indicators, but rather seeks to estimate their associations with the likelihood that an accreditor sanctions a particular school.

The population of interest consists of postsecondary schools of higher education eligible to receive federal student aid funding from Education as of the 2011-2012 school year. We identified this population by selecting the approximately 6,000 schools contained in IPEDS or in other Education databases that we used to obtain information on the risk indicators and that we could link to school accreditors. IPEDS is a system of interrelated surveys conducted annually by Education's National Center for Education Statistics (NCES). These survey data contain information on school characteristics, enrollment, graduation rates and student financial aid. We assembled data on the risk indicators for each school from IPEDS and other Education sources. We combined the data using a common school identifier contained in all of the data sources.

Complete data were not available for all schools and risk indicators, as shown in table 6. However, some of the risk indicators we identified did not necessarily apply to all schools in the population of interest. For example, Education only requires for-profit and nonprofit schools to calculate a financial composite score to examine financial strength, so no score is available for public schools. As another example, a school that formed in the last year would not have a current cohort default rate because the most current rate at the time of work was for loans issued during fiscal year 2010.We applied logic checks to the data to distinguish between missing values that were "not applicable" versus missing for other reasons. For example, graduation rates are based on students that complete their degree within 6 years. Therefore for schools that opened after the 2005-2006 school year, the graduation rate would not be applicable. Similarly for analysis of the 90/10 ratios, which are only required of for-profit schools, these scores would be not applicable to public or not-for-profit schools.

Rates of missing data for each indicator dropped to acceptable levels—approximately 0 to 13 percent—among schools for which the indicator applied, as shown in table 6. As a result, we concluded that excluding schools with missing data from the analysis would not substantially bias our findings. To preserve data for analysis, we conducted analyses using each risk factor individually as well as a multivariate analysis of all factors jointly, as described below.

Table 6: Variables Used as Risk Indicators to Determine Likelihood of Accreditor Sanctions

Risk Indicator	Risk Scale	% Schools with Missing Data	% Schools with Indicator NA	Mean	Median	Range Between 5th, 95th Quantiles	Skewness	Kurtosis
3-Year Loan Default Rate (2009)	Academic	3.1	19.1	13.7	12.1	[0.4,31.5]	1.5	9.2
3-Year Loan Default Rate (2010)	Academic	4.5	16.5	14.6	13.3	[1.4,31.6]	1.4	8.8
5-Year Loan Forbearance Rate (2009 - 2010 Average)	Academic	0.1	22.3	43.6	44.2	[24.2,61.8]	-0.2	3.2
Dropout Rate (2009)	Academic	13.4	0.0	54.9	54.1	[13.1,98.7]	-0.0	2.1
Dropout Rate (2010)	Academic	10.9	0.0	55.4	54.3	[12.9,98.7]	-0.0	2.0
Dropout Rate (2011)	Academic	8.9	0.0	54.4	52.6	[14,97.9]	0.0	2.0
Dropout Rate (2012)	Academic	7.4	0.0	53.3	51.3	[13.1,96.8]	0.1	2.0
Dropout Rate (2013)	Academic	6.3	0.0	51.6	48.1	[12.6,98.7]	0.2	2.1
FSA Financial Composite Score (FY 2010)	Financial	10.7	37.6	2.4	2.6	[0.7,3]	-1.7	6.2
FSA Financial Composite Score (FY 2011)	Financial	12.8	37.3	2.2	2.4	[0.8,3]	-1.6	6.5
Graduation Rate (2011)	Academic	1.8	16.1	52.8	54.7	[12.5,91.1]	-0.1	2.0

Risk Indicator	Risk Scale	% Schools with Missing Data	% Schools with Indicator NA	Mean	Median	Range Between 5th, 95th Quantiles	Skewness	Kurtosis
Graduation Rate (2012)	Academic	2.1	16.2	52.6	54.4	[13,90.7]	-0.1	2.0
Had 1+ FSA Sanction	NA	1.7	0.0	14.0	0.0	[0,100]	2.1	5.3
Had 1+ Program Review Finding	NA	2.3	0.0	7.0	0.0	[0,100]	3.4	12.4
Number of Program Review Findings (FY 2008-2010)	Academic/Financial	0.7	0.0	1.3	1.0	[1,1]	6.5	46.9
Number of Program Review Findings (FY 2011-2012)	Academic/Financial	2.3	0.0	1.4	1.0	[1,4]	4.9	27.9
On Heightened Cash Monitoring (FY 2008-2010)	Financial	0.0	0.0	6.8	0.0	[0,100]	3.4	12.7
On Heightened Cash Monitoring (FY 2011-2012)	Financial	0.0	0.0	5.2	0.0	[0,100]	4.0	17.1
Pct. Letters of Credit (2010-2012)	Financial	0.0	0.0	2.5	0.0	[0,25]	4.6	27.9
Percent Decrease in Title IV Funding (FY 2010 to 2011)	Financial	1.4	5.9	-3.2	0.0	[-20,0]	-4.8	34.5
Percent Decrease in Title IV Funding (FY 2011 to 2012)	Financial	1.3	3.8	-7.7	-0.4	[-33.6,0]	-2.8	13.6
Percent Increase in Title IV Funding (FY 2010 to 2011)	Academic	1.4	0.0	19.7	8.0	[0,63.9]	9.1	113.9
Percent Increase in Title IV Funding (FY 2011 to 2012)	Academic	1.3	0.0	11.4	0.0	[0,43.6]	9.6	121.9
Retention Rate (2009)	Academic	8.0	10.5	70.3	71.0	[42.4,97.6]	-0.5	3.5
Retention Rate (2010)	Academic	3.3	16.2	70.3	71.1	[43.1,95.6]	-0.6	3.9

Source: GAO analysis of IPEDS data. | GAO-15-59

Note: FY = fiscal year.

Associations between Sanctions and for Specific Risk Indicators

We use two statistical methods to assess the association between each risk indicator and the likelihood of an accreditor sanction.

For categorical risk factors, we use logistic generalized linear regression models to estimate the probability of at least one accreditor sanction, given each level of the indicator. Our models for examining academic quality (student outcomes) included controls for each school's proportions of students who were Black, Hispanic, receiving Pell grants, over the age of 25, or attending part time. The use of controls produced better estimates of the association between each risk factor and the probability of a sanction, given variation in student characteristics across schools that may affect accreditors' decisions. We parameterized each categorical risk factor as a series of indicator variables for each level of the variable, and parameterized the covariates as simple linear terms. Using the fitted model parameters, we calculated the in-sample average predicted probability of a sanction, fixing the risk factor to a particular level and averaging the predicted probabilities over the sample at the other covariates' observed values. We used Monte Carlo simulation methods to estimate the uncertainty of this estimate. Specifically, we randomly drew 1,000 sets of replicate parameters from the model's fitted posterior distribution; estimated the in-sample average predicted probability for each replicate; and estimated 95 percent confidence intervals using the 2.5 percent and 97.5 percent quantiles of simulated distribution. Our analyses for financial condition did not control for student demographics characteristics.

For continuous indicators, we use a logistic generalized additive regression model. A logistic generalized additive regression model allowed for a non-parametric relationship between each continuous indicator and the probability of an accreditor sanction.[14] Little previous research exists on the relationship between various risk indicators and accreditor sanctions, potentially because data on accreditors' behavior are not publically available or analyzed by Education. As a result, we have little existing theory to specify a functional form ex ante. A nonparametric approach is consistent with the limited goal to describe patterns in the data, rather than to estimate a comprehensive statistical model or causal relationships. In addition, exploratory analysis showed that some indicators have unusual, non-linear relationships with the probability of accreditor sanctions. In particular, the probability of a

[14]Trevor Hastie and Robert Tibshirani, 1986, "Generalized Additive Models," *Statistical Science* 1 (3): 297-318 (1986); Simon Wood, 2011, "Fast, Stable Restricted Maximum Likelihood and Marginal Likelihood Estimation of Semiparametric Generalized Linear Models," *Journal of the Royal Statistical Society (B)* 73 (1) (2011), 3-36.

sanction may increase sharply around the 80 to 90 percent value of 90/10 scores, or the share of a for-profit school's revenue from federal student aid programs. For-profit schools may not obtain 90 percent or more of their revenue from Title IV federal student aid programs. The yearly proportional change in federal student aid funding appeared to have a different relationship depending on whether the change was positive or negative and whether the change was large or small.

Our logistic generalized additive regression model assumed that for school i, $\Pr(Y_i = 1| X_i) = \exp(\alpha + f(Z_i) + \boldsymbol{x_i\beta}) / 1 + \exp(\alpha + f(Z_i) + \boldsymbol{x_i\beta})$, or equivalently that $\mathrm{Logit}(Y_i \mid X_i) = \alpha + f(Z_i) + \boldsymbol{x_i\beta}$. $f(.)$ is an unspecified, smooth function of the risk factor Z_i, rather than an additive linear function as in the typical logistic regression model. We assumed a simple linear model for the same covariates described above, denoted by $\boldsymbol{x_i\beta}$, which included an intercept. As with our analysis of categorical risk factors, we did not include covariates when the risk factor was financial.

We estimated the model using standard penalized quasi-maximum likelihood methods and a cubic spline smoother for $f(Z_i)$.[15] The penalization and smoothing parameter was estimated from the data using generalized cross-validation methods. The use of penalized likelihood and cross-validation methods helped avoid estimating $f(Z_i)$ in a manner that over-fit the sample or, equivalently, that chose an overly smooth functional form. We summarized the fitted model by estimating the predicted probability of a sanction at various quantiles of the risk factor of interest and calculated 95 percent confidence intervals using Monte Carlo simulation. Specifically, we drew 1,000 replicate parameters from of the fitted posterior distribution; calculated the in-sample average predicted probability at fixed values of the risk factor and averaging over the remaining covariates; and estimated confidence intervals using the 2.5th and 97.5th quantiles of the simulated distribution of this quantity. These findings appear in tables 2-5 in the body of this report and figures 12-24 in appendices III and IV.

[15]For more details about these methods and our implementation of them, see Simon Wood, *Generalized Additive Models: An Introduction with R*. (Boca Raton, FL: Chapman and Hall/CRC Press, 2006).

Associations between Sanctions and Broad Indicators of Risk

The factors we identified can be viewed as multiple ways to examine the risk of achieving potentially undesirable outcomes with federal student aid funding. Each variable we identified examines a particular type of risk, such as low retention rates or poor control over financial resources. Together, these outcomes may be combined to into broader indicators of risk that simultaneously reflect a school's performance on many indicators. These broader indicators can more concisely summarize how accreditor sanctions relate to several aspects of risk at the same time.

To conduct this broader analysis, we classified each risk factor into one of two dimensions of risk, based on discussions with Education and GAO staff subject matter expertise: "academic risk" and "financial risk." The first and second columns of table 6 above describe how we categorized each indicator.[16]

We expressed the theoretical relationships between the risk factors and dimensions of risk as a Structural Equation Model, which has several benefits in this application. Structural Equation Model methods allowed us to empirically validate the existence of broad dimensions of risk and assess the reliability of the observed indicators as measures of those dimensions. Extending this "measurement model" to predict the probability of an accreditor sanction, in a "structural model," jointly modeled the data available and propagated the measurement error and resulting uncertainty about the broader, or "latent," indicators of risk. In addition, Structural Equation Model allowed for a multivariate analysis without using multiple intercorrelated controls, as in a generalized linear modeling approach that would assume that each indicator examines a unique dimension of risk without error. Finally, by acknowledging the imprecision of the risk indicators available for a large number of schools nationwide, Structural Equation Models avoided the need to rely on any particular indicator, such as graduation rates, that may be an imperfect indicator of student or administrative outcomes.

[16]We initially hypothesized that the risk factors measured three possible dimensions of risk: "academic risk," "financial risk," and "administrative risk." After initial data analysis, we discovered that the factors we initially had classified as "administrative" or "financial" generally had similar intercorrelations. Moreover, we did not have a strong substantive reason to distinguish the concepts as distinct dimensions of risk.

Our model took the following form when expressed in the notation of a prominent textbook on Structural Equation Model [17]:

$$\eta = \Gamma\boldsymbol{\xi} + \boldsymbol{\zeta}$$

$$Y = \eta$$

$$\boldsymbol{x} = \boldsymbol{\Lambda}\boldsymbol{\xi} + \boldsymbol{\delta}$$

$$\boldsymbol{x} = \begin{bmatrix} X_{11} \\ \vdots \\ X_{n_1 1} \\ X_{12} \\ \vdots \\ X_{n_2 2} \end{bmatrix} \; \boldsymbol{\Lambda} = \begin{bmatrix} \lambda_{11} & 0 \\ \vdots & \vdots \\ \lambda_{n_1 1} & 0 \\ 0 & \lambda_{12} \\ \vdots & \vdots \\ 0 & \lambda_{n_2 2} \end{bmatrix} \; \boldsymbol{\xi} = \begin{bmatrix} \xi_1 \\ \xi_2 \end{bmatrix} \; \boldsymbol{\delta} = \begin{bmatrix} \delta_{11} \\ \vdots \\ \delta_{n_1 1} \\ \delta_{12} \\ \vdots \\ \delta_{n_2 2} \end{bmatrix} \; \Gamma = \begin{bmatrix} \gamma_1 \; \gamma_2 \end{bmatrix} \; \boldsymbol{\zeta} = \begin{bmatrix} \zeta_1 \\ \zeta_2 \end{bmatrix}$$

The model consisted of a measurement model of how two latent variables of "academic risk" and "financial risk" (**ξ**) related to the observed risk indicators (***x***), as described by factor loading coefficients (**Λ**) and errors of measurement (**δ**). The factor loading matrix was constrained to equal zero, except for the paths implied by the first and second columns of table 6. Each indicator measured exactly one latent risk dimension, except for Education's program review findings, which could reflect either dimension. (Program reviews can focus on either academic or financial issues). In addition, we hypothesized a structural model of how the latent risk variables related to the probability of an accreditor "probation" or "termination" sanction (indicator variable *Y*), as described by structural coefficients (**Γ**) and errors of prediction (**ζ**). Since accreditor sanctions is the variable of interest, we assumed that it was a perfect measure of a latent endogenous variable η, with a measurement coefficient of 1 and a measurement error of 0.

Table 6 above describes the variables used in the measurement model for each dimension of risk and provides descriptive statistics. Since most of the variables were scaled as percentages ranging potentially from 0 to 100, we standardized all variables to vary on this range. We then scaled the Academic and Financial latent risk variables by fixing the

[17] Kenneth A. Bollen, *Structural Equations with Latent Variables* (New York, NY: John Wiley and Sons, 1989).

measurement coefficients of the default rate (2009) and financial health score (FY 2010) risk indicators to 1. The common scale of the indicators ensures that the unstandardized measurement coefficients are comparably scaled across indicators and can be roughly interpreted to range from 0 to 100. The model assumed that the means of the latent risk and error variables equaled 0 but estimated their variances as free parameters.

Our data included risk indicators measured at several times, such as graduation rates for academic years 2011 and 2012 (see table 6). Since these variables likely have similar measurement error across years, we allowed their measurement errors to be correlated across years. Apart from these variables, we assumed all measurement error to be independent. As a result, the measurement error covariance matrix of $\boldsymbol{\delta}$ was block diagonal, with unique parameters expressing the covariance between the measurement error of each pair of repeatedly measured risk indicators and all other error covariances fixed to zero.

We estimated the model separately for various subgroups of schools, according to their sector (public, for-profit, or nonprofit), their highest degree offered, and their use of regional versus national accreditors. Instead of estimating separate models (with different hypothesized latent variables or relationships) on subsets of the sample, we allowed the parameters of the model above to vary across the subgroups, which produced multiple parallel models. Our observed risk indicators may indicate the latent concepts of risk better for certain types of schools, such as four-year schools offering bachelor's degrees. In addition, accreditors may be more or less likely to sanction a school with the same level of risk, depending on the nature of the school. Producing separate estimates across relevant subgroups allows for these potential substantive differences in the accreditation process. We omitted the financial risk dimension from models fit to public schools, since financial support from state and local governments suggests substantially different, and likely minimal, financial risk among public schools compared to private schools.

We fit the model using robust quasi-maximum likelihood methods. This approach assumed that the endogenous observed variables, $\boldsymbol{x}$, were jointly normally distributed, in order to estimate the factor loading coefficients, $\boldsymbol{\Lambda}$, and structural coefficients, $\boldsymbol{\Gamma}$. As table 6 suggests, one of our risk indicators—requirements for heightened cash monitoring—was discrete, and several were continuous but positively skewed, such as loan default rates. Even when applied to data that are not multivariate normally distributed, quasi-maximum likelihood methods should produce consistent estimates of $\mathbf{\Lambda}$ and $\mathbf{\Gamma}$,[18] and robust covariance estimators relax the normality assumption when deriving the standard errors of these parameters.[19] Alternative estimation methods, such as Asymptotic Distribution Free methods, proved difficult to converge, possibly due to the moderate size of our sample.[20]

Table 7 illustrates the fitted models for non-profit and for-profit schools, including parameter estimates and measures of fit. As described above, we fit similar models for other types of schools, but omit the generally similar findings to conserve space. The model fits the covariance matrix of the variables acceptably well, with a standardized root mean-squared residual of about 0.07 and coefficient of determination equal to 0.97. The measurement coefficients (factor loadings) are generally consistent with expectations and substantively large. The academic risk scale largely reflects dropout, graduation, and retention rates, with measurement coefficients of about 5 to 8 scale units (percentage points) in absolute value. Loan default and forbearance rates also load positively, but less strongly, on academic risk. The financial risk scale largely reflects Education's financial composite score, but heightened cash monitoring, percent letters of credit, and, to a lesser extent, recent decreases in Title IV funding also load positively and moderately strongly.

The model estimates that academic risk does not have a strong or statistically precise association with the probability of at least one accreditor sanction, but that financial risk has a significant and stronger association. A one-unit increase in the academic risk scale is associated with a 0.07 percentage point decrease in the probability of a sanction, but the association is not significantly distinguishable from zero. In contrast, financial risk is more strongly associated with the probability of a sanction. A one-unit increase in the financial risk scale is associated with a 0.55 percentage point increase in the probability of at least one sanction, when

[18]Jonathan Nevitt and Gregory R. Hancock, "Performance of Bootstrapping Approaches to Model Test Statistics and Parameter Standard Error Estimation in Structural Equation Modeling," *Structural Equation Modeling* 8 (3) (2001), 354.

[19]Andrew J. Tomarken and Niels G. Waller, "Structural Equation Modeling: Strengths, Limitations, and Misconceptions," 1: 2.11 (2005).

[20]Tomarken and Waller, "Structural Equation Modeling".

interpreting the regression of at least one sanction on the risk scales as a linear probability model.

Table 7: Fitted Structural Equation Model of Academic Risk and the Probability of Accreditor Sanctions Against For-Profit and Nonprofit Schools

Measurement Model			
Variable (x)	**Risk Scale (ξ)**	**Estimate (Λ)**	**Standard Error**
Number of Program Review Findings (FY 2008-2010)	Academic	.59	.23
Number of Program Review Findings (FY 2011-2012)	Academic	.26	.19
3-Year Loan Default Rate (2009)	Academic	1 (Fixed)	Fixed
3-Year Loan Default Rate (2010)	Academic	1.02	0.09
5-Year Loan Forbearance Rate (2009 - 2010 Average)	Academic	2.42	0.27
Dropout Rate (2009)	Academic	7.25	1.00
Dropout Rate (2010)	Academic	7.64	1.06
Dropout Rate (2011)	Academic	7.77	1.08
Dropout Rate (2012)	Academic	7.45	1.02
Dropout Rate (2013)	Academic	6.87	.91
Graduation Rate (2011)	Academic	-8.40	1.19
Graduation Rate (2012)	Academic	-8.61	1.21
Percent Increase in Title IV Funding (FY 2010 to 2011)	Academic	-.01	.02
Percent Increase in Title IV Funding (FY 2011 to 2012)	Academic	.01	.02
Retention Rate (2009)	Academic	-4.78	.63
Retention Rate (2010)	Academic	-4.93	.65
FSA Financial Composite Score (FY 2010)	Financial	1 (Fixed)	Fixed
FSA Financial Composite Score (FY 2011)	Financial	.77	.06
Number of Program Review Findings (FY 2008-2010)	Financial	0.24	0.07
Number of Program Review Findings (FY 2011-2012)	Financial	.13	0.04
On Heightened Cash Monitoring (FY 2008-2010)	Financial	.73	.11
On Heightened Cash Monitoring (FY 2011-2012)	Financial	.77	.11

Percent Letters of Credit (2010-2012)	Financial	.24	.03
Percent Decrease in Title IV Funding (FY 2010 to 2011)	Financial	.08	.02
Percent Decrease in Title IV Funding (FY 2011 to 2012)	Financial	.12	.03
Structural Model			
Variable *(Y)*	**Risk Dimension (ξ)**	**Estimate (Γ)**	**Standard Error**
Having 1+ Sanction	Academic	-.07	.26
Having 1+ Sanction	Financial	.55	.11
Model Fit Statistics			
Standardized Root Mean-Squared Residual: .073			
Coefficient of Determination: .97			

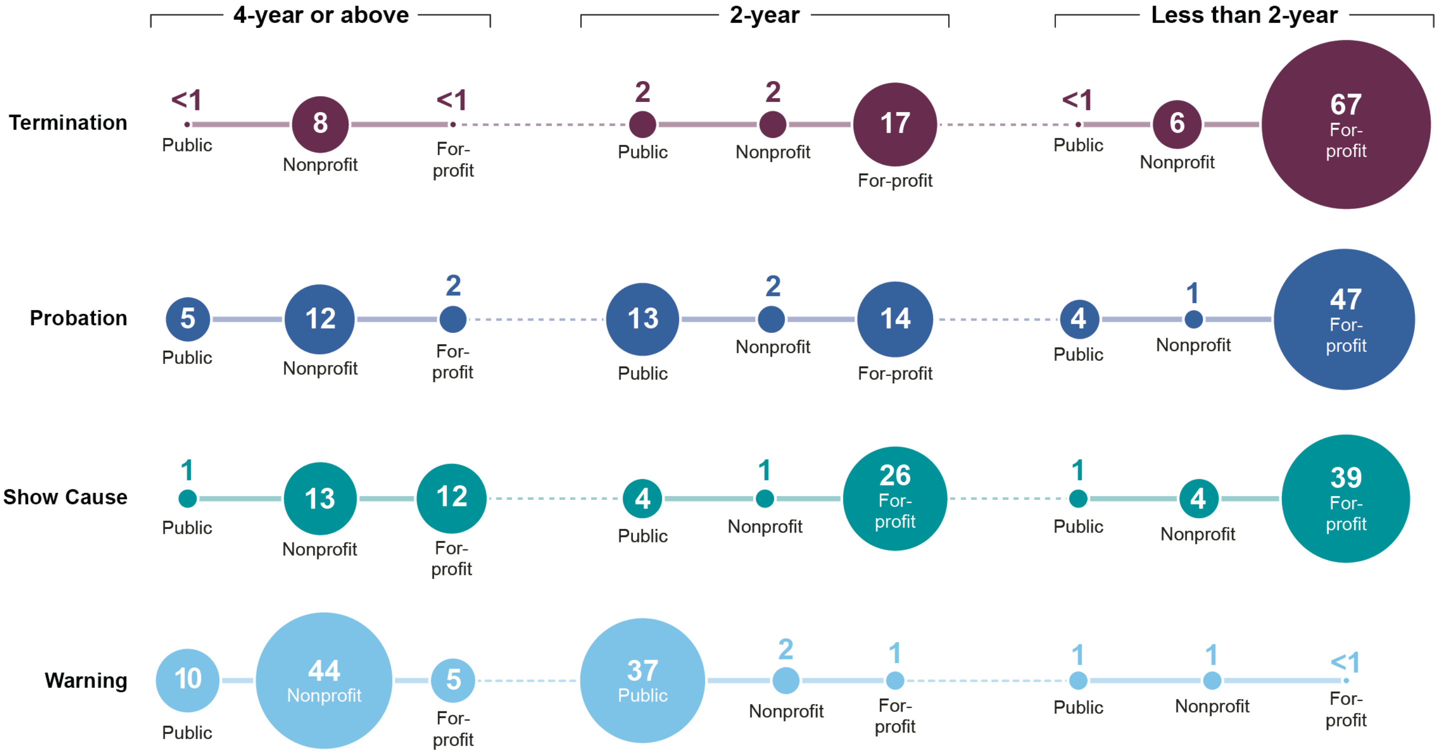
Source: GAO analysis of IPEDS and other Education databases. | GAO-15-59

Notes: The table illustrates the fitted model for-profit and nonprofit schools only. See page 50 for a complete description of the models estimated, including those fit for different types of schools (e.g., public schools). The table entries are a subset of fitted parameters, excluding intercepts, error variances, and error covariances. FY = fiscal year.

In tables 2 through 5, above, we illustrate the results of this model in an accessible way by estimating the academic and financial/administrative risk factor scores for each school in the sample, grouping these scores into quartiles, and then estimating the proportion of schools receiving at least one sanction.

Appendix II: Data on Institutional Characteristics of Schools with Sanctions

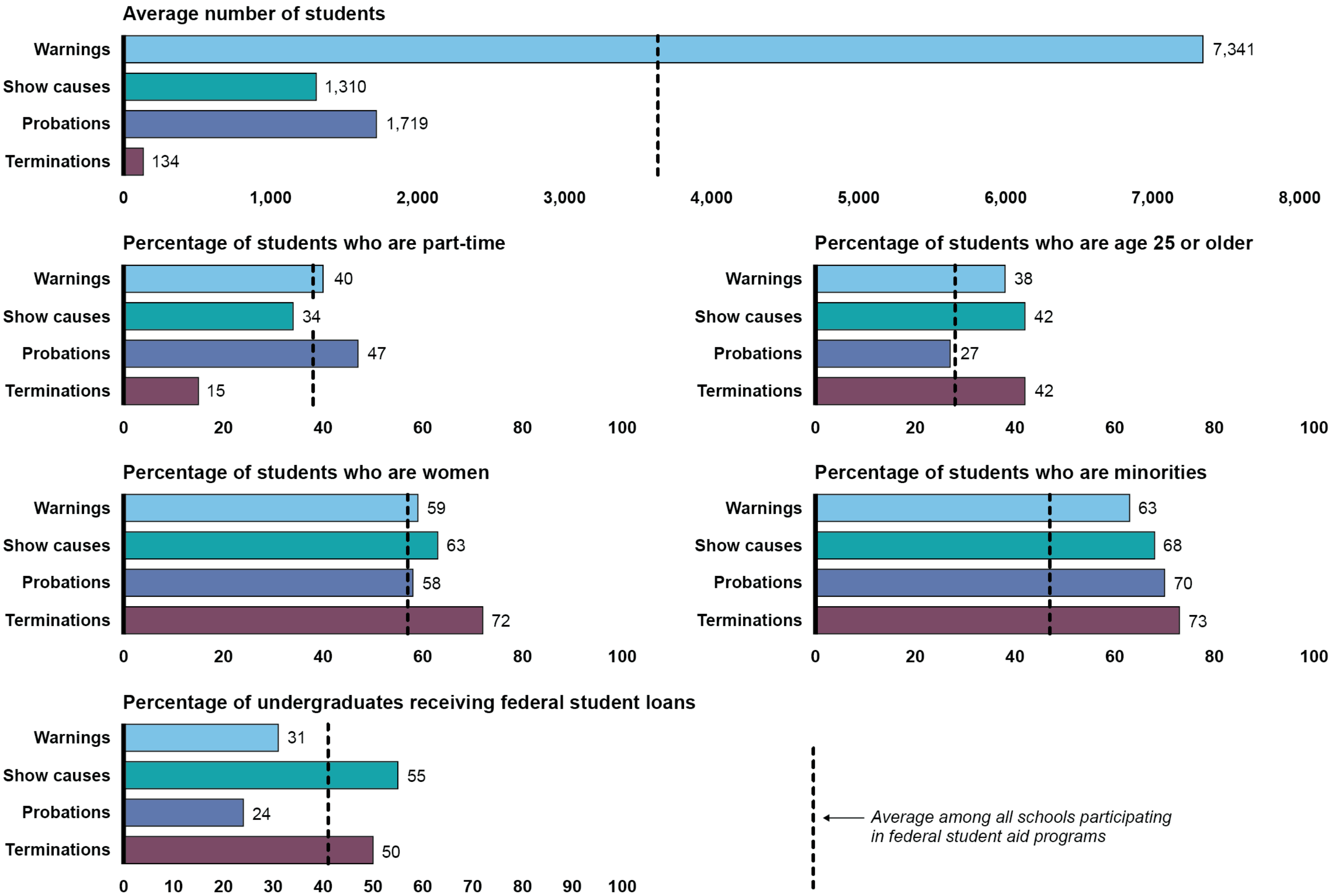
Figure 10: Sanctions against Schools (percent) by School Type and Program Length, October 2009 through March 2014



Source: GAO analysis of data from the Integrated Postsecondary Education Data System (IPEDS) and the Department of Education's accreditation database. | GAO-15-59

Note: Percentages may not add to 100 because of rounding. Program length refers to the longest program a school has, but it may also have shorter programs. The show cause orders and warnings depicted by this graph were voluntarily reported to Education or obtained from accreditors by GAO. Unlike terminations and probations, show cause orders and warnings are not required to be reported to Education.

Figure 11: School-level Student Characteristics by Type of Sanction, October 2009 through March 2014

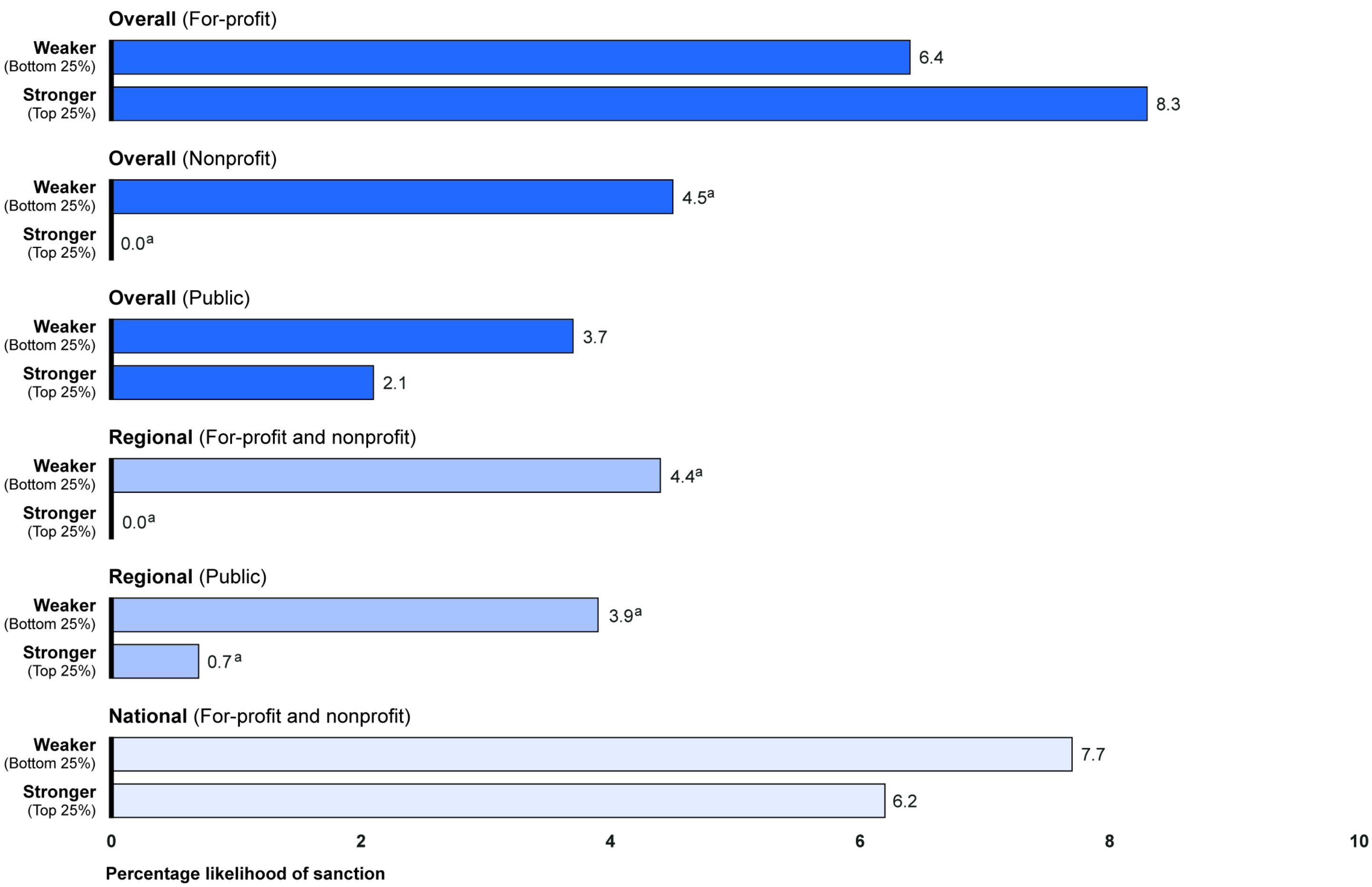


Source: GAO analysis of data from the Integrated Postsecondary Education Data System (IPEDS) and the Department of Education's accreditation database. | GAO-15-59

Appendix III: Data on the Likelihood of Termination or Probation for Selected Federal Student Outcomes

Likelihood of Accreditor Sanctions for Weaker Versus Stronger Student Outcomes

Figure 12: Accreditor Likelihood of Termination or Probation for Schools with Weaker vs. Stronger Student Outcomes, by Type of Accreditor, October 2009 through March 2014

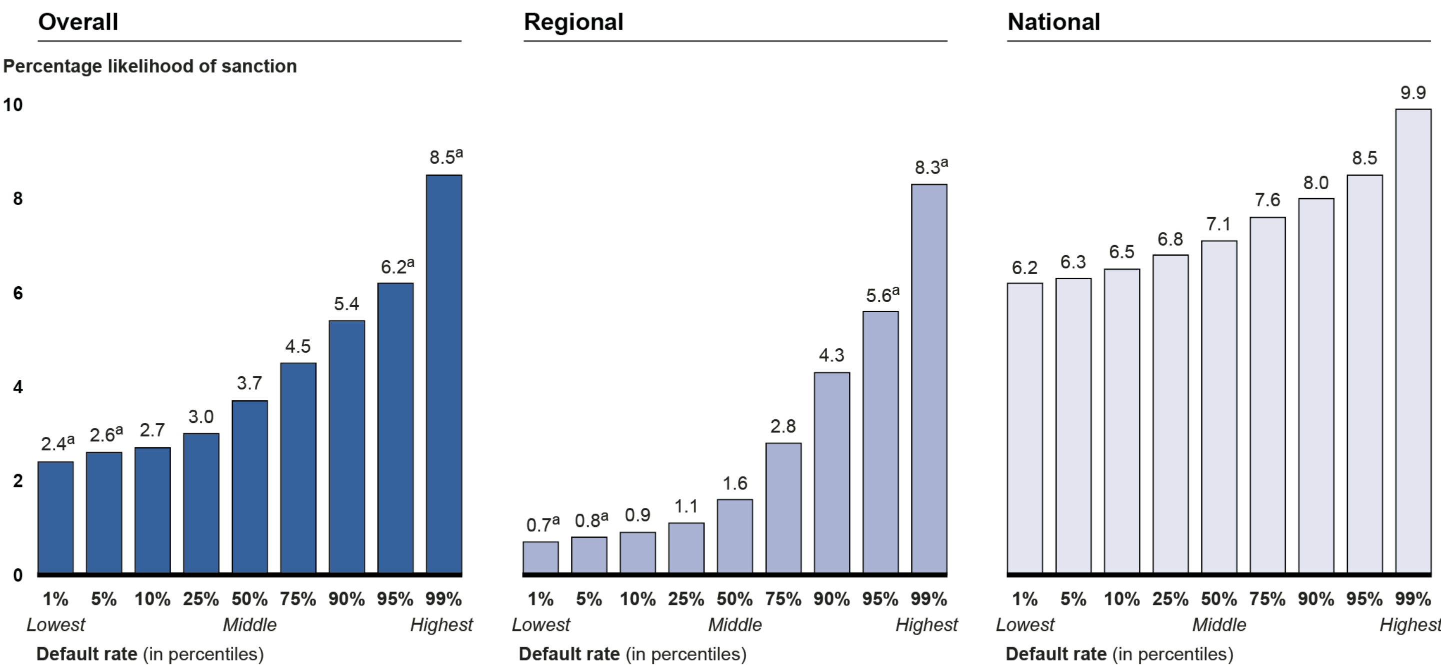


Source: GAO analysis of school-level student outcome characteristics collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to concurrently examine accreditors' likelihood of sanctioning schools with weaker versus stronger characteristics across one combined indicator incorporating a range of related student outcome characteristics (schools in the top 25 percent vs. bottom 25 percent). It was not possible to divide for-profit and nonprofit schools by type of accreditor or public schools accredited by national accreditors due to small sample size. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on these outcomes. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

[a]Indicates that the difference between estimates at the top and bottom 25 percentiles is statistically distinguishable from 0 at the 95 percent confidence level with the exception of the difference for regional accreditors of nonprofit and for-profit schools, which is statistically distinguishable from 0 at the 90 percent confidence level.

Figure 13: Accreditor Likelihood of Termination or Probation, by 3-Year Default Rate, October 2009 through March 2014

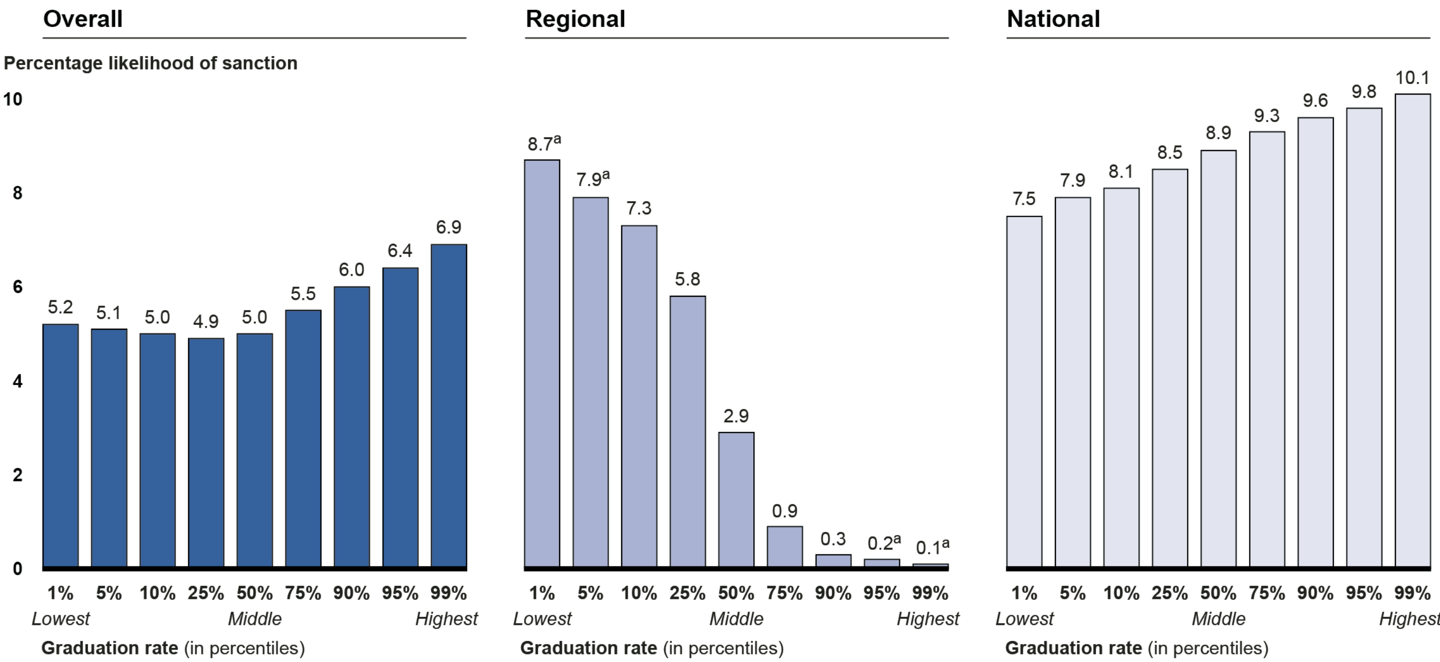


Source: GAO analysis of school-level student outcome characteristics collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual student outcome characteristics, compared to schools with stronger characteristics. Schools with weaker student outcomes were considered to be those in the bottom vs. the top for each characteristic (those in the 1st vs. 99th percentile and 5th vs. 95th percentile). We controlled for the following demographic characteristics: percentage of part-time students, percentage of students over the age of 25 year, percentage of minority students, and percentage of students receiving Pell grant aid. Default rate indicates the percent of borrowers who entered repayment in fiscal years 2009 or 2010 and were in default as of the end of the second following fiscal year. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their outcomes. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

[a]Indicates that the difference between estimates at the 1st and 99th percentiles and the 5th and 95th percentiles, respectively, is statistically distinguishable from 0 at the 95 percent confidence level.

Figure 14: Accreditor Likelihood of Termination or Probation, by Graduation Rate, October 2009 through March 2014

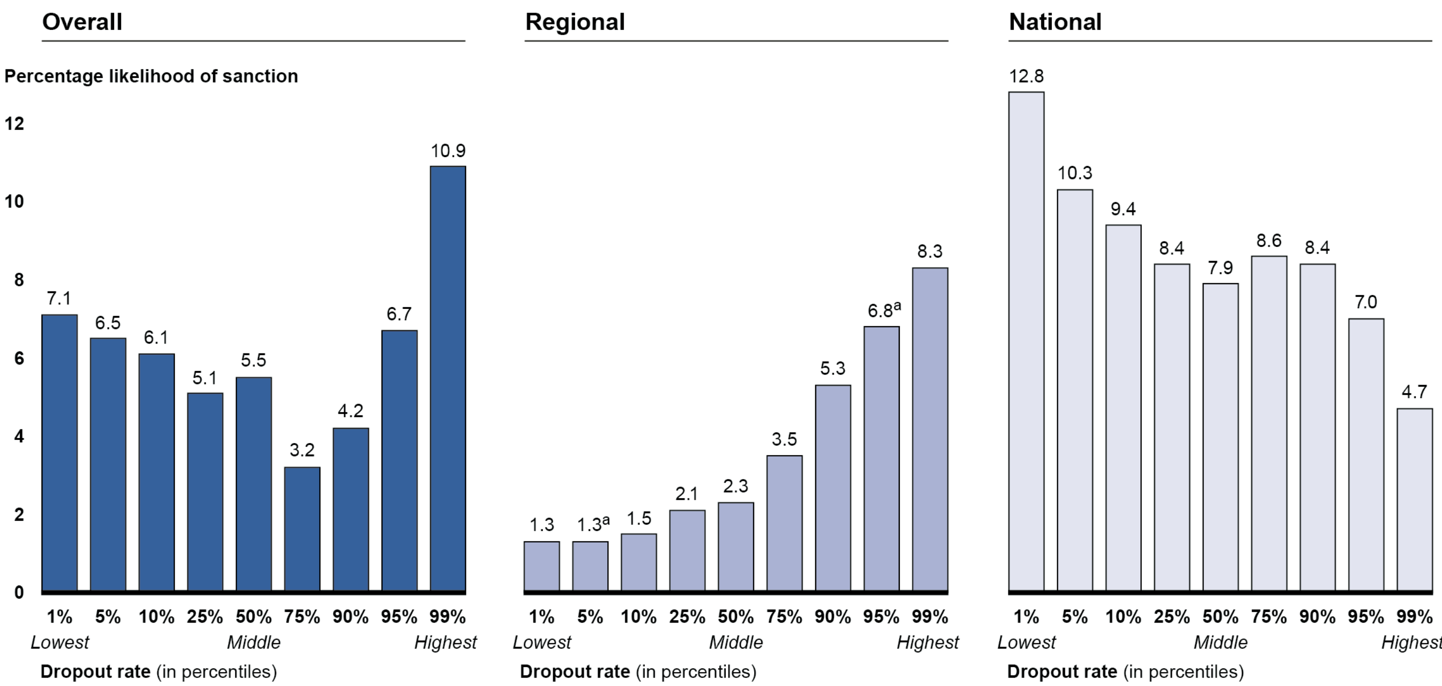


Source: GAO analysis of school-level student outcome characteristics collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual student outcome characteristics, compared to schools with stronger characteristics. Schools with weaker student outcomes were considered to be those in the bottom vs. the top for each characteristic (those in the 1st vs. 99th percentile and 5th vs. 95th percentile). We controlled for the following demographic characteristics: percentage of part-time students, percentage of students over the age of 25 year, percentage of minority students, and percentage of students receiving Pell grant aid. Graduation rates reported to IPEDS in 2011 and 2012 are for first-time full-time degree/certificate-seeking undergraduate students that completed their degree within 150 percent of the expected time. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their outcomes. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

[a]Indicates that the difference between estimates at the 1st and 99th percentiles and the 5th and 95th percentiles, respectively, is statistically distinguishable from 0 at the 95 percent confidence level.

Figure 15: Accreditor Likelihood of Terminations or Probations, by Dropout Rate, October 2009 through March 2014

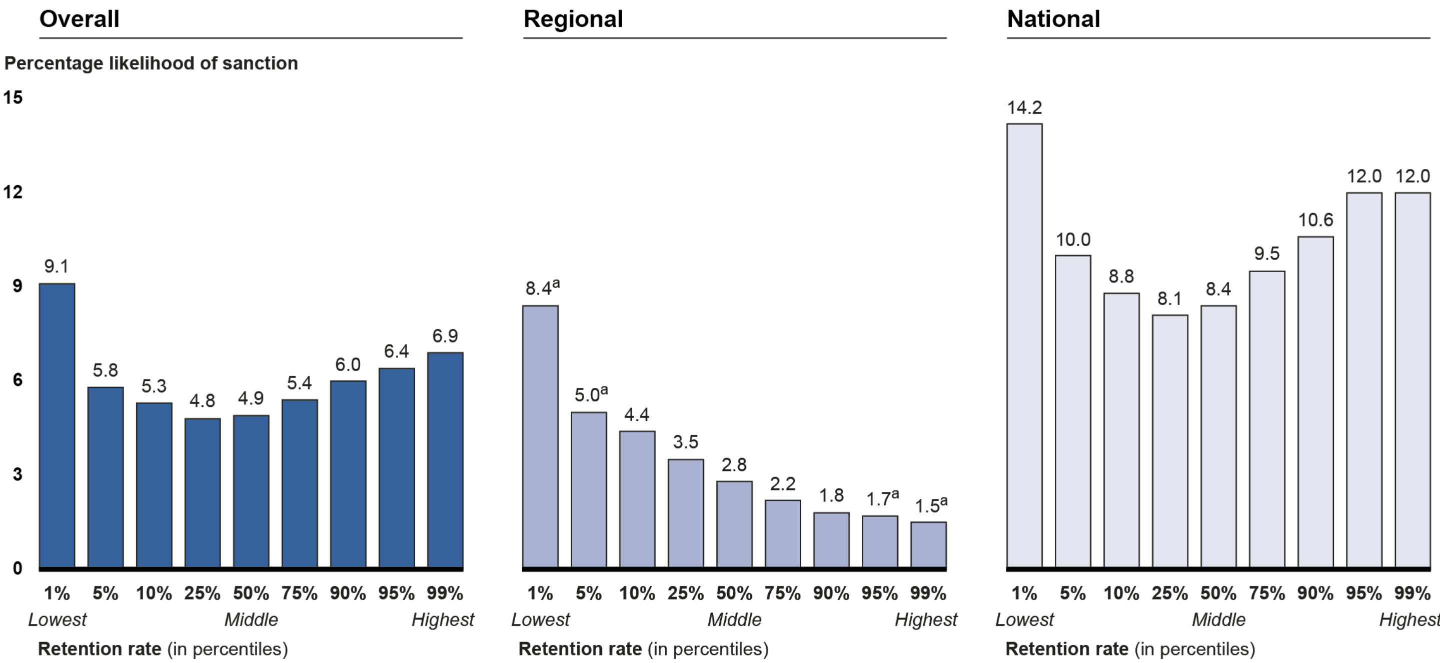


Source: GAO analysis of school-level student outcome characteristics collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual student outcome characteristics, compared to schools with stronger characteristics. Schools with weaker student outcomes were considered to be those in the bottom vs. the top for each characteristic (those in the 1st vs. 99th percentile and 5th vs. 95th percentile).We controlled for the following demographic characteristics: percentage of part-time students, percentage of students over the age of 25 year, percentage of minority students, and percentage of students receiving Pell grant aid. Dropout rate indicates the total number of withdrawals reported by each school during a particular year divided by the total number of graduates plus withdrawals reported to the National Student Loan Data System for that year for award years 2008-2009 through 2012-2013. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their outcomes. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

[a]Indicates that the difference between estimates at the 1st and 99th percentiles and the 5th and 95th percentiles, respectively, is statistically distinguishable from 0 at the 95 percent confidence level.

Figure 16: Accreditor Likelihood of Termination or Probation, by Retention Rate, October 2009 through March of 2014

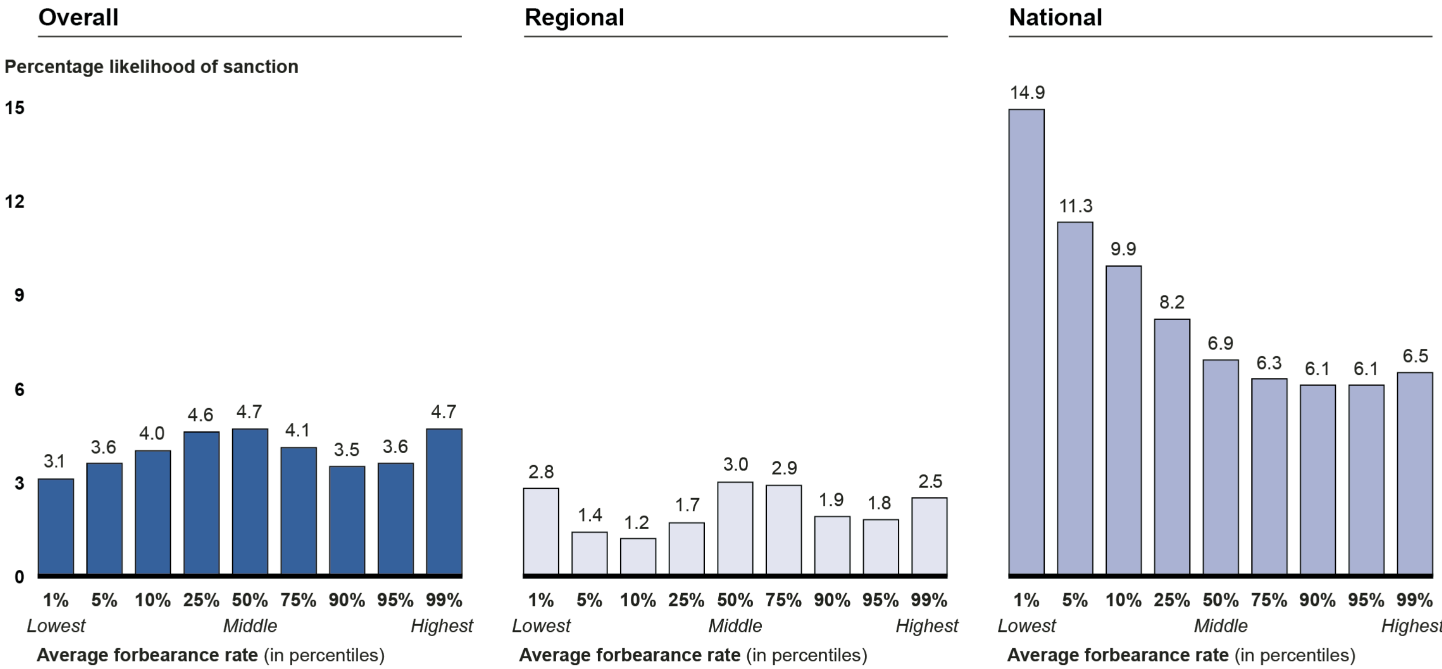


Source: GAO analysis of school-level student outcome characteristics collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual student outcome characteristics, compared to schools with stronger characteristics. Schools with weaker student outcomes were considered to be those in the bottom vs. the top for each characteristic (those in the 1st vs. 99th percentile and 5th vs. 95th percentile). We controlled for the following demographic characteristics: percentage of part-time students, percentage of students over the age of 25 year, percentage of minority students, and percentage of students receiving Pell grant aid. Retention rate indicates the percent of first-time degree/certificate-seeking students who enrolled in the previous fall and either successfully completed their program or re-enrolled in the next fall as reported to IPEDS in the fall of 2010 and 2011. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their characteristics. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

[a]Indicates that the difference between estimates at the 1st and 99th percentiles and the 5th and 95th percentiles, respectively, is statistically distinguishable from 0 at the 95 percent confidence level.

Figure 17: Accreditor Likelihood of Termination or Probation, by Average Forbearance Rate, October 2009 through March 2014

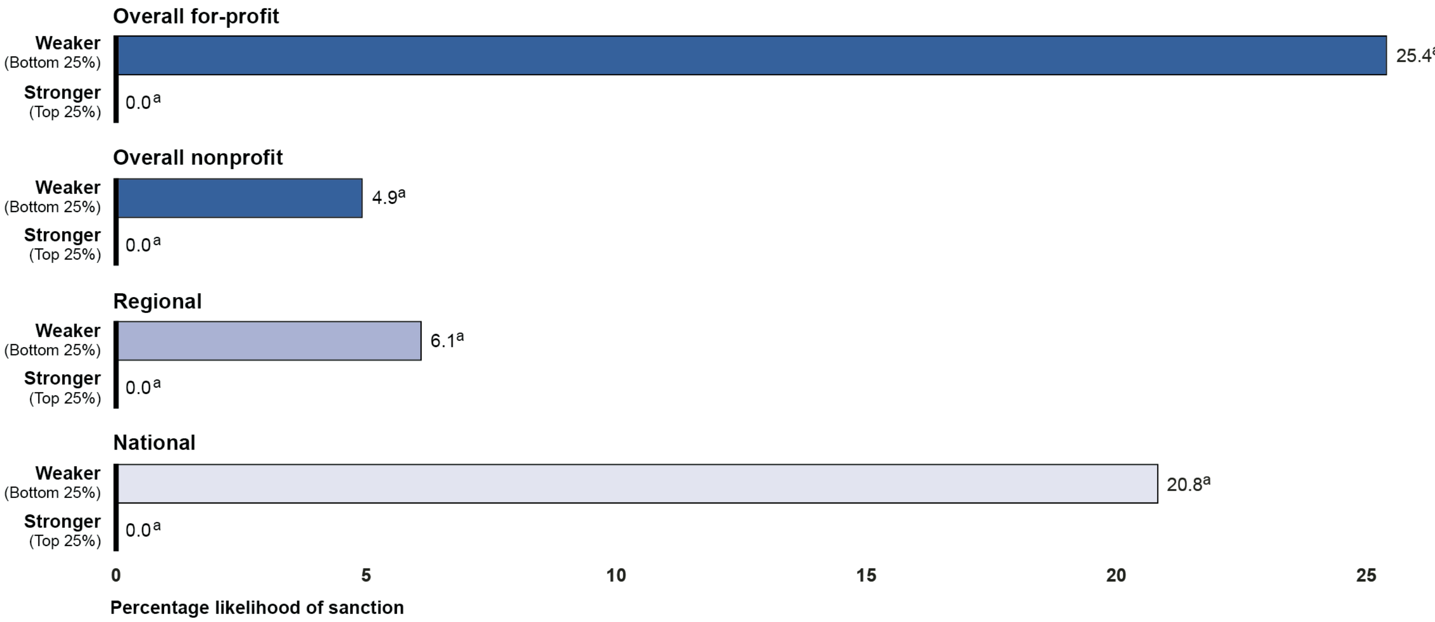


Source: GAO analysis of school-level student outcome characteristics collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual student outcome characteristics, compared to schools with stronger characteristics. Schools with weaker student outcomes were considered to be those in the bottom vs. the top for each characteristic (those in the 1st vs. 99th percentile and 5th vs. 95th percentile). We controlled for the following demographic characteristics: percentage of part-time students, percentage of students over the age of 25 year, percentage of minority students, and percentage of students receiving Pell grant aid. Forbearance rate indicates the percent of borrowers who entered repayment status in fiscal year 2009 and 2010 and were in forbearance as of the end of the following fiscal year. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their characteristics. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

Appendix IV: Data on the Likelihood of Termination or Probation for Selected Federal Financial Characteristics

Figure 18: Accreditor Likelihood of Termination or Probation against For-Profit and Nonprofit Schools with Weaker vs. Stronger Financial Characteristics, by Type of Accreditor, October 2009 through March 2014

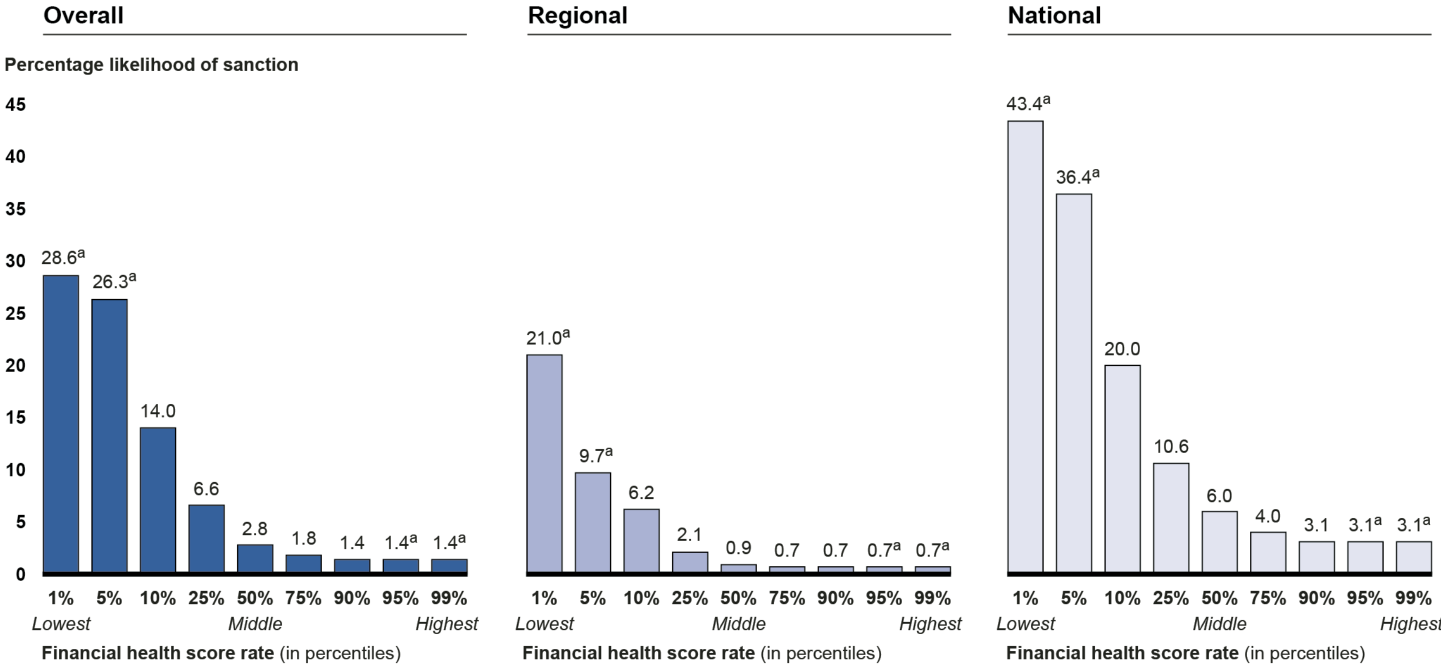


Source: GAO analysis of financial characteristics information collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us concurrently examine accreditors' likelihood of sanctioning schools with weaker versus stronger characteristics across one combined indicator incorporating a range of related financial characteristics (top 25 percent vs. bottom 25 percent). It was not possible to divide for-profit and nonprofit schools by type of accreditor due to small sample size and public schools are not required to have composite scores since they are generally financed by state and local entities. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their financial characteristics. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. We did not examine the combined financial characteristics of public schools because Education does not measure their financial health, as they rely, in large part, on state and local funding. See appendix I for more details.

[a]Indicates that the difference between estimates at the top and bottom 25 percentiles is statistically distinguishable from 0 at the 95 percent confidence level.

Figure 19: Accreditor Likelihood of Termination or Probation, by Average Financial Health Score, October 2009 through March 2014

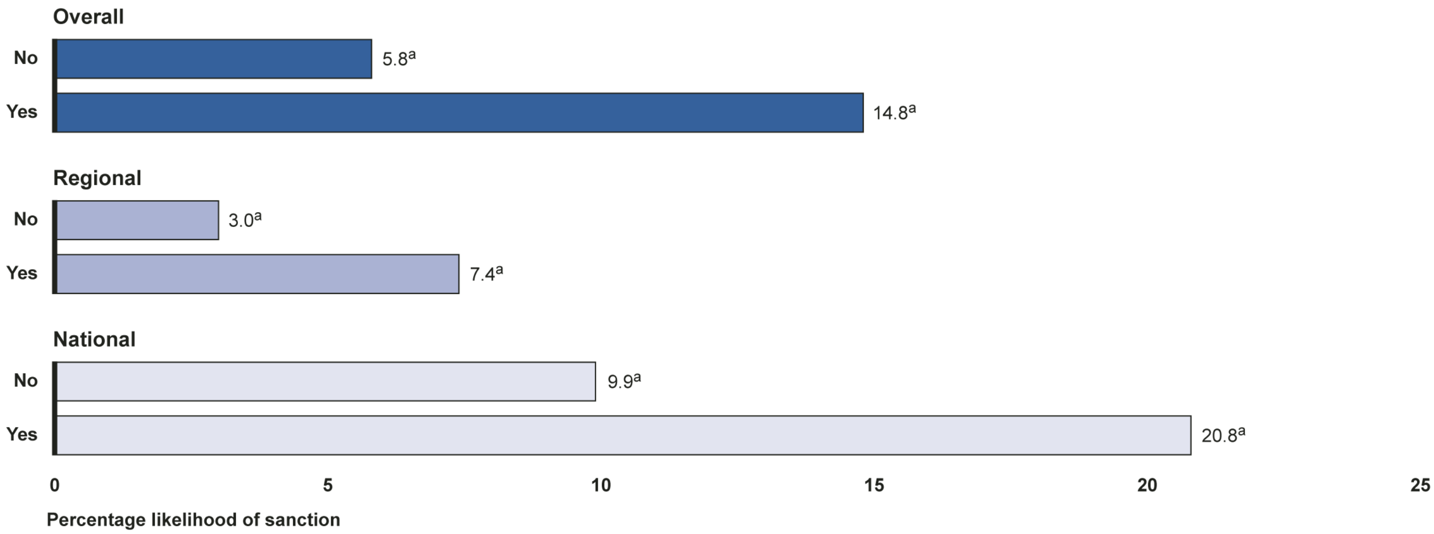


Source: GAO analysis of financial characteristics information collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual financial characteristic, compared to schools with stronger characteristics. Schools with weaker financial characteristics were considered to be those in the bottom vs. the top for each characteristic (those in the 1st vs. 99th percentile and 5th vs. 95th percentile). Financial health score refers to a school's fiscal year 2010 and 2011 financial composite score, which is calculated by Education using three key financial ratios examining different aspects of a school's financial health. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their characteristics. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. We did not examine this financial characteristic for public schools because Education does not measure their financial health, as they rely, in large part, on state and local funding. See appendix I for more details.

[a]Indicates that the difference between estimates at the 1st and 99th percentiles and the 5th and 95th percentiles, respectively, is statistically distinguishable from 0 at the 95 percent confidence level.

Figure 20: Accreditor Likelihood of Termination or Probation, Based on Program Review by Education, October 2009 through March 2014

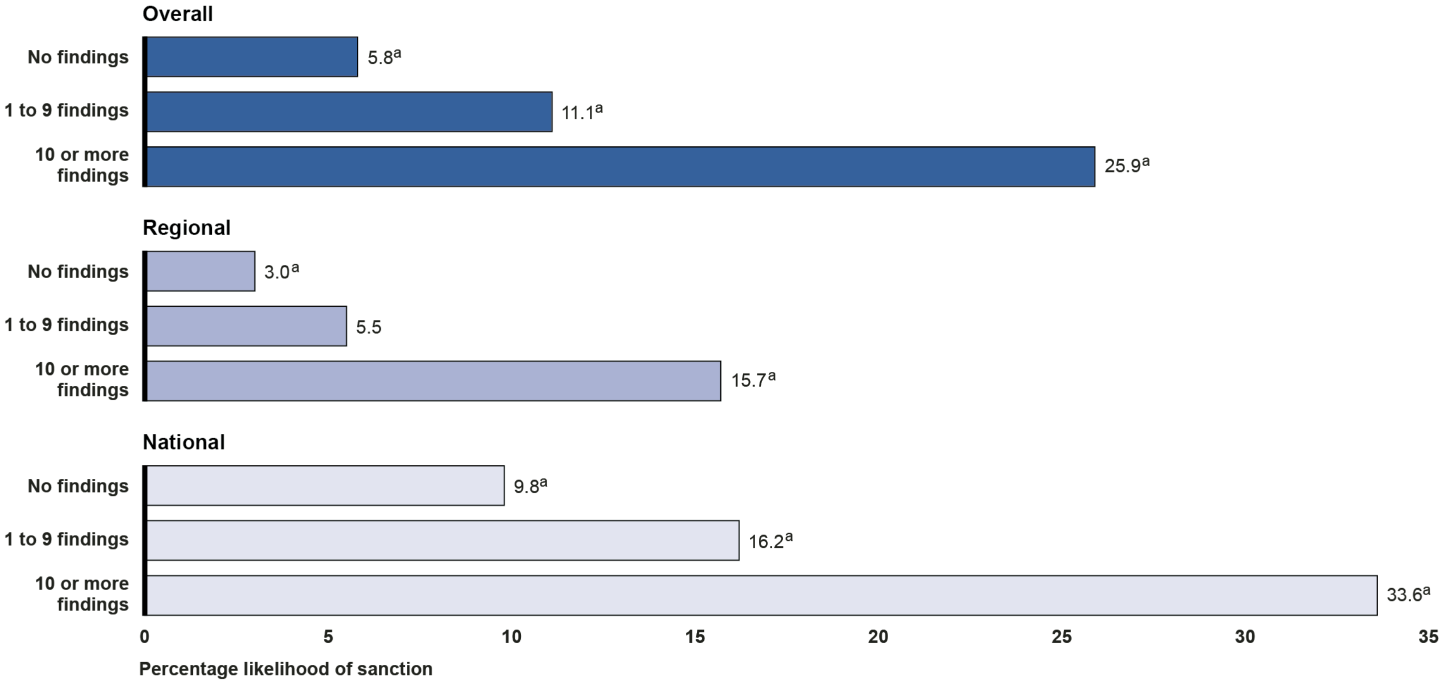


Source: GAO analysis of financial characteristics information collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual financial characteristic, compared to schools with stronger characteristics. This variable is a dichotomous yes/no variable, and indicates whether a school had a program review with at least one finding in fiscal years 2011 or 2012. Many findings are financially related. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their characteristics Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

[a]Indicates that the difference between estimates is statistically distinguishable from 0 at the 95 percent confidence level.

Figure 21: Accreditor Likelihood of Termination or Probation, by Number of Program Review Findings, October 2009 through March 2014

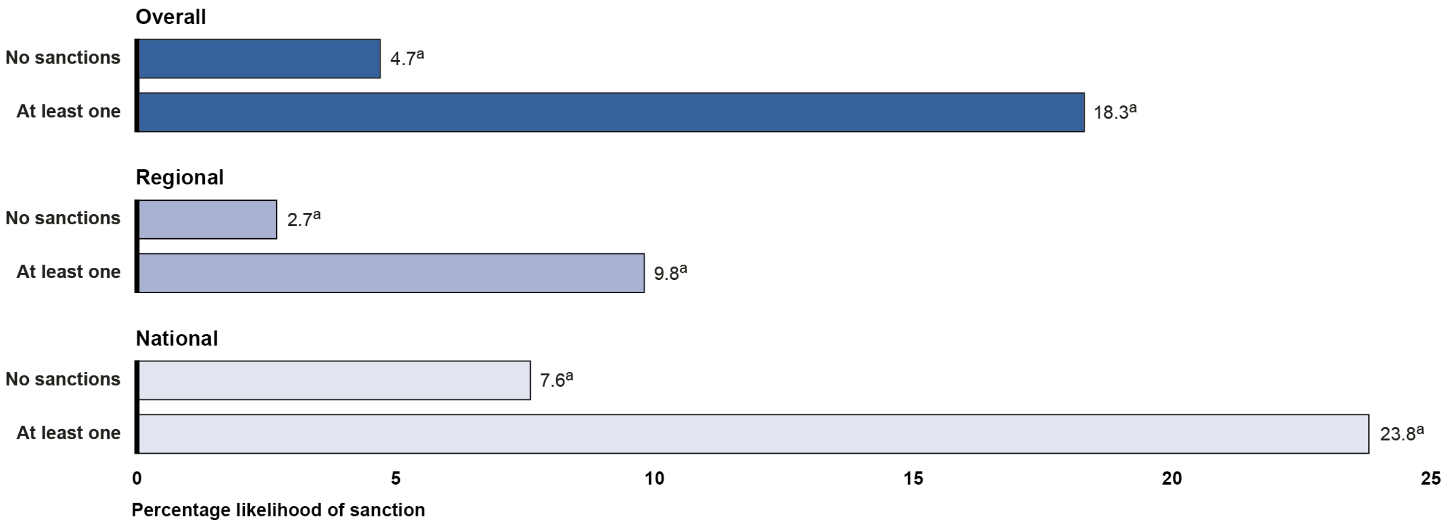


Source: GAO analysis of financial characteristics information collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual financial characteristics compared to schools with stronger characteristics. This variable is a dichotomous yes/no variable, to indicate the number of findings from any program reviews between October 1, 2010 and September 30, 2012. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their characteristics. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

[a]Indicates that the differences between estimates are statistically distinguishable from 0 at the 95 percent confidence level for schools with 0 findings, 1-9 findings, or 10 or more findings, respectively.

Figure 22: Accreditor Likelihood of Termination or Probation, by Sanctions Taken by Education Related to Financial Concerns, October 2009 through March 2014

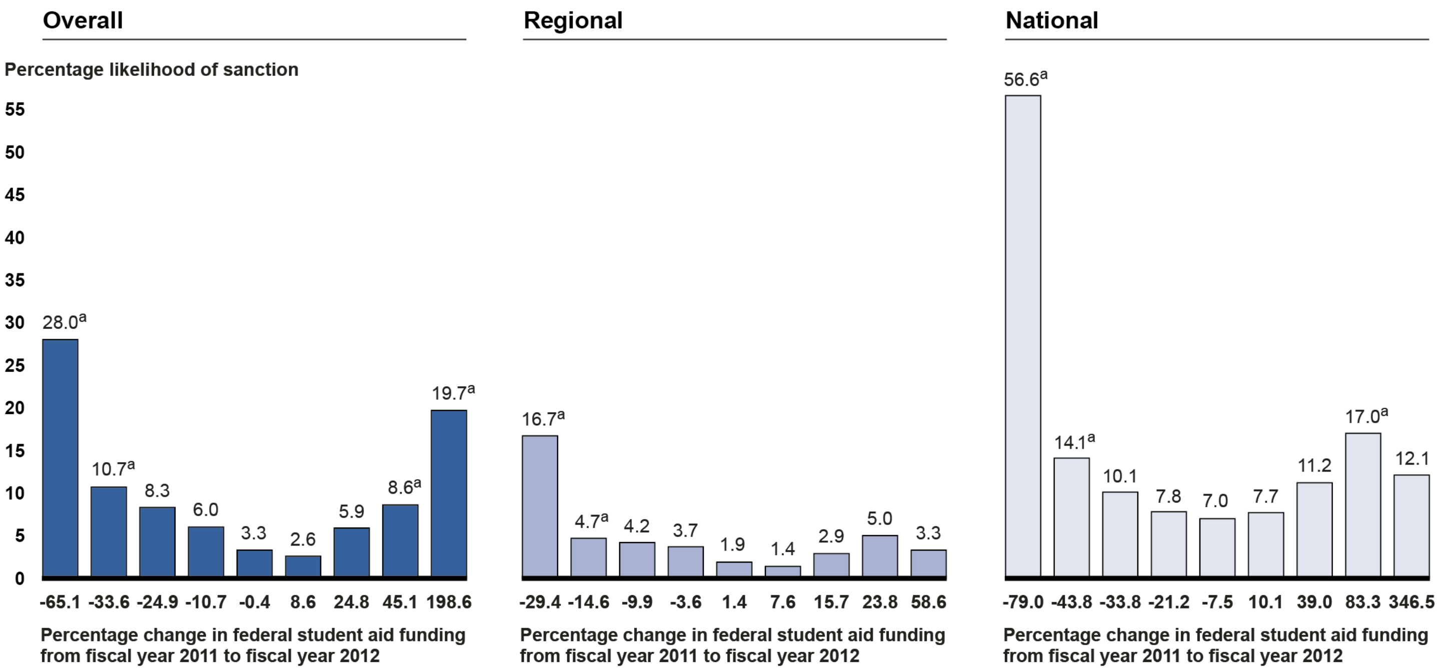


Source: GAO analysis of financial characteristics information collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual financial characteristics compared to schools with stronger characteristics.. This is a dichotomous yes/ no variable and examines if a school was on heightened cash monitoring (requiring schools to disburse federal student aid funds before receiving funds), was required to have a letter of credit (an assurance that financial obligations to Education would be met in the event of a school closure), or had a program review with at least one finding in fiscal years 2011 or 2012. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their characteristics. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

[a]Indicates that the difference between estimates is statistically distinguishable from 0 at the 95 percent confidence level.

Figure 23: Accreditor Likelihood of Termination or Probation, by Changes in Federal Student Aid Funds, October 2009 through March 2014

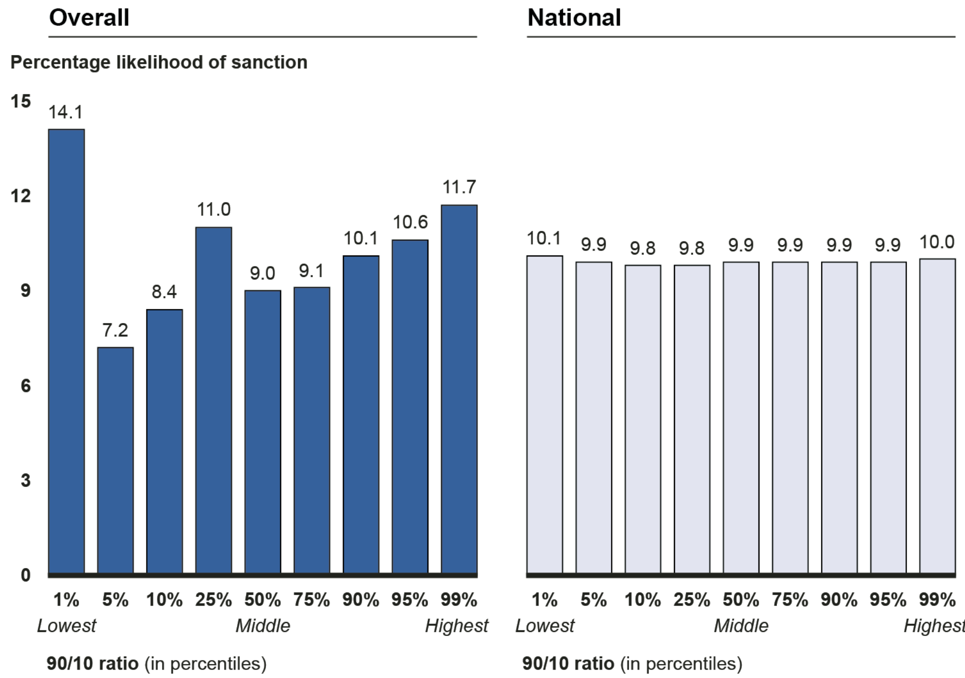


Source: GAO analysis of financial characteristics information collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual financial characteristics compared to schools with stronger characteristics. For this characteristic, weaker characteristics were considered to be in the bottom vs. the median or the top vs. the median (those in the 1st or 5th vs. 50th percentile and 95th and 99th vs. 50th percentile. Change in federal student aid funding indicates a decrease in the amount of funding a school received. Change in Title IV funding indicates any decrease in federal student aid funds. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their characteristics. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

[a]Indicates that the estimate is statistically distinguishable from the estimate at the 50th percentile at the 95 percent confidence level.

Figure 24: Accreditor Likelihood of Termination or Probation, by 90/10 Ratio, October 2009 through March 2014



Source: GAO analysis of financial characteristics information collected by Education and data from the accreditation database. | GAO-15-59

Notes: We used statistical techniques that allowed us to examine accreditors' likelihood of sanctioning schools with weaker individual financial characteristics compared to schools with stronger characteristics. For this characteristic, weaker characteristics were considered to be in the bottom vs. the median or the top vs. the median (those in the 1st or 5th vs. 50th percentile and 95th and 99th vs. 50th percentile. We looked at if a for-profit school met the requirement to receive not more than 90 percent of its revenues from federal student aid funds for fiscal years 2010 and 2011. This characteristic is not applicable to nonprofit or public schools. In addition, we also analyzed how likely programmatic accreditors and other accreditors—including state agencies that act as accreditors—were to sanction member schools based on their characteristics. Because these accreditors had relatively few member schools, we were unable to determine the statistical significance of these results for just programmatic or other small accreditors alone, but they are included in our overall results. See appendix I for more details.

Appendix V: Comments from the Department of Education

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

December 10, 2014

Ms. Melissa Emrey-Arras
Director, Education, Workforce,
and Income Security Issues
United States Government Accountability Office
Washington, DC 20548

Dear Ms. Emrey-Arras:

Thank you for providing the Department of Education (Department) with a draft copy of the U.S. Government Accountability Office's (GAO's) report entitled "HIGHER EDUCATION: Education Should Strengthen Oversight of Schools and Accreditors" (GAO-15-59; Job Code 131270). The report examines aspects of the effectiveness of accreditation in the Title IV programs – a topic of intense interest and ongoing consideration within the Department. The Department is giving in-depth attention to this area as Congress considers the reauthorization of the Higher Education Act (HEA). We also share GAO's interest in maximizing the use of available data to inform decision making, and are committed to identifying ways to use data about and from accreditors in our oversight of postsecondary institutions and agencies. As part of our efforts, we intend to provide a copy of GAO's final report to the National Advisory Committee on Institutional Quality and Integrity, an advisory committee of experts appointed by the Department and both houses of Congress, for comment and as a catalyst for recommendations in these areas.

GAO focused the present study on accreditor sanction data. GAO found that accreditor sanctions did not correlate with student outcome data GAO selected, but that accreditors were more likely to sanction institutions with weaker financial characteristics. GAO also found disparity among recognized accreditors in terms of how often they terminated accreditation or placed institutions on probation. From these findings, GAO made four recommendations regarding the Department's use of information on accreditor sanctions to support oversight of institutions and agencies. It is important to note that the regulatory authority of the Office of Postsecondary Education (OPE) differs from that of Federal Student Aid (FSA). OPE regulates accrediting agencies while FSA's authority applies to educational programs offered at institutions.

Recommendation: *To ensure that accreditors are reliable authorities regarding educational quality, we recommend that the Secretary of Education consider further evaluating existing accreditor standards to determine if they effectively address educational quality in key areas, such as student achievement. In carrying out this evaluation, Education could consider whether there are additional actions it could take, within the scope of its existing authority, to assess*

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accreditor standards on an ongoing basis, and if appropriate, Education could develop a legislative proposal to expand its authority to assess accreditor standards.

Response: The Department concurs in part with this recommendation. The Department intends to further evaluate existing accreditor standards as it formulates its recommendations regarding HEA reauthorization. In addition, the Department will consider whether there are additional uses it can make of student achievement data in its procedures for review of accrediting agencies, understanding that the HEA and its implementing regulations currently do not supply any measure of the effectiveness of accreditor standards other than individual institutions meeting their stated objectives. The HEA and regulations also prevent the Department from prescribing the content of agency standards.

Recommendation: *To strengthen Education's oversight of schools, we recommend that the Secretary of Education ensure that Education staff consistently review, record, and respond to accreditor sanction information, and clarify the guidance it provides staff on responding to accreditor sanctions.*

Response: The Department concurs with this recommendation. While FSA does use accreditor sanction information in its oversight, to help ensure the consistent review, recording, and response to accreditor sanction information, FSA will strengthen the current Eligibility National Standards and provide additional staff training.

Recommendation: *To further strengthen Education's oversight of schools, we recommend that the Secretary of Education determine how Education can consistently leverage available accreditor sanction data for oversight of schools to ensure it can systematically prioritize sanctioned schools for program review.*

Response: The Department concurs with this recommendation. FSA will incorporate accreditor sanctions into the annual risk assessments used to select program review candidates, and will strengthen the Program Review National Standards as appropriate.

Recommendation: *To strengthen Education's oversight of accreditors through the recognition review process, we recommend that the Secretary of Education draw upon accreditor data to determine whether accreditors are consistently applying and enforcing their standards to ensure that the education offered by schools is of sufficient quality. For example, Education could systematically use available information related to the frequency of accreditor sanctions or could do additional analyses, such as comparing accreditor sanction data with Education's information on student outcomes, to inform its recognition reviews.*

Response: The Department concurs with this recommendation. The Department will systematically track the number of accreditor sanctions issued by each accrediting agency against the institutions they accredit. Those data will then be used to allow us to focus our limited resources on those accrediting agencies with extremely low or high sanction rates.

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The Department appreciates the attention GAO is giving the critical issue of accreditation and shares the interest in ensuring that institutions participating in Federal programs are of high academic quality. You will find enclosed some technical comments based on our review of this report.

Sincerely,

Lynn B. Mahaffie
Acting Assistant Secretary

Enclosure

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

Melissa Emrey-Arras, (617) 788-0534 or emreyarrasm@gao.gov

Staff Acknowledgments

In addition to the contact named above, Kris Nguyen, Assistant Director; Eve Weisberg, Analyst-in-Charge; Ellen Phelps Ranen; Jennifer McDonald; John Mingus; Jeff Tessin; Jessica Botsford; Holly Dye; and James Bennett made significant contributions to this report.

Also contributing to this report were Jacques Arsenault, David Barish, Sue Bernstein, Deborah Bland, Ramona Burton, Michelle Fejfar, Shannon Finnegan, Kirsten Lauber, Ted Leslie, Sheila McCoy, Cathy Roark, Vernette Shaw, Michelle St. Pierre, Debra Prescott, Kate Van Gelder, and Charlie Willson.

Related Products

DOD Education Benefits: Action Is Needed to Ensure Evaluations of Postsecondary Schools Are Useful. GAO-14-855. Washington, D.C.: September 8, 2014.

VA Education Benefits: VA Should Strengthen Its Efforts to Help Veterans Make Informed Education Choices. Washington, D.C.: GAO-14-324. May 13, 2014.

VA Education Benefits: Student Characteristics and Outcomes Vary Across Schools. GAO-13-567. Washington, D.C.: July 25, 2013.

Postsecondary Education: Student Outcomes Vary at For-Profit, Nonprofit, and Public Schools. GAO-12-143. Washington, D.C.: December 7, 2011.

Higher Education: Improved Tax Information Could Help Families Pay for College. GAO-12-560. Washington, D.C.: May 18, 2012.

Diploma Mills: Diploma Mills Are Easily Created and Some Have Issued Bogus Degrees to Federal Employees at Government Expense. GAO-94-1096T. Washington, D.C.: September 23, 2004.

Standards for Internal Control in the Federal Government. GAO/AIMD-00-21.3.1. Washington, D.C.: November, 1999.

Department of Education: Status of Actions to Improve the Management of Student Financial Aid. GAO/HEHS-96-143. Washington, D.C.: July 12, 1996.

School Accreditation: Activities of Seven Agencies that Accredit Proprietary Schools. GAO/HRD-90-179BR. Washington, D.C.: September 12, 1990.

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