

# GAO revises its report critical of practices at for-profit schools

## Investigator sticks by its finding that colleges misled applicants

BY NICK ANDERSON

The Government Accountability Office has revised portions of a report it released last summer on recruiting practices in for-profit higher education, softening several examples from an undercover investigation but standing by its central finding that colleges had encouraged fraud and misled potential applicants.

The revisions have come as the Obama administration and senior Democratic lawmakers are pushing for tougher regulation of the industry. A Republican senator said the revisions called into question some of the conclusions in the report.

The original report, issued Aug. 4 in testimony to the Senate Committee on Health, Education, Labor and Pensions, examined recruiting practices at 15 for-profit colleges, including campuses operated by the Apollo Group, Corinthian Colleges and The Washington Post Co's Kaplan unit.

Undercover GAO investigators posed as prospective students in encounters with college representatives that were captured in audio and video recordings. The GAO is a nonpartisan investigative arm of Congress.

Its widely reported findings were a major political setback for the industry, and executives apologized for incidents that put their schools in an embarrassing light. Industry critics said the report buttressed their case as they pushed for a new rule requiring that for-profit colleges demonstrate that their courses lead to "gainful employment" for their students or lose access to lucrative federal student aid programs.

The share prices for several

for-profit education companies fell sharply after the reports release, and the industry has since mounted an aggressive lobbying and advertising campaign portraying administration efforts to impose new regulations as a threat to educational access for students underserved by traditional colleges.

### Key passages altered

The revised report, posted Nov. 30 on the GAO Web site, changed some key passages. In one anecdote cited as an example of deceptive marketing, the GAO originally reported: "Undercover applicant was told that he could earn up to \$100 an hour as a massage therapist. While this may be possible, according to the [Bureau of Labor Statistics] 90 percent of all massage therapists in California make less than \$34 per hour."

The revised version states: "While one school representative indicated to the undercover applicant that he could earn up to \$30 an hour as a massage therapist, another representative told the applicant that the school's massage instructors and directors can earn \$150-\$200 an hour. While this may be possible, according to the BLS, 90 percent of all massage therapists in California make less than \$34 per hour."

In another example, the report originally stated that a college representative "told the undercover applicant that by the time the college would be required by [the] Education [Department] to verify any information about the applicant, the applicant would have already graduated from the 7-month program."

The revised version states that "the undercover applicant suggested" that possibility and the "representative acknowledged this was true."

There were several other significant edits to the examples detailed in the report.

GAO spokesman Chuck Young wrote in an e-mail that the office

## GAO revises report on for-profit colleges

On Nov. 30, the Government Accountability Office issued a revised version of a report it had released in August on for-profit colleges. Here is a snapshot of changes that appear to put the colleges in a less harsh light. The report's conclusions were unchanged.

### ORIGINAL REPORT

Source change, p. 8

The representative told the undercover applicant that by the time the college would be required by Education to verify any information about the applicant, the applicant would have already graduated from the 7-month program.

The undercover applicant suggested to the representative that by the time the college would be required by Education to verify any information about the applicant, the applicant would have already graduated from the 7-month program. The representative acknowledged this was true.

Deletion, p. 26

The college's Web site did not provide the graduation rate.

Word change, p. 24

Admissions representative told the undercover applicant that she should also out the maximum amount of federal loans she could, even if she did not need all the money. She told the applicant she should put the extra money in a high-interest savings account. While subsidized loans do not accrue interest while a student is in college, unsubsidized loans do accrue interest. The representative did not disclose this distinction to the applicant when explaining that she should put the money in a savings account.

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Elaboration, p. 20

The career representative told the undercover applicant that getting a job is a piece of cake, and then told the applicant that she has graduates making \$120,000 - \$150,000 a year. This is likely the exception, according to the BLS, 90 percent of architectural and civil engineers make less than \$70,000 per year.

The career representative told the undercover applicant that getting a job is a piece of cake, and then told the applicant that she has graduates making \$120,000 - \$150,000 a year. This is likely the exception, according to the BLS, 90 percent of architectural and civil engineers make less than \$70,000 per year. She also stated that in the current economic environment, the applicant could expect a job with a fully starting salary of \$13-\$14 per hour or \$15 if the applicant was lucky.

Elaboration, p. 21

Undercover applicant was told that he could earn up to \$100 an hour as a massage therapist. While this may be possible, according to the BLS, 90 percent of all massage therapists in California make less than \$34 per hour.

While one school representative indicated to the undercover applicant that he could earn up to \$30 an hour as a massage therapist, another representative told the applicant that the school's massage instructors and directors can earn \$150-\$200 an hour. While this may be possible, according to the BLS, 90 percent of all massage therapists in California make less than \$34 per hour.

Elaboration, p. 23

The representative said that student loans would absolutely cover all costs in this 2-year program. The representative did not specify that federal student loans by themselves would not cover the entire cost of the program. While loans are available to pay for the program, they are normally based on an applicant passing a credit check, and typically carry higher interest rates than federal student loans.

The representative that told the undercover applicant the program would take 18 months to complete. He later said it would take 2 years to complete. He said that student loans would absolutely cover all costs in this 2-year program. However, to pay for the program, the undercover applicant would need to 1) acquire federal student loans for 3 years, or 2) acquire private loans or pay some out of pocket to complete the program in less than 3 years.

SOURCE: Staff reports

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issues revisions when "additional information comes to light and provides additional context to our already published work." Of the roughly 1,000 reports issued in the last fiscal year, about 12 received later revisions, he said. He added that the office reviewed more than 80 hours of audio from the investigation before it released the revision on the for-profit college report.

"Nothing changed with the overall message of the report, and nothing changed with any of our findings," Young wrote.

### "Troubling questions"

Sen. Mike Enzi (Wyo.), the committee's ranking Republican, wrote in a letter Tuesday to the acting comptroller, Gene L. Dodaro, who heads the GAO, that the revisions raise "a number of troubling questions."

Enzi wrote that the revisions appear "substantial" and "undermine many of the allegations" in the GAO report. He asked Dodaro to withdraw the testimony and explain in detail why the changes were made.

Justine Sessions, a spokeswoman for Sen. Tom Harkin (Iowa), the committee chairman, said the revisions "do not change the substance of the report" or its conclusions that the for-profit colleges investigated "used deceptive or fraudulent recruiting techniques to enroll new students."

Lanny Davis, a spokesman for the Coalition for Educational Success, which represents some for-profit colleges, said the revisions in the report appeared on the whole to portray the industry less harshly. None of the revisions, he said, made the industry look worse.

"The entire credibility of this report is called into question," Davis said.

Department spokesman Justin Hamilton said the department would have no comment on the revisions.

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