DOD EDUCATION BENEFITS

Increased Oversight of Tuition Assistance Program Is Needed
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In fiscal year 2009, the Department of Defense’s (DOD) Military Tuition Assistance (TA) Program provided $517 million in tuition assistance to approximately 377,000 service members. GAO was asked to report on (1) DOD’s oversight of schools receiving TA funds, and (2) the extent to which DOD coordinates with accrediting agencies and the U.S. Department of Education (Education) in its oversight activities. GAO conducted site visits to selected military education centers and interviewed officials from DOD, its contractors, Education, accrediting agencies and their association, and postsecondary institutions.

What GAO Found

DOD is taking steps to enhance its oversight of schools receiving TA funds, but areas for improvement remain. Specifically, DOD could benefit from a systematic risk-based oversight approach, increased accountability in its education quality review process, and a centralized system to track complaints. DOD does not systematically target its oversight efforts based on factors that may indicate an increased risk for problems, such as complaints against schools or the number of service members enrolled at a school. Instead, DOD’s oversight policies and procedures vary by a school’s level of program participation, and schools that operate on base are subject to the highest level of oversight. DOD plans to implement more uniform oversight policies and procedures, but they are not expected to take effect until 2012. In addition, the process DOD used to review the academic courses and services provided by schools and military education centers was narrow in scope and lacked accountability. The review was limited to schools offering traditional classroom instruction at installations and did not include distance education courses, which account for 71 percent of courses taken in fiscal year 2009. The contract for these quality reviews expired on December 31, 2010, and DOD plans to resume its reviews on October 1, 2011, when a new contractor is selected. DOD is developing an expanded quality review process and plans to select schools based, in part, on the amount of TA funds received. With regard to accountability, DOD’s review process provided recommendations that could improve educational programming, but there is no DOD-wide process to ensure that these recommendations have been addressed. Furthermore, DOD lacks a system to track complaints about schools and their outcomes. As a result, it may be difficult for DOD and its services to accurately identify and address any servicewide problems and trends.

What GAO Recommends

GAO recommends that DOD (1) improve accountability for recommendations made by third-party quality reviews, (2) develop a centralized process to track complaints against schools, (3) conduct a systemic review of its oversight processes, (4) take actions to ensure TA funds are used only for accreditor-approved courses and programs, and (5) require and verify state authorization for all schools.

DOD agreed with our recommendations. Also, DOD and Education provided technical comments on the draft report. We incorporated each agency’s comments as appropriate.
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Abbreviations

AASCU American Association of State Colleges and Universities
ACE American Council on Education
CCAF Community College of the Air Force
DOD Department of Defense
ESO education services officer
GPA grade point average
HEA Higher Education Act of 1965, as amended
ICE Interactive Customer Evaluation
MIVER Military Installation Voluntary Education Review
MOU memorandum of understanding
MVER Military Voluntary Education Review
SOC Servicemembers Opportunity Colleges
TA Tuition Assistance

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March 1, 2011

The Honorable Tom Carper
Chairman
Subcommittee on Federal Financial Management,
Government Information, Federal
Services, and International Security
Committee on Homeland Security
    and Governmental Affairs
United States Senate

Dear Chairman Carper:

In fiscal year 2009, the Department of Defense’s (DOD) Military Tuition Assistance (TA) Program provided $517 million in tuition assistance to approximately 377,000 service members who elected to pursue off-duty\(^1\) postsecondary education.\(^2\) DOD offers these benefits to service members in order to help them fulfill their academic goals and enhance their professional development. In order to participate in the program, DOD requires that postsecondary institutions must be accredited by an accrediting agency recognized by the U.S. Department of Education (Education). These institutions have played an important role in providing traditional classroom instruction to service members on military installations, but the majority of courses service members are taking are distance education courses.\(^3\) This report examines (1) the Department of Defense’s process for overseeing postsecondary institutions that receive tuition assistance funds, and (2) the extent to which DOD coordinates with

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\(^1\)DOD defines “off-duty time” as the time when service members are not scheduled to perform official duties.

\(^2\)TA funds may be used for educational activities such as (1) completion of an associate’s degree, bachelor’s degree, or master’s degree; (2) for courses leading to technical, vocational, or professional certificate or license; (3) building academic foreign language skills when not part of a degree program; and (4) pursuing prerequisite courses for academic skill development or preparation for a degree program, according to the Joint Service Uniform Tuition Assistance Policy.

\(^3\)DOD defines “distance education” as the delivery of education or training through electronically mediated instruction, including satellite, video, audio graphic, computer, multimedia technology, and other forms of learning at a distance, such as correspondence and independent study.
accrediting agencies and Education in its oversight of institutions participating in the tuition assistance program.

To address these objectives, we reviewed and analyzed relevant federal laws, regulations, and program documents and data, including program participation and expenditure data from DOD and its military services (Army, Air Force, Marine Corps, and Navy). We analyzed available data from the military services on service member complaints regarding schools receiving tuition assistance funds. We also interviewed officials from DOD, its military services, and contractors—Servicemembers Opportunity Colleges (SOC) and the American Council on Education. We conducted site visits to education centers located at military installations of the four services to gain a better understanding of how the program is implemented. We interviewed Education officials to determine the extent to which they coordinate with DOD as part of DOD's efforts to oversee its TA program. We also reviewed Education's monitoring and compliance data. Finally, we interviewed representatives from an association of colleges and universities and selected accrediting agencies in order to obtain information about the extent to which they coordinate and provide information to DOD and its military services for monitoring schools.

We conducted this performance audit from August 2010 to February 2011 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. See appendix I for more detailed information about our scope and methodology.

DOD has voluntary education programs in place to facilitate educational opportunities for service members to pursue postsecondary education during off-duty time. Program oversight for voluntary education programs is the responsibility of the Undersecretary of Defense for Personnel and Readiness. In addition, the military services are responsible for establishing, maintaining, operating, and implementing the programs at

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350 education centers on military installations worldwide. Education centers are managed by an education services officer (ESO) and staff, such as education guidance counselors.

Service members must meet certain requirements in order to participate in the program. These requirements include consulting with a counselor in order to develop an education goal and degree plan, maintaining a 2.0 grade point average (GPA) for undergraduate-level courses, and maintaining a 3.0 GPA for graduate-level courses. In accordance with DOD policy, tuition assistance covers up to $250 per credit hour, with a maximum of $4,500 per year. In fiscal year 2009, the military services' TA program expenditures were $517 million, as shown in figure 1.

In order to receive TA funds, DOD requires postsecondary institutions to be accredited by an agency recognized by Education. Accreditation is a peer review evaluative process that compares a school against its accrediting agency’s established standards. The accrediting agency conducts institutional reviews to assess the school in its entirety, including its resources, admissions requirements, and services offered, and the

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Figure 1: Military Tuition Assistance Expenditures

**Military tuition assistance (Dollars in millions)**

- Marine Corps
- Navy
- Army
- Air Force

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<th>Fiscal year</th>
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Source: GAO analysis of DOD data.

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6 Education centers located on military installations are equipped with office space, classrooms, laboratories, and other features to conduct voluntary education programs and provide on-installation classes.

7 According to DOD, TA funds are paid directly to schools, and if service members do not meet GPA requirements or complete their courses, service members are responsible for paying back the money for these courses.
quality of its degree programs. The schools’ accreditation is then periodically reevaluated every 3 to 10 years, depending on the accrediting agency. Schools may lose accreditation if their accrediting agency determines that they no longer meet the established standards.

Since 1972, SOC has enhanced educational opportunities for service members. SOC, a consortium of approximately 1,900 colleges and universities, is funded by DOD through a contract with the American Association of State Colleges and Universities (AASCU). SOC functions in cooperation with 15 higher-education associations, DOD, and active and reserve components of the military services to expand and improve voluntary postsecondary education opportunities for service members worldwide. SOC criteria stipulate that school policies and practices be fair, equitable, and effective in recognizing the special conditions faced by military students, such as trouble completing college degrees because of their frequent moves. Colleges and universities within SOC must have policies that meet four SOC criteria relating to transfer of credit, academic residency requirement,\(^8\) credit for military training and experience, and credit for nationally recognized testing programs. In addition, they must also follow SOC’s three principles: (1) service members should share in the postsecondary educational opportunities available to other citizens; (2) educational programs for service members should rely primarily on programs, courses, and services provided by appropriately accredited institutions and organizations; and (3) institutions should maintain a necessary flexibility of programs and procedures, such as recognition of learning gained in the military and part-time student status.\(^9\)

Since 1991, DOD’s Military Installation Voluntary Education Review (MIVER) process has provided an independent third-party assessment of the quality of postsecondary education programs offered to off-duty service members at military installations around the world. DOD contracted with the American Council on Education (ACE) to administer the MIVER.\(^{10}\) The MIVER had two purposes: (1) to assess the quality of selected on-installation voluntary education programs and (2) to assist in the improvement of such education through appropriate recommendations.

\(^8\)The term “academic residency requirement” pertains to the required number of course credits students must take from their home institution to be eligible for a degree.


\(^{10}\)The most recent MIVER contract was a 4-year contract (January 1, 2007, to December 31, 2010) with a total value of $3,743,440.
to institutions, installations, DOD, and the military services. To assess the quality of education programs offered by schools on installations and to ensure that these programs are comparable to those offered at a school's other campuses, MIVER assessed schools' missions, education programs, program administration, resources, and program evaluation. The MIVER also examined the installations' mission statements and command support, program management and leadership, student services, resources, and the voluntary education program plans to determine the quality of their education programs and services. A visiting team composed of college and university professors selected by the contractor evaluated the quality of educational services and support provided by the installation's education center and servicing institutions. The MIVER provided installations and schools with commendations for their areas of strength, and recommendations for areas needing improvement. It also provided the military services with observations on issues that require the military services' attention. MIVERs were for the purpose of quality assessment and enhancement only; these reviews were not intended to replace institutional accreditation. The MIVER contract with ACE expired on December 31, 2010, and DOD elected not to renew the contract because it is expanding the scope of these reviews, but DOD is currently in the process of obtaining a new contract for its reviews. According to DOD, a contractor will be selected in 2011 and the new third-party review process will commence on October 1, 2011.

On August 6, 2010, DOD published a proposed rule for its voluntary education programs in the Federal Register for public comment. Included in this rule, among other things, are guidelines for establishing, maintaining, and operating voluntary education programs, including instructor-led courses offered on and off installations, distance education courses, and the establishment of a DOD Voluntary Education Partnership Memorandum of Understanding (MOU) between DOD and all educational institutions receiving TA funds. DOD estimates that this new rule will become effective at the beginning of 2012.

While Education does not have a role in overseeing DOD education programs, it is responsible for the administration of the federal student aid programs under Title IV and oversees over 6,000 postsecondary

institutions receiving these funds. Education determines which institutions of higher education are eligible to participate in Title IV programs, which include the following:

- Public institutions— institutions operated and funded by state or local governments, which include state universities and community colleges.

- Private nonprofit institutions— institutions owned and operated by nonprofit organizations whose net earnings do not benefit any shareholder or individual. These institutions are eligible for tax-deductible contributions in accordance with the Internal Revenue Code (26 U.S.C. § 501(c)(3)).

- For-profit institutions— institutions that are privately owned or owned by a publicly traded company and whose net earnings can benefit a shareholder or individual.

Education is also responsible for overseeing school compliance with Title IV statutory and regulatory provisions and ensuring that only eligible students receive federal student aid. As part of compliance monitoring, Education employees conduct program reviews of schools. The reviewers examine school records, interview institution staff and students, and review relevant student information, among other things. In addition to program and eligibility reviews conducted by Education employees, independent auditors conduct annual compliance and financial audits of schools, and Education’s Office of the Inspector General conducts its own audits and provides information and referrals to Education. Education resolves program deficiencies identified in both program reviews and

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12Title IV of the Higher Education Act of 1965 (HEA), as amended, authorizes financial assistance to help students and families pay for postsecondary education through student grants and loans, such as Pell Grants for low-income students, loans to parents and graduate students, and Stafford loans.

13Under the HEA, institutions must meet certain requirements to participate in Title IV student aid programs. In general, an institution of higher education is required to (1) be authorized by the state in which it is located to provide higher education, (2) be deemed eligible and certified to participate by the Department of Education, and (3) be accredited by an accrediting agency recognized by the Secretary of Education. Although Education’s regulations provide that accrediting agencies may not accredit institutions that lack state authorization, accreditation does not establish that an institution is authorized by a state for purposes of the Title IV program.

14Institutions that receive Title IV funds must submit an annual audit to Education prepared by a certified independent auditor.
DOD Takes Steps to Enhance Its Oversight of Schools Receiving TA Program Funds, but Areas for Improvement Remain

DOD’s Oversight Policies and Procedures Vary by Schools’ Level of Program Involvement but Could Benefit from a Systematic Risk-Based Approach

DOD’s Oversight Policies and Procedures Vary by Schools’ Level of Program Involvement but Could Benefit from a Systematic Risk-Based Approach

DOD policies and procedures to oversee schools receiving TA funds vary based on the school’s level of involvement in the program. While DOD monitors enrollment patterns and schools’ funding levels, and addresses complaints about postsecondary schools on a case-by-case basis, its oversight activities do not include a systematic approach that considers these factors when targeting schools for review. At a minimum, all postsecondary schools receiving TA funds are required to be accredited by an agency recognized by the Department of Education to ensure the quality of education programs being offered to its service members. Schools that are members of the SOC consortium or offer classes on an installation are subject to additional DOD oversight, as shown in figure 2.

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

According to the GAO’s standards for internal control in the federal government—GAO, Internal Control: Standards for Internal Control in the Federal Government, GAO/AIMD-00-21.3.1 (Washington, D.C. November 1999)—to better achieve their missions and improve accountability, federal agencies are required to employ certain internal controls, including assessing the risk agencies face from both external and internal sources. Applying the federal risk assessment standard to the TA program suggests that DOD needs to consider all significant interactions between its entity and other parties, as well as internal factors at both the entitywide and activity level. Risk identification methods may include qualitative and quantitative ranking activities, and consideration of findings from audits and other assessments.
Schools that elect to become members of the SOC consortium must comply with SOC principles and criteria, which promote institutional flexibility with regard to transfer of credits, the development of programs and procedures appropriate to the needs of service members, and safeguarding the quality of educational programs offered to service members. SOC also reviews member schools' student loan default rates and verifies their accreditation status every 2 years, according to a SOC official. In addition, SOC considers recruitment practices such as high-pressure promotional activities and “limited time only” enrollment discounts inappropriate activities for its member institutions to engage in. According to a SOC official, SOC will submit a formal complaint to the school’s accreditor when it becomes aware of serious violations of prohibited marketing practices.

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17SOC follows Education’s definition of loan default limits for its membership eligibility. Generally, a school loses eligibility to participate in Title IV programs when its cohort default rate exceeds 25 percent for 3 consecutive years or 40 percent in any one year. 34 C.F.R. § 668.187.
Schools offering classes on an installation are subject to additional oversight measures. Aside from accreditation and mandatory membership of SOC institutions that provide academic courses on military installations,\textsuperscript{18} schools are subject to additional oversight measures including state licensure, MIVER quality reviews, and the terms and conditions of an individualized MOU with the installation commander.\textsuperscript{19} The MOU governs the school’s operations on an installation; for example, it can cover reporting requirements on course offerings and the maintenance of student data such as course grades and degrees completed. Education center officials at two installations we visited reported that they stay in constant contact with on-installation schools and review relevant information such as school term schedules and class rosters to ensure that schools comply with their MOUs. If a school does not comply with the MOU requirements, the installation commander can require the school to leave the installation, according to education center officials at two of the installations we visited. In general, DOD and its military services’ oversight of schools is based on a school’s level of program participation rather than a risk-based approach.

To address the varying levels of oversight and create a more uniform set of program oversight policies, DOD has developed a new standard MOU for all schools receiving TA funds. Under the new MOU, all schools will be required to, among other things, abide by SOC principles and criteria and provide an evaluated educational plan to service members. DOD estimates that this new rule will be implemented at the beginning of 2012.

DOD’s Education Quality Review Process Was Narrow in Scope and Needed Increased Accountability

The MIVER was limited to institutions that offer face-to-face courses at military installations. While distance learning courses accounted for 71 percent of courses paid for with TA funds in fiscal year 2009, DOD did not have a review process in place to assess the quality of these institutions. In addition, quality reviews were not conducted at all installations. According to DOD officials, since the MIVER process was first initiated, in 1991, all

\textsuperscript{18}The Air Force is the only service that does not require membership of SOC for institutions located on its installations. This is because the Air Force operates the Community College of the Air Force (CCAF), which is a regionally accredited, 2-year college open to Air Force enlisted on active duty, or enlisted in reserve or guard services. As with the SOC program, credits toward a CCAF degree can be accumulated through Air Force training and credit from examinations.

\textsuperscript{19}All on-installation schools and installations are subject to a MIVER review but may not be selected for one.
Marine Corps installations were visited, while only a portion of installations of the other military services were reviewed (86 percent of Navy installations, 56 percent of Army installations, and 30 percent of Air Force installations). Under the expanded review process that is being developed, all institutions receiving TA funds will be subject to a new third-party review process—a Military Voluntary Education Review (MVER)—regardless of whether the school delivers courses face to face or by distance education. In addition, DOD officials said that schools will be selected for the MVER process based on the amount of TA funds they receive.

DOD has relied on MIVER to evaluate the quality of the education services being provided to its service members at installations; however, three of the four services lacked a process to follow up on and respond to the findings of the MIVER process. During the MIVER process, reviewers developed a report listing their recommendations, commendations, and observations of the educational services provided by the installation it was reviewing and the institutions offering courses at that installation. MIVER final reports were distributed to the institutions and installations that were reviewed as well as DOD officials and its military services. The Army was the only military service that required installations that received a MIVER visit to submit a follow-up report indicating actions taken in response to the MIVER review. The Air Force recognizes the importance of having such a process and was considering adopting a policy that would implement a formal process of tracking and following up on items mentioned in MIVER reports. The Navy and Marine Corps reported that they did not have a formal process requiring their installations to track the outcome of MIVER recommendations, commendations, and observations. These military services also reported that they review and maintain copies of all MIVER reports. One DOD official reported that MIVER reports were helpful in identifying the strengths, weaknesses, and

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20 Between 1994 and 2004, Air Force policy was to use MIVER at overseas locations only. In 2005, the Air Force changed that policy and began MIVER at stateside locations.

21 The Marine Corps has a MIVER follow-up procedure, which involves filing an action plan in response to MIVER findings and reviewing the plan to determine if an additional MIVER site visit is necessary.
areas for improvement in DOD educational programming. Additionally, according to ESOs we interviewed, some MIVER recommendations were implemented with successful results. For example, an ESO told us that some of the Navy installations implemented a MIVER recommendation to strengthen their coordination with nearby schools. Given that there was no DOD-wide requirement to track the outcomes of MIVER recommendations and some of the military services did not require schools and installations to formally respond to MIVER findings, it is unclear to what extent recommendations that could improve the quality of education services offered at schools and installations were addressed. There is currently no such requirement in place for its new third-party process, according to DOD officials.

**DOD Has Several Ways to Receive Reports of Problems but Needs a Centralized System to Track Complaints**

While DOD has several mechanisms for service members to report problems associated with their TA funding, it lacks a centralized system to track these complaints and how they are resolved. If service members have a complaint or issue regarding a school, they can speak with a counselor at their installation’s education center, contact a representative from SOC, use the call center service, or use the Interactive Customer Evaluation (ICE). According to DOD officials, DOD’s practice is to have ESOs and education center staff resolve complaints at the installation level and to only elevate issues that warrant greater attention at the military service level. However, DOD and its military services do not have a formal process or guidance in place for when ESOs should elevate a complaint to their military service chief or DOD.

DOD reported that most of the complaints it receives are administrative in nature, but a few complaints involve improper or questionable marketing practices. ESOs we spoke with reported that the most frequent complaints they receive from all sources tend to be administrative, such as billing issues. These complaints are often handled directly by counseling staff at

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22The military services also had the option to request a MIVER revisit. During a revisit, a MIVER team would return to the installation to determine the extent to which the recommendations had been implemented. The revisits usually occurred in cases where the original MIVER visit resulted in many negative findings and commensurate recommendations.

23The military services established call centers to handle issues such as complaints related to the TA Program, according to DOD officials.

24ICE is an online portal operated by DOD to collect feedback on DOD products and services, including educational programming.
the education offices and are generally resolved immediately at the installation level, according to DOD officials. ESOs told us that they also receive complaints about improper or questionable marketing practices by schools receiving TA funds. ESOs and their staff mentioned cases where school representatives have conducted marketing activities at installations without the installation commander’s or ESO’s permission. Although the ESOs do not maintain an official record of all complaints, ESOs we spoke with recalled that most of the instances of a school engaging in improper or questionable marketing practices have involved for-profit schools. They provided us with documentation of a few examples of these complaints. In one case, a for-profit school was found to be charging higher tuition rates to service members than civilians and offering service members $100 gas cards upon course completion. The ESO at the installation where this incident occurred told us that this issue was resolved by speaking with school officials and an accrediting agency. An official also told us that another for-profit school representative continually called and e-mailed a service member during day and evening hours after he elected not to attend that institution.

SOC also helps DOD and its military services in resolving complaints. SOC produces and disseminates quarterly reports to the voluntary education service chiefs of each of the military services to inform them of the issues that SOC has addressed on behalf of DOD and its military services. SOC addresses various administrative matters such as answering questions from schools and service members about the TA program. A SOC official told us that SOC also resolves complaints involving aggressive marketing, claims of unfair grading, and issues relating to deployment and transfer of credit between institutions. For example, SOC intervened on a student’s behalf and successfully secured transfer of credits when a school failed to honor its agreement with the service member to do so upon course completion.

Education center staff elevate issues that cannot be handled locally to the military service chief level, but DOD does not have specific guidance explaining when to do so. When a school distributed flyers and e-mails at an installation to advertise courses it planned to offer on-installation without an MOU and misrepresenting the number of credits service members would receive from taking the school’s courses, DOD officials and SOC were notified of these activities. In response to these issues, DOD shared its concerns and copies of the school’s marketing materials with Education. Additionally, SOC filed a complaint with the school’s accrediting agency. Education planned to review the school’s marketing materials, and the accreditor plans to hold a meeting to determine the
appropriate actions to address SOC’s complaint, according to DOD officials. DOD’s Interservice Voluntary Education Working Group serves as a forum for service officials to share information, including complaints they might be made aware of, with DOD headquarters officials. The group, with representation from each military service, meets quarterly to discuss various DOD voluntary education-related issues and share information among the four military services. Despite such examples of complaints being referred up the chain of command, one military service official said that it is difficult to establish policy on how to handle every complaint or issue that may arise. Without polices and a centralized system to track complaints and their outcomes, DOD may not have adequate information to assess trends across its military services or determine whether complaints have been adequately addressed.

Military Education Center Staff and School Representatives Identified Areas Needing Improvement

Education center staff and school representatives outlined several areas that could improve program oversight—(1) requiring schools to offer distance learning tutorials, and (2) developing a uniform installation access policy for schools.

Require schools to offer a distance learning tutorial: Officials at the military education centers we visited suggested that the availability of a distance learning tutorial for all service members accessing online courses is important to ensure that service members successfully complete these courses. Because of the mobile nature of a service member’s life, online education offerings provide an opportunity for service members to access and complete postsecondary courses. However, counseling staff and school representatives we interviewed at one installation reported that some service members have had difficulty using the course software to access discussion boards and/or submit assignments because they had not previously taken an Internet-based course. Officials from one of the institutions we spoke with told us that they offer online tutorials and technical support for their distance learning courses, and participation in the online tutorial is strongly encouraged.

Uniform installation access policy for schools: School representatives we met with suggested that DOD establish a uniform installation access policy for all schools participating in the TA program. Installation access policies are determined at the installation level by the ESO and installation commander, and these policies tended to vary with installations we visited. In addition to schools that offer courses on an installation and have a signed MOU, some schools are granted access to the installation by the ESO as visiting schools. These schools do not offer courses on an
But instead offer periodic office hours and academic support for the students they serve at that installation. At one installation we visited, the ESO grants access to only a few visiting schools and requires that they all sign an MOU outlining the terms of their operations on an installation. However, at another installation we visited, the ESO allows any school that currently serves students on an installation to hold office hours with the education center’s approval. A few school representatives expressed concerns about their limited or lack of installation access to support their students.

DOD’s Limited Coordination with Accreditors and Education May Hinder Its Efforts

While DOD coordinates with accrediting agencies, it does not use accrediting agencies' monitoring results or consider schools' unapproved substantive changes as it carries out its oversight. DOD officials told us they communicate with accrediting agencies through SOC to verify accreditation, and report complaints or problems with schools. SOC, on the behalf of DOD, contacts accrediting agencies biannually to verify the accreditation status of its member institutions, according to a SOC official. DOD and its military services officials reported that they also contact accrediting agencies directly or through SOC when they cannot resolve complaints against schools. For example, one military service worked with SOC to file a complaint against a school when it found that a school was falsely marketing its courses to its service members. According to DOD, this complaint led to an investigation into the matter by the school’s accrediting agency. DOD also reported that it holds annual meetings with accrediting agencies to discuss DOD policies and procedures and the delivery of educational programs to its military services.

According to a report by Education's Office of Inspector General, an accrediting agency allowed a school to remain accredited even though it had determined the school’s credit hour policy was “egregious and not in the best interest of the students.”
DOD’s oversight process does not take into account accrediting agencies’ monitoring results of schools that could negatively affect students and service members. Schools can be sanctioned by accrediting agencies when they fail to meet established accrediting standards, such as providing sound institutional governance, providing accurate information to the public, and offering effective educational programs. For example, on the basis of an accrediting agency’s monitoring results that were publicly available, a school was warned it could be at risk of losing its accreditation in part because it lacked evidence of a sustainable assessment process to evaluate student learning. The school was required to submit a report to the accrediting agency providing evidence of its process and that the results were being used to improve teaching, learning, and institutional effectiveness. According to accrediting agency officials, schools are given multiple opportunities to correct deficiencies before having accreditation revoked and can be sanctioned for up to 2 years.  

DOD does not currently require schools to have their substantive changes approved by their accrediting agency in order to receive TA funds. Schools may introduce new courses or programs significantly different from current offerings, and such changes may be considered substantive and outside the scope of an institution’s accreditation. Unlike DOD, Education requires a school to obtain its accrediting agency’s approval on any substantive change and report this information to Education for approval before it can disburse Title IV funds to students enrolled in new courses or programs considered to be substantive changes. Education requires accrediting agencies to have substantive change policies in place to ensure that any substantive change to an institution’s educational mission or programs does not adversely affect its capacity to continue to meet its accrediting agency’s standards. DOD recently proposed that tuition assistance funds should be available for service members participating in accredited undergraduate or graduate education programs and that

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26 Accrediting agencies may also be challenged in their decisions to revoke a school’s accreditation, and legal proceedings may take a number of years to be finalized.

27 In order to be recognized by Education, accrediting agencies must require an institution to obtain the agency’s approval of a substantive change, and have a definition of substantive change, which includes such changes as any change in the established mission or objectives of the institution; any change in the legal status, form of control, or ownership of the institution; the addition of courses or programs that represent a significant departure from the existing offerings of educational programs, or method of delivery, from those that were offered when the agency last evaluated the institution; or the addition of programs of study at a degree or credential level different from that which is included in the institution’s current accreditation or pre-accreditation.
approved courses are those that are part of an identified course of study leading to a postsecondary certificate or degree. According to Education, schools seeking Title IV funds generally wait for approval before enrolling students in such new courses and programs, but can collect other federal education assistance and out-of-pocket funds during that time. Students enrolled in unapproved courses or programs have less assurance that they are receiving a quality education, according to Education officials. On the basis of Education’s fiscal year 2009 Program Compliance Annual Report, we determined that there were over 1,200 substantial changes processed in fiscal year 2009.

DOD Could Better Leverage Compliance Information from Education to Improve Its Oversight of Schools

DOD coordinates with Education to some extent but does not utilize Education’s compliance data to oversee schools receiving TA funds. The extent of DOD’s coordination with Education has generally been limited to accreditation status. According to DOD officials, DOD regularly searches Education’s Web site to verify schools’ accreditation status, and utilizes Education’s resources for counseling students on federal student aid. In addition, DOD reported that it invited Education officials to attend its Interservice Voluntary Education Working Group meeting in September 2010 to discuss future changes to the accreditation process. However, DOD does not utilize information from Education’s monitoring reviews to inform its oversight efforts. This information can alert DOD to problems at schools that may affect the quality of education provided to students, including service members. Education determines schools’ initial eligibility to participate in federal student aid programs through eligibility reviews and continuing eligibility through program reviews, compliance audits, and financial audits. The results of these oversight measures provide additional insight into a school’s financial stability, quality of education, and compliance with regulations that provide consumer protections for students and the federal investment. See table 1 for a summary of these oversight activities.

### Table 1: Education’s Monitoring of Schools Participating in the Title IV Program

<table>
<thead>
<tr>
<th>Focus of oversight</th>
<th>Types of school monitored</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial health</td>
<td>Private nonprofit and for-profit</td>
<td><strong>Financial responsibility:</strong> Education determines schools’ financial responsibility by assessing its cash reserves and the school’s history of meeting its past financial obligations. In 2008 and 2009, at least 249 schools failed the financial stability test, and Education placed some of these schools on heightened monitoring.</td>
</tr>
<tr>
<td>Related to quality of education</td>
<td>All schools</td>
<td><strong>Student loan cohort default rate:</strong> According to Education officials, Education uses student loan cohort default rates implicitly as a proxy for education quality. A large number of students in default may indicate that a school may be poorly preparing students for employment. Schools with default rates above certain thresholds lose eligibility to participate in Title IV programs.</td>
</tr>
<tr>
<td>For-profit only</td>
<td>90/10 rule</td>
<td><strong>90/10 rule:</strong> In order to participate in Title IV programs, for-profit schools cannot receive more than 90 percent of their revenue from title IV funds. Between 2003 and 2008, 7 schools lost eligibility for federal student aid because of noncompliance with the 90/10 rule.</td>
</tr>
<tr>
<td>Consumer protection related to schools’ recruiting practices</td>
<td>All schools</td>
<td><strong>Incentive compensation:</strong> Schools participating in Title IV programs are prohibited from compensating recruiters based directly or indirectly on their success in enrolling students or securing financial aid for them. Between 1998 and 2009, Education substantiated incentive compensation violations at 32 schools.</td>
</tr>
<tr>
<td>All schools</td>
<td>Misrepresentation</td>
<td><strong>Misrepresentation:</strong> Institutions participating in Title IV programs may not engage in substantial misrepresentation of the nature of the institution’s educational program, its financial charges, or the employability of its graduates. According to Education’s compliance data, Education found at least 16 misrepresentation violations between 2004 and 2009 through compliance audits and closed program reviews.</td>
</tr>
</tbody>
</table>

Source: GAO analysis of laws and regulations, as well as testimonial evidence and program documents from Education.

*Education considers a public institution financially responsible if it demonstrates legal designation as a public institution and has not violated past performance requirements.

*DOD tuition assistance funds are counted toward meeting a proprietary institution’s minimum of 10 percent non-Title IV funds. A school’s revenue percentage must be calculated in accordance with 34 C.F.R § 668.28.


The results of these oversight measures can provide DOD and its military services with additional insight into a school’s ability to provide a quality education and services to students. Schools that are financially unstable or fail to comply with student loan default rate and 90/10 requirements may be unable to fulfill their promises to provide students with quality program offerings, according to Education. While DOD monitors default rates through SOC, it does not formally monitor 90/10 information. Military education center staff we spoke with at two military installations indicated that ensuring the consumer protection of service members amidst...
sometimes deceptive recruiting practices of some schools can be a challenge. Education’s monitoring results in these areas could provide relevant information to help DOD and its military services to better target their oversight and provide additional consumer protection for service members.

Education has recently developed additional provisions to better address oversight in distance education. Education has developed a review process and guidance for its staff to assess the integrity of distance learning programs, such as whether schools have a process to verify student attendance. DOD has proposed that distance education schools be subject to MIVER reviews, but currently does not generally evaluate these courses. DOD may be able to leverage information from Education’s ongoing efforts in this area.

In part because of inconsistencies in states’ authorization requirements for schools, Education recently clarified what is required for institutions of higher education to be considered legally authorized by a state. Under new regulations that will generally take effect in July 2011, states must, among other things, have a process to review and address complaints about institutions authorized by the state. In addition the new regulations require that if an institution is offering postsecondary education through distance or correspondence education in a state in which it is not physically located, the institution must meet any state requirements for it to be legally offering distance or correspondence education in that state.

Unlike Education, DOD does not verify that all schools receiving TA funds have state authorization; it only verifies state authorization for on-installation schools. Since DOD reported that it has not had the opportunity to fully review Education’s new rule regarding state authorization, it is unclear whether it will follow those requirements.

Education has partnerships with a number of other federal agencies, including the Department of Justice and the Federal Trade Commission. Education partners with these two agencies to share information on complaints and college scholarship and financial aid fraud. Additionally,

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29 A school on a military installation selected for a MIVER review may be subject to questions MIVER has developed for distance education providers, such as how to verify the identity of students enrolled in online courses.

30 34 C.F.R. § 600.9(c), as added by final regulations published on October 29, 2010, at 75 Fed. Reg. 66,832.
Education has a Federal Agency Advisory Working Group to facilitate its coordination with other federal agencies and told us that it is willing to share information and provide guidance to DOD in real time.

In fiscal year 2009, nearly 377,000 service members relied on TA funds to help further their academic and professional goals. Schools that offer distance learning courses play an ever increasing role in helping students achieve these goals. The amount of TA funding going toward distance learning programs creates new oversight challenges for DOD and its military services, especially since DOD oversight has primarily focused on schools offering traditional classroom instruction on military installations.

Increased oversight is needed to remedy gaps in the accountability of the quality review process and the process to address complaints against schools. Although DOD has plans to improve its oversight of schools receiving TA funds, without accountability measures for its quality review process, DOD cannot be certain its efforts to safeguard TA funds will be effective. In addition, while DOD is aware of some concerns regarding schools’ improper recruiting practices, without a centralized process to track complaints against schools and their resolution, DOD lacks the ability to accurately determine trends in areas requiring oversight and whether concerns have been adequately addressed.

DOD could further enhance its oversight efforts by leveraging resources and information that accrediting agencies and Education already collect. For example, the additional consumer protections provided by Education’s regulations on schools’ substantive changes could provide DOD with additional assurance that TA funds are going toward courses and programs that have been properly vetted by the schools’ accreditors. Without leveraging these additional oversight tools, DOD and its military services may lack key information that could help strengthen and inform future program oversight. Targeted improvements in these areas may help DOD and its military services to better ensure that TA funds are being properly utilized and services members are receiving quality education.

We recommend that the Secretary of Defense direct the Undersecretary of Defense for Personnel and Readiness to take the following 5 actions to improve its oversight of schools receiving TA funds:
1. To improve the accountability of DOD, its military services, their installations, and participating postsecondary schools in developing its new third-party review process,

- require all schools, installations, and the military services to formally respond in writing to related recommendations pertaining to them, and
- develop a process to track and document the status of all recommendations for improvement.

2. Evaluate ways to develop a centralized process to record and track the status and outcomes of complaints. This should be done in a way that balances the need for a comprehensive tracking system with, to the extent possible, minimizing the reporting burden placed on education center staff at military installations.

3. Undertake a systematic review of its oversight of schools receiving TA program funds. In doing so, the Undersecretary of Defense for Personnel and Readiness should consider the following:

- developing a more systematic risk-based approach to oversight by utilizing information from accrediting agencies and Education to better target schools,
- modifying its proposed standard MOU to include an explicit prohibition against school conduct that may adversely affect service members, such as misrepresentation, and
- reviewing Education’s recently promulgated requirements for state authorization of schools and coordinate with Education to determine the extent to which these requirements are useful for overseeing schools receiving TA funds.

4. Prohibit TA funds from being used to pay for courses and programs that are not included within the scope of an institution’s accreditation. This could include leveraging Education’s knowledge and expertise to determine the extent to which other substantive changes listed in Education’s regulations are applicable to the military education programs.

5. Require and verify that all schools receiving TA funds are authorized by their state.
We provided a draft of this report to DOD and Education. DOD’s written
comments are reproduced in appendix III. DOD agreed with our
recommendations and noted steps it would take to address them.
Additionally, DOD and Education provided technical comments on the
draft. We incorporated each agency’s comments as appropriate.

We are sending copies of this report to relevant congressional committees,
the Secretary of Defense, the Secretary of Education, and other interested
parties. In addition, this report will be available at no charge on GAO’s

If you or your staff have any questions about this report, please contact me
at (202) 512-7215 or scottg@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 IV.

Sincerely yours,

George A. Scott
Director, Education, Workforce,
and Income Security Issues
Appendix I: Scope and Methodology

To address our objectives, we reviewed and analyzed relevant federal laws, regulations, and program documents and data, including program participation and expenditure data from the Department of Defense (DOD) and its military services. We also reviewed the Department of Education’s (Education) monitoring results to report on cases where schools were not in compliance with Title IV requirements.

We interviewed officials from DOD, its military services, and contractors—Servicemembers Opportunity Colleges (SOC) and the American Council on Education. We conducted site visits to education centers located at military installations of the four military services to gain a better understanding of how the program is implemented. We selected these sites based on whether the sites had a mix of public, private nonprofit, and for-profit schools offering classes or held office hours at the installations. We visited one installation per military service—Joint Base Andrews, Fort Carson, Marine Corps Base Quantico, and Naval Station Norfolk. During our site visits, we toured the education facilities and interviewed education center staff and representatives from 16 schools across the four installations that we visited. (See app. II.)

We interviewed Department of Education officials to determine the extent to which they coordinate with DOD as part of DOD’s efforts to oversee its Military Tuition Assistance (TA) program. Finally, we interviewed representatives from an association of colleges and universities (Council for Higher Education Accreditation) and selected accrediting agencies (the Distance Education and Training Council and the Higher Learning Commission) in order to obtain information about the extent to which they coordinate and provide information to DOD and its military services for monitoring schools. Overall, we assessed the reliability of these data by reviewing existing information about the data and the system that produced them and interviewing agency officials knowledgeable about the data. We determined the data to be sufficiently reliable for the purposes of this report.

We conducted this performance audit from August 2010 to February 2011 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.
Appendix II: Selected Postsecondary Institutions GAO Interviewed at Selected Education Centers

| For-profit                        | 1. American Military University |
|                                  | 2. Ashford University           |
|                                  | 3. DeVry University             |
|                                  | 4. ECPI College of Technology    |
|                                  | 5. Strayer University            |
|                                  | 6. University of Phoenix        |
| Private nonprofit                | 7. Embry Riddle Aeronautical University |
|                                  | 8. Park University              |
|                                  | 9. Webster University           |
| Public                           | 10. Colorado State University-Pueblo |
|                                  | 11. Pikes Peak Community College |
|                                  | 12. Northern Virginia Community College |
|                                  | 13. Tidewater Community College |
|                                  | 14. Troy University             |
|                                  | 15. University of Colorado at Colorado Springs |
|                                  | 16. University of Maryland University College |
OFFICE OF THE UNDER SECRETARY OF DEFENSE
4600 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

Ms. Janet St. Laurent
Managing Director, Defense Capabilities
and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. St. Laurent:

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-11-300, “DOD EDUCATION BENEFITS: Increased Oversight of Tuition Assistance Program is Needed,” dated February 3, 2011 (GAO CODE 131025).

In the enclosure we provide the DoD responses to the GAO recommendations. We concur with all recommendations.

Sincerely,

[Signature]

Robert L. Gordon III
Deputy Assistant Secretary of Defense
(Military Community and Family Policy)

Enclosure:
As stated
Appendix III: Comments from the Department of Defense

GAO DRAFT REPORT DATED FEBRUARY 3, 2011
GAO-11-300 (GAO CODE 131025)

“DOD EDUCATION BENEFITS: Increased Oversight of Tuition Assistance Program is Needed”

DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to take the following actions to improve the accountability of the DOD, its Military Services, their installations, and participating postsecondary schools in developing its new third party review process:

- require all schools, installations, and the Military Services to formally respond in writing to related recommendations pertaining to them;
- develop a process to track and document the status of all recommendations for improvement.

DoD RESPONSE: Concur. The new third party review process will require all schools, installations and the Services to formally respond in writing to recommendations and show actions taken for improvement. OSD will track to ensure compliance and monitor all corrective actions to ensure there is continuous quality improvement. (Estimated completion date is Oct 11)

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to evaluate ways to develop a centralized process to record and track the status and outcomes of complaints. This should be done in a way that balances the need for a comprehensive tracking system with, to the extent possible, minimizing the reporting burden placed on Education Center staff at military installations.

DoD RESPONSE: Concur. Currently, DoD is developing an automated tracking system to document all concerns and complaints. The system will track the complaint, status and record resolutions. The system will allow students, DoD personnel and schools to submit complaints and will be located on DoD Voluntary Education Partnership MOU web page: www.dodmou.com or as a link under the DoD Voluntary Education Web site at www.voled.doded.mil. (Estimated completion date is Jun 11)

Note: The Army has already established a process to record / track complaints through the GoArmyEd's Customer Relationship Management (CRM) resource available to all Soldiers who use Federal tuition assistance. Soldiers can create a
CRM case either on-line (in GoArmyEd) or use toll-free phone numbers to the GoArmyEd’s helpdesk. Once a CRM case is resolved/closed, the Soldier may use the available “Customer Satisfaction Survey” to rate the course and/or provide candid comments concerning the level of service provided to resolve their case.

RECOMMENDATION 3: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness take the following actions to undertake a systematic review of its oversight of schools receiving Tuition Assistance (TA) program funds. In doing so, the Undersecretary of Defense for Personnel and Readiness should consider the following:

- developing a more systematic risk based approach to oversight by utilizing information from accrediting agencies and Education to better target schools;
- modifying its new standard MOU to include an explicit prohibition against school conduct that may adversely affect service members, such as misrepresentation;
- reviewing Education’s recently promulgated requirements for state authorization of schools and coordinate with Education to determine the extent to which these requirements are useful for overseeing schools receiving TA funds.

DoD RESPONSE: Concur. DoD has contacted the Department of Education and is developing a partnership sharing agreement to utilize information from Education’s 1) requirements reports from accrediting agencies, 2) school monitoring reviews, and 3) requirements for state authorization of schools. This information will be used to assist in targeting its review process. In addition, DoD will revise directives to more explicitly address adverse conduct by a school that may negatively impact Service members. (Estimated completion date is Aug 11)

RECOMMENDATION 4: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to take the following action to prohibit TA funds from being used to pay for courses and programs that are not included within the scope of an institution’s accreditation. This could include leveraging Education’s knowledge and expertise to determine the extent to which other substantive changes listed in Education’s regulations are applicable to the military education programs.

DoD RESPONSE: Concur. DoD has contacted the Department of Education and is developing a partnership sharing agreement to utilize information from Education’s requirements reports from accrediting agencies to include substantive change reports. As part of this, we will be determining which of Education’s
regulations are applicable to DoD Voluntary Education programs and apply to the military tuition assistant program policies. (Estimated completion date is Aug 11)

RECOMMENDATION 5: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness take action to require and verify that all schools receiving TA funds are authorized by their state.

DoD RESPONSE: Concur. DoD has contacted the Department of Education and is developing a partnership sharing agreement to utilize the tracking and documentation of a school’s state authorization. The information will be used, prior to issuing tuition assistance funds, to ensure schools are in compliance with Education’s new requirement for all schools to have state authorization to offer distance or correspondence learning. (Estimated completion date to begin receiving audit reports from the Department of Education is Aug 11; a comprehensive tracking system will be developed by the Department of Education but will require additional time)
Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact: George A. Scott, (202) 512-7215 or scottg@gao.gov

Staff Acknowledgments:
In addition to the above contact, Tranchau (Kris) Nguyen (Assistant Director), Raun Lazier (Analyst-in-Charge), James Bennett, Jessica Botsford, Susannah Compton, Catherine Hurley, Edward (Ted) Leslie, Katya Melkote, and Luann Moy made significant contributions to this report.
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