February 23, 2010

The Honorable Tom Harkin
Chairman
The Honorable Michael B. Enzi
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable George Miller
Chairman
The Honorable John P. Kline
Ranking Member
Committee on Education and Labor
House of Representatives

Subject: Higher Education: Information on Incentive Compensation Violations Substantiated by the U.S. Department of Education

In 1992, Congress banned schools participating in federal student aid programs from paying commissions, bonuses, or other incentive payments to individuals based on their success in enrolling students or securing financial aid for them.\(^1\) Congress instituted this incentive compensation ban to eliminate abusive recruiting practices in which schools enrolled unqualified students who then received federal student aid funds. In 2002, the U.S. Department of Education (Education) issued regulations—commonly referred to as “safe harbors”—that allowed for 12 activities or payment arrangements that schools could use without violating the ban against incentive compensation. As of January 2010, Education was reviewing these safe harbor regulations as part of a negotiated rule making process to maintain or improve federal student aid programs.

The Higher Education Opportunity Act (HEOA) mandated that GAO conduct a study on Education’s enforcement of the incentive compensation ban in light of the safe harbors and report on the number of violations substantiated by the Secretary of Education since 1998, the nature of these violations, and the names of the institutions involved.\(^2\) As agreed with your offices, this report provides information on violations of the incentive compensation ban substantiated by the Secretary since 1998. We will provide additional information on Education’s enforcement of the incentive compensation ban in a subsequent report.

\(^1\)Schools participate in federal student aid programs under Title IV of the Higher Education Act of 1965 (HEA), as amended. The ban on incentive payments was added to the HEA by the Higher Education Amendments of 1992, Pub. L. No. 102-325, § 490.

This report is based on our analysis of Education data, program reviews, and audit reports related to the incentive compensation ban from January 1998 through December 2009. As required by the mandate, our analysis examines incentive compensation cases initiated and substantiated by the Secretary of Education since 1998. For the purposes of our report, we defined cases initiated during this time period as program reviews begun by Education’s staff or any outside audit report received by Education for eventual resolution on or after January 1, 1998. We defined substantiated violations during this period as those cases in which a violation of the incentive compensation ban was noted in an Education final determination letter by December 10, 2009, the most recent information available at the time of our review. We also limited our analysis to violations found at schools located in the United States. Education maintains a database of incentive compensation findings and gave us data on schools within the above time period. We assessed the reliability of those data elements needed for our study by (1) examining the data; (2) comparing the data to program reviews, audit reports, and final determination letters; and (3) interviewing Education officials. Based on this assessment, we determined the number of schools that had violations identified and substantiated by Education since 1998. We determined that the data on violations at these schools are sufficiently reliable for the purposes of this report. In addition to our data analysis, we reviewed relevant laws and regulations, and conducted interviews with officials from Education, Education’s Office of the Inspector General, and various higher education associations. While this report provides data on violations substantiated by Education, it does not examine the penalties associated with these violations or assess the overall impact of the safe harbor regulations on Education’s efforts to enforce the incentive compensation ban.

We conducted our work from December 2009 through February 2010, 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 based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings.

In summary, we found that between 1998 and 2009 Education substantiated incentive compensation violations at 32 schools. Of the 32 schools with substantiated violations, 17 schools were found to have violated the ban in the 5 years before final safe harbor regulations were published on November 1, 2002, and 15 schools were found to have violated the ban in the 7 years afterward. Many of the violations involved payments by schools to their staff in the form of bonuses or commissions for successfully enrolling students in the school, while a smaller number involved payments to third party contractors or noncash rewards to staff for successfully enrolling students. In addition to finding violations at 32 schools, Education entered into settlement agreements with 22

3Throughout this report, we use the terms initiated and identified interchangeably.

4For the purposes of this report, we refer to violations substantiated by the Secretary as violations found or substantiated by Education, using the words found and substantiated interchangeably.

5In addition to violations by U.S. schools of the incentive compensation ban, Education data also noted two separate incentive compensation violations at one foreign school. Foreign schools approved by Education can administer and disburse funds for federal student aid programs to U.S. citizens and certain noncitizens, such as permanent residents, eligible for Federal Family Education Loans and enrolled in a certificate or degree program at that school. Both of the violations identified at the foreign school were substantiated by Education.
other schools. Education does not have data on the total number of school reviews and audits initiated by the Secretary and outside auditors for potential violations of the incentive compensation ban during the time period we reviewed.\(^6\) For this reason, it is unknown whether the total number of reviews and audits conducted each year has changed over the course of this time period and what percentage of these cases have resulted in substantiated violations.

**Background**

**U.S. Department of Education and the Incentive Compensation Ban**

Education is responsible for overseeing federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended.\(^7\) In this role, it is responsible for enforcing the statutory ban against incentive compensation which prohibits schools that receive Title IV student aid funds from providing “…any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admission activities or in making decisions regarding the award of student financial assistance…”\(^8\) The ban applies to all schools, including proprietary (also known as private for-profit), public, and private nonprofit schools.

**Safe Harbor Regulations**

On November 1, 2002, Education published regulations—commonly referred to as the safe harbor regulations—that allowed for 12 activities or payment arrangements that schools could use without violating the statutory prohibition against incentive compensation.\(^9\) These arrangements include: (1) adjustments to employee compensation that are not based "solely" on the number of students recruited, admitted, enrolled, or awarded financial aid; (2) compensation to recruiters who enroll students in nontitle IV eligible programs; (3) compensation for contracts with employers to provide training; (4) profit-sharing bonus plans; (5) compensation based upon program completion by students; (6) compensation for pre-enrollment activities; (7) compensation for managerial and supervisory employees; (8) token gifts; (9) profit distributions; (10) compensation for Internet-based activities; (11) compensation to third parties for nonrecruitment activities; and (12) compensation to third parties for nonrecruitment activities.

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\(^6\)For the purposes of our report, we focused on the total efforts to monitor compliance with the incentive compensation ban. While Education notes that approximately 5,000 audits have been conducted at schools each year and these audits have checked for incentive compensation violations, Education does not have data on how many program reviews examining incentive compensation issues have been conducted each year. As a result, data on the combined number of program reviews and audits initiated for potential incentive compensation violations since 1998 are not available.

\(^7\)20 U.S.C. § 1001 et seq.

\(^8\)20 U.S.C. § 1094(a)(20). The ban does not apply to the recruitment of foreign students residing in foreign countries who are not eligible to receive federal student aid from the U.S. government.

parties for recruitment activities. For more detailed information on the 12 safe harbors, see enclosure I. When Education published the regulations in November 2002, the agency applied the safe harbors to both ongoing and new reviews and audits.  

Program Reviews and Audits

Education department employees conduct program reviews of schools to monitor compliance with federal laws and regulations. The reviewers examine school records, interview institution staff and students, and review relevant student information, among other things. Program reviews can be conducted on-site at the institution or off-site, in which case institutions are asked to submit copies of selected records to officials at Education. In addition to program reviews conducted by Education employees, independent auditors conduct annual compliance audits of schools, and Education’s Office of the Inspector General staff conduct their own audits and provide information and referrals to Education.  

Education is required to resolve program deficiencies identified in both program reviews and audit reports and may impose penalties on schools found in violation. As part of the resolution process, Education generally sends a program review or audit determination letter to the school describing the violations found and any corrective actions the school must take to address the finding. In addition, at any point during this process, Education may also choose to resolve a case through a settlement agreement, which often finalizes the case without an acknowledgment of wrongdoing.  

Between 1998 and 2009, Education Substantiated 32 Incentive Compensation Violations, but the Total Number of Schools Examined for Potential Violations Is Unknown

Between 1998 and 2009, Education found that 32 schools had violated the incentive compensation ban, but the total number of incentive compensation reviews and audits conducted over this time period is unknown. Prior to the implementation of safe harbor regulations in 2002, 17 schools were found to have incentive compensation violations over a period of 5 years. After the implementation of safe harbor regulations, 15 schools were found to have violations over a period of 7 years. Although our data analysis presents information on incentive compensation violations substantiated by Education, it does not

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10 Although these regulations were published with an effective date of July 1, 2003, as required by section 482(c) of the HEA (20 U.S.C. § 1089(c)), the Secretary of Education used her authority under section 482(c)(2)(A) of the HEA (20 U.S.C. § 1089(c)(2)(A)) to allow institutions to implement the regulations as of Nov. 1, 2002. In a memo dated Nov. 19, 2002, Education officials stated that the safe harbor regulations should be applied to ongoing cases. Education did not apply the safe harbor regulations retroactively to closed audits and reviews that had final determinations prior to Nov. 1, 2002.

11 Institutions that receive Title IV funds must submit an annual audit to Education. A certified independent auditor must prepare the audit.

12 In certain circumstances, Education may fine a school or suspend, limit, or terminate a school’s participation in Title IV programs.

13 One of the 32 schools had three separate incentive compensation violations. All of the other schools had one substantiated incentive compensation violation. In addition, 4 of the 32 schools had multiple campus locations where incentive compensation violations were also substantiated by Education.
reflect the total number of schools for which reviews and audits were initiated by Education and outside auditors for potential violations of the incentive compensation ban because this data is not collected by Education. Consequently, it is unknown whether the number of incentive compensation cases changed over the course of the time period reviewed and what percentage of these cases resulted in substantiated violations.

Figure 1 shows the number of schools with incentive compensation violations substantiated by Education from 1998 through 2009. Many of the violations involved payments by schools to their staff in the form of bonuses or commissions for successfully enrolling students in the school, while a smaller number involved payments to third party contractors or noncash rewards to staff for successfully enrolling students. For more detailed information on the nature of the violations, as well as the names of the schools, see enclosure II.

Figure 1: Number of Schools with Incentive Compensation Violations Substantiated by Education from 1998 through 2009

As required by the mandate, our analysis focuses on schools where violations of the incentive compensation ban were identified and substantiated by Education since 1998.

Final safe harbor regulations were published on Nov. 1, 2002, and were applied to both ongoing and new reviews and audits at that time. The safe harbors were not applied retroactively to closed reviews and audits that had final determinations prior to Nov. 1, 2002.

Education did not find any schools in violation of the incentive compensation ban in November or December of 2002, or in 2006.

The one school that had three separate violations is listed once under 1998 because all three violations were substantiated in that year.
Education data also provide information on the type of schools that have violated the incentive compensation ban. From 1998 through 2009, proprietary schools had more substantiated violations than other types of schools. In total, 19 proprietary schools, 12 private nonprofit schools, and 1 public school had substantiated incentive compensation violations.\(^\text{14}\)

In addition to the 32 schools with substantiated violations between 1998 and 2009, 27 schools were identified by Education data, program reviews, Office of Inspector General audits, or independent audits as having potential violations of the incentive compensation ban during this time period. While Education is currently reviewing a few of these cases, in the others Education either found no incentive compensation violations or reached settlement agreements with the schools.

- As of December 2009, three schools under review had not yet received a final decision or a determination letter from Education.\(^\text{15}\)

- Two other schools identified as having potential violations were found by Education to have not violated the ban.\(^\text{16}\) At the first school, Education found that it was not a violation of the incentive compensation ban for teachers to receive commissions for students completing certain parts of the program. At the second school, Education found that commissions paid to a third-party representative based on the number of students submitting information cards following an informational presentation was not a violation of the incentive compensation ban.

- Additionally, Education entered into settlement agreements with 22 schools.\(^\text{17}\) Many of the settlement cases involved incentive payments made to school employees based on the number of students enrolled. Generally, these settlements state that the agreements do not constitute an admission or acknowledgment of noncompliance or wrongdoing by either the institution or Education.

**Agency Comments**

We provided a draft of this report to the Department of Education for review and comment. Education did not provide formal comments on this report, but did provide some technical comments that we incorporated, as appropriate.

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\(^{14}\)Education data show that prior to the publication of safe harbors, 12 proprietary schools and 5 private nonprofit schools had substantiated incentive compensation violations. After the publication of safe harbors, 7 proprietary schools, 7 private nonprofit schools, and 1 public school had substantiated violations.

\(^{15}\)These cases without a final decision involve two private nonprofit schools and one public school.

\(^{16}\)Education did not find incentive compensation violations at two proprietary schools. Education made these determinations in 2000 and 2007.

\(^{17}\)While there were 22 schools that entered into settlement agreements, 1 school had 2 separate settlements, bringing the total number of settlements to 23. Of the 23 settlements, 1 took place prior to the publication of safe harbors, and 22 took place afterward. The settlements involved 3 proprietary schools and 19 private nonprofit schools.
We are sending copies of this report to appropriate congressional committees and the Secretary of Education. In addition, the report will be available at no charge on GAO’s Web site at http://www.gao.gov. If you or your staff have any questions about this report, please contact me at (206) 287-4820 or iritanik@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 major contributions to this report are listed in enclosure III.

Sincerely yours,

Katherine M. Iritani, Acting Director
Education, Workforce, and Income Security Issues

Enclosures - 3
Department of Education (Education) Safe Harbor Regulations

The Safe Harbor regulations, found at 34 C.F.R. § 668.14(b)(22)(ii) provide that the activities and arrangements schools may carry out without violating the incentive compensation ban include, but are not limited to, the following activities and arrangements:

(1) The payment of fixed compensation, such as a fixed annual salary or a fixed hourly wage, as long as that compensation is not adjusted up or down more than twice during any 12-month period, and any adjustment is not based solely on the number of students recruited, admitted, enrolled, or awarded financial aid. For this purpose, an increase in fixed compensation resulting from a cost of living increase that is paid to all or substantially all full-time employees is not considered an adjustment.

(2) Compensation to recruiters based upon their recruitment of students who enroll only in programs that are not eligible for Title IV, HEA program funds.

(3) Compensation to recruiters who arrange contracts between the institution and an employer under which the employer's employees enroll in the institution, and the employer pays, directly or by reimbursement, 50 percent or more of the tuition and fees charged to its employees; provided that the compensation is not based upon the number of employees who enroll in the institution, or the revenue they generate, and the recruiters have no contact with the employees.

(4) Compensation paid as part of a profit-sharing or bonus plan, as long as those payments are substantially the same amount or the same percentage of salary or wages, and made to all or substantially all of the institution's full-time professional and administrative staff. Such payments can be limited to all, or substantially all, of the full-time employees at one or more organizational level at the institution, except that an organizational level may not consist predominantly of recruiters, admissions staff, or financial aid staff.

(5) Compensation that is based upon students successfully completing their educational programs, or one academic year of their educational programs, whichever is shorter. For this purpose, successful completion of an academic year means that the student has earned at least 24 semester or trimester credit hours or 36 quarter credit hours, or has successfully completed at least 900 clock hours of instruction at the institution.

(6) Compensation paid to employees who perform clerical “pre-enrollment” activities, such as answering telephone calls, referring inquiries, or distributing institutional materials.

(7) Compensation to managerial or supervisory employees who do not directly manage or supervise employees who are directly involved in recruiting or admissions activities, or the awarding of Title IV, HEA program funds.

(8) The awarding of token gifts to the institution's students or alumni, provided that the gifts are not in the form of money, no more than one gift is provided annually to an individual, and the cost of the gift is not more than $100.

(9) Profit distributions are proportionately based upon an individual's ownership interest in the institution.
Enclosure I

(10) Compensation paid for Internet-based recruitment and admission activities that provide information about the institution to prospective students, refer prospective students to the institution, or permit prospective students to apply for admission online.

(11) Payments to third parties, including tuition-sharing arrangements, that deliver various services to the institution, provided that none of the services involve recruiting or admission activities, or the awarding of Title IV, HEA program funds.

(12) Payments to third parties, including tuition-sharing arrangements, that deliver various services to the institution, even if one of the services involves recruiting or admission activities or the awarding of Title IV, HEA program funds, provided that the individuals performing the recruitment or admission activities, or the awarding of Title IV, HEA program funds, are not compensated in a manner that would be impermissible under paragraph (b)(22) of this section. [Section (b)(22) prohibits the payment of any commission, bonus, or other incentive payment based directly or indirectly upon success in securing enrollments or financial aid to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of Title IV, HEA program funds].
## List of Violations Substantiated by the Department of Education (Education)

Table 1: Violations Substantiated by Education

<table>
<thead>
<tr>
<th>Date substantiated</th>
<th>School name</th>
<th>Location</th>
<th>Review method</th>
<th>Description of violation</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/18/1998</td>
<td>Professional Hair Design Academy</td>
<td>Greenville, S.C.</td>
<td>Audit</td>
<td>Documentation describing the specific nature of the incentive compensation violation was not available.</td>
</tr>
<tr>
<td>1/7/1999</td>
<td>Huntington Institute</td>
<td>Norwich, Conn.</td>
<td>Audit</td>
<td>The school paid the Director of Admissions bonuses totaling $5,799, based on potential student leads.</td>
</tr>
<tr>
<td>2/17/1999</td>
<td>The Hair Design School</td>
<td>Jacksonville, Fla.</td>
<td>Audit</td>
<td>Documentation describing the specific nature of the incentive compensation violation was not available.</td>
</tr>
<tr>
<td>4/2/1999</td>
<td>Graceland College</td>
<td>Lamoni, Iowa</td>
<td>Program review</td>
<td>The school paid a third party contractor commission payments equivalent to a percentage of the students' tuition (60 percent at initial enrollment and 40 percent at re-enrollment). The payments totaled nearly $6 million.</td>
</tr>
<tr>
<td>4/19/1999</td>
<td>Johnson &amp; Wales University</td>
<td>Providence, R.I.</td>
<td>Program review</td>
<td>The school was paying its admissions personnel commissions or bonuses based on their success in securing enrollments.</td>
</tr>
<tr>
<td>9/23/1999</td>
<td>Liceo de Arte, Disenos y Comercio</td>
<td>Caguas, P.R.</td>
<td>Audit</td>
<td>The school paid its enrollment officers car allowances based on their success in securing enrollments. The car allowance amount was directly related to the number of enrollments secured by the enrollment officer.</td>
</tr>
<tr>
<td>2/24/2000</td>
<td>Culver-Stockton College</td>
<td>Canton, Mo.</td>
<td>Audit</td>
<td>The school awarded bonus payments totaling $2,575 to two admissions counselors for achieving a targeted number of enrollments.</td>
</tr>
<tr>
<td>12/8/2000</td>
<td>Computer Learning Centers²</td>
<td>Alexandria, Va.</td>
<td>Program review</td>
<td>The school assigned annual salary ranges based on the average number of students a recruiter enrolled per month and increased employees' salaries if they achieved a target number of enrollments during an evaluation period.</td>
</tr>
<tr>
<td>3/22/2001</td>
<td>Cheryl Fell's School of Business</td>
<td>Niagara Falls, N.Y.</td>
<td>Audit</td>
<td>The school paid a total of $200 in referral fees to three students for enrolling other students.</td>
</tr>
<tr>
<td>Date substantiated</td>
<td>School name</td>
<td>Location</td>
<td>Review method</td>
<td>Description of violation</td>
</tr>
<tr>
<td>-------------------</td>
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</tr>
<tr>
<td>7/26/2001</td>
<td>Precision Technical Institute</td>
<td>Sacramento, Calif.</td>
<td>Audit</td>
<td>The school paid an employee $2,975, based directly on success in securing enrollments.</td>
</tr>
<tr>
<td>8/2/2001</td>
<td>CC’s Cosmetology College</td>
<td>Tulsa, Okla.</td>
<td>Audit</td>
<td>The school paid commissions to staff based on the number of students enrolled.</td>
</tr>
<tr>
<td>1/24/2002</td>
<td>National Aviation Academy of Mississippi</td>
<td>Clearwater, Fla.</td>
<td>Audit</td>
<td>The school paid referral fees to third parties, totaling $3,000.</td>
</tr>
<tr>
<td>9/12/2002</td>
<td>Averett University</td>
<td>Danville, Va.</td>
<td>Audit</td>
<td>The school had an arrangement to share revenue with a third party, based on the number of students who enrolled in a study group program.</td>
</tr>
<tr>
<td>10/16/2002</td>
<td>Texas Careers</td>
<td>San Antonio, Tex.</td>
<td>Audit</td>
<td>The Laredo campus of this school provided payments to 128 students for the referral of other students to the campus. The campus paid a total of $3,225 in referral bonuses over a 2-year period.</td>
</tr>
<tr>
<td>2/13/2003</td>
<td>High-Tech Institute$^{cd}$</td>
<td>Phoenix, Ariz.</td>
<td>Program review</td>
<td>The compensation program of High-Tech Holdings’ (the school’s parent company) telemarketing department provided bonuses to those engaged in student recruiting activities based on success in securing enrollments.</td>
</tr>
<tr>
<td>2/13/2003</td>
<td>The Bryman School of Arizona$^{c,e}$</td>
<td>Phoenix, Ariz.</td>
<td>Program review</td>
<td>The compensation program of High-Tech Holdings’ (the school’s parent company) telemarketing department provided bonuses to those engaged in student recruiting activities based on success in securing enrollments.</td>
</tr>
<tr>
<td>7/2/2003</td>
<td>Newbury College</td>
<td>Brookline, Mass.</td>
<td>Program review</td>
<td>Documentation describing the specific nature of the incentive compensation violation was not available.</td>
</tr>
<tr>
<td>8/14/2003</td>
<td>Pittsburgh Beauty Academy</td>
<td>Pittsburgh, Pa.</td>
<td>Program review</td>
<td>The school awarded commission payments to employees based on success in securing the enrollment of students who were eligible for Title IV program funds.</td>
</tr>
<tr>
<td>8/21/2003</td>
<td>Ohio Valley College$^{d}$</td>
<td>Vienna, W.Va.</td>
<td>Program review</td>
<td>The school paid a total of $3,000 in bonuses to admissions staff over a 2-year period for meeting or exceeding recruitment goals.</td>
</tr>
<tr>
<td>3/19/2004</td>
<td>Hays Academy of Hair Design</td>
<td>Hays, Kans.</td>
<td>Program review</td>
<td>The school paid a total of $100 to an employee for the recruitment of one student.</td>
</tr>
<tr>
<td>3/22/2004</td>
<td>California Recording Institute</td>
<td>San Francisco, Calif.</td>
<td>Program review</td>
<td>The school paid a total of $2,445 in bonuses to an individual for successfully securing enrollments.</td>
</tr>
<tr>
<td>Date substantiated</td>
<td>School name</td>
<td>Location</td>
<td>Review method</td>
<td>Description of violation</td>
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<td>--------------------</td>
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</tr>
<tr>
<td>10/19/2004</td>
<td>Erie Institute of Technology</td>
<td>Erie, Pa.</td>
<td>Program review</td>
<td>The school had an incentive program which provided $300 cash payments to admissions representatives if the school reached its enrollment goal. The program also provided $100 gift certificates to individual admissions representatives for reaching individual recruitment targets, and $25 gift certificates to individual admissions representatives for each application they secured above their individual recruitment target. In addition, the school rewarded staff with social outings for achieving recruitment goals.</td>
</tr>
<tr>
<td>3/18/2005</td>
<td>Concordia College</td>
<td>Selma, Ala.</td>
<td>Audit</td>
<td>The school paid a total of $25,263 in incentive payments to 4 counselors for the recruitment of 95 students.</td>
</tr>
<tr>
<td>6/2/2005</td>
<td>Lipscomb University</td>
<td>Nashville, Tenn.</td>
<td>Audit</td>
<td>The school paid bonuses totaling $62,500 to admissions staff based on team and territorial goals.</td>
</tr>
<tr>
<td>5/4/2007</td>
<td>Mount Olive College</td>
<td>Mount Olive, N.C.</td>
<td>Audit</td>
<td>The school had an employee incentive plan worth approximately $5,000 for securing enrollments.</td>
</tr>
<tr>
<td>11/20/2008</td>
<td>New York Institute of Technology</td>
<td>Old Westbury, N.Y.</td>
<td>Audit</td>
<td>Admissions advisors at the school’s online division received compensation above and beyond their normal compensation based on the number of students enrolled.</td>
</tr>
<tr>
<td>4/17/2009</td>
<td>Theological University of the Caribbean</td>
<td>St. Just, Trujillo Alto, P.R.</td>
<td>Audit</td>
<td>Documentation describing the specific nature of the incentive compensation violation was not available.</td>
</tr>
<tr>
<td>4/30/2009</td>
<td>Meridian Career Institute</td>
<td>Sarasota, Fla.</td>
<td>Audit</td>
<td>The school paid nearly $2,000 in commission payments related to student recruitment.</td>
</tr>
<tr>
<td>10/2/2009</td>
<td>Denmark Technical College</td>
<td>Denmark, S.C.</td>
<td>Audit</td>
<td>The school paid bonuses totaling $52,500 to 17 employees based on their recruitment of approximately 137 students. In addition, the school paid $22,750 to 10 executive council members and other faculty and staff who facilitated a recruitment program that exceeded recruitment goals.</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Education data, program reviews and audits.

Note: For four of the schools, the violations were listed in Education’s database; however, the related program reviews or audit reports were not available at the time of our study. As a result, we were unable to provide descriptions of the specific nature of the violations at these schools.

*Professional Hair Design Academy had three incentive compensation violations found during 3 separate audit years. However, all three violations were substantiated on Nov. 18, 1998.
Enclosure II


High-Tech Holdings, Inc. owns and operates two schools: High-Tech Institute (currently Anthem College) and the Bryman School. Incentive compensation violations were identified at each of these schools through a corporate-wide program review. However, Education issued separate final program review determination letters and catalogued the violations separately in their database.

The following High-Tech Institute (currently Anthem College) locations were cited in the Final Program Review decision: Phoenix, Ariz.; Sacramento, Calif.; Brooklyn Center, Minn.; Nashville, Tenn.; and Marietta, Ga.

The following Bryman School locations were cited in the Final Program Review decision: Phoenix, Ariz.; Aurora, Colo.; Orlando, Fla.; Irving, Tex.; and Las Vegas, Nev.

Ohio Valley College is currently Ohio Valley University.

The incentive compensation program at Erie Institute of Technology was also implemented at Toni and Guy Cosmetology and Great Lakes Institute of Technology, both located in Erie, Pa.
GAO Contact and Staff Acknowledgments

GAO Contact

Katherine M. Iritani, (206) 287-4820 or iritanik@gao.gov.

Staff Acknowledgments

In addition to the contact named above, the following staff members made important contributions to this report: Melissa Emrey-Arras, Assistant Director; Claudine Pauselli, Analyst—in-Charge; Colleen Moffatt; and Kris Nguyen. Also, Jean McSween provided guidance on the study’s data analysis; Jessica Botsford provided legal advice; Mae Liles assisted with report graphics; Susan Aschoff provided writing assistance; and Ronni Schwartz and Kim Siegal verified our findings.
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