



Audit  
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UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

REGION V  
111 NORTH CANAL, SUITE 940  
CHICAGO, ILLINOIS 60606

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Investigation  
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FEB 25 2005

Control Number ED-OIG/A05E0013

Gerald I. Lamkin, President  
Ivy Tech State College  
One West 26<sup>th</sup> Street  
Indianapolis, IN 46208

Dear Mr. Lamkin:

This **Final Audit Report** presents the results of our audit of the administration of the student financial assistance programs at the Ivy Tech State College (Ivy Tech) campus in Gary, Indiana (Ivy Tech - Gary), during the period July 1, 2002, through June 30, 2003. Our objective was to determine whether Ivy Tech - Gary administered these programs in accordance with Title IV of the Higher Education Act of 1965, as amended (HEA), and applicable program regulations. Specifically, we evaluated Ivy Tech - Gary's compliance with requirements in the HEA and applicable program regulations governing student eligibility, award calculations, disbursements, and return of Title IV funds.

We provided Ivy Tech with the draft of this report. In its response dated January 18, 2005, Ivy Tech disagreed with our finding and recommendations. We made minor changes to our draft report based on Ivy Tech's response. However, we did not delete the finding or change our recommendations. We summarized Ivy Tech's response after the finding and have included it in its entirety as an attachment to this report.<sup>1</sup>

### AUDIT RESULTS

Our audit disclosed that Ivy Tech - Gary generally complied with the requirements governing award calculations, disbursements, and return of Title IV funds. However, Ivy Tech - Gary did not comply with all requirements governing student eligibility. Students enrolled in Ivy Tech - Gary's General Technical Studies (GTS) program received Title IV funds, even though the GTS program was not an eligible Title IV program. Our audit identified no other instances of non-compliance with the requirements governing student eligibility.

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<sup>1</sup> With its response, Ivy Tech submitted several supporting documents that are too voluminous to include with this report. However, the supporting documents are available upon request.

**FINDING: Ivy Tech's GTS Program Is Not an Eligible Title IV Program**

The GTS program does not meet requirements in the HEA and program regulations for an eligible program. The GTS program is one year in length and does not provide undergraduate training that prepares a student for gainful employment in a recognized occupation.

Ivy Tech's 2001-2003 College Catalog and the U.S. Department of Education's (Department) Eligibility and Certification Approval Report indicate that the GTS program is a one-year, 30-semester credit hour program that leads to a technical certificate. The catalog also indicates that the GTS program does not prepare students for employment in a recognized occupation. It describes the GTS program as a general studies program that aids students who are not yet ready to enter an academic or occupational program:

The GTS certificate program provides opportunities for students who may not be ready to enter a degree program due to lack of preparation or other reasons. GTS helps these students define and meet their educational objectives. GTS serves students who may be in need of correcting deficient academic skills before enrolling in a technical degree program, have yet to decide upon pursuing a specific course of study, are seeking admission into one of the college's selective programs, wish to examine an occupational program, are in need of a career-oriented educational exploration, or are in need of an educational foundation for a related one- or two-year program and wish to pursue a one-year program of general technical studies.

Ivy Tech participates in the Title IV programs as both an institution of higher education and a postsecondary vocational institution. Pursuant to Sections 101(b)(1), 102(a), 102(c)(1)(A), and 481(b) of the HEA and implementing regulations found at 34 C.F.R. §§ 600.4(a)(4)(iii), 600.6(a)(4), 668.8(c)(3), and 668.8(d)(1)(iii),<sup>2</sup> an eligible one-year program at an institution of higher education or an eligible program at a postsecondary vocational institution must "prepare students for gainful employment in a recognized occupation." In addition, 34 C.F.R. § 600.2 provides a definition of a "recognized occupation" as "[a]n occupation that is. . . [l]isted in an 'occupational division' of the latest edition of the *Dictionary of Occupational Titles*, published by the U.S. Department of Labor...."<sup>3</sup>

Because the GTS program does not prepare students for employment in a recognized occupation, the GTS program is not an eligible Title IV program. Therefore, students may not receive Title IV funds on that basis.<sup>4</sup> During the Summer 2002, Fall 2002, Spring 2003, and Summer 2003 semesters, Ivy Tech - Gary disbursed approximately \$1.6 million of Title IV funds to students enrolled in the GTS program.

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<sup>2</sup> All regulatory citations are to the version dated July 1, 2002.

<sup>3</sup> The *Dictionary of Occupational Titles* (DOT) provides an updated picture of the recognized occupations in which America's workforce is employed. It details the tasks to be performed and the levels of education that must be achieved.

<sup>4</sup> Under 34 C.F.R. § 668.32(a)(1)(i), only "a regular student, enrolled or accepted for enrollment, in an eligible program at an eligible institution" is eligible to receive Title IV assistance.

Ivy Tech submitted more than one *Application for Approval to Participate in Federal Student Financial Aid Programs* (Application) to the Department that indicated the GTS program was an undergraduate program that prepared students for gainful employment. Ivy Tech's most recent Application for continued participation under the Program Participation Agreement was approved by the Department in February 2004. On this Application, Ivy Tech indicated that the GTS program was an undergraduate program that prepares students for gainful employment in a recognized occupation.

## Recommendations

We recommend that the Chief Operating Officer for Federal Student Aid instruct Ivy Tech to

- 1.1 Stop disbursing Title IV funds to ineligible students enrolled in the GTS program;
- 1.2 Return to the Department \$1,459,953 and to lenders \$185,207, the amount of Title IV funds improperly disbursed for ineligible students during its Summer 2002, Fall 2002, Spring 2003, and Summer 2003 semesters; and
- 1.3 Determine the amount of all other funds disbursed after June 30, 2001, for students enrolled in the GTS program and return those funds to the appropriate lender (for Federal Family Education Loan funds) or to the Department (for all other Title IV funds).

## Ivy Tech's Comments

Ivy Tech maintains that the GTS program is a Title IV eligible program, because the GTS program

- Is a certificate program, and certificate programs that meet the criteria in 34 C.F.R. § 668.8 are Title IV eligible programs. Some of Ivy Tech's students may be ready to enter into a certificate program but are not ready or eligible to enter a degree program. The GTS certificate program allows these students an opportunity to explore the various occupational training opportunities that are available at Ivy Tech.
- Prepares students for numerous occupations listed in the DOT. The regulations cited in the report (34 C.F.R. § 668.8) do not stipulate that a program must lead to gainful employment in a specific or particular occupation. Ivy Tech explains that it established the GTS program around its four degree-granting divisions: Business, Visual Communications, Technology, and Health and Human Services. All of these divisions clearly prepare individuals for occupations listed in the DOT. Ivy Tech asks for clarification that the employment must be in a specific or particular occupation.
- Has been approved as an eligible program by the Department. Ivy Tech also notes that the GTS program was approved by the Indiana Commission for Higher Education and by the U.S. Department of Veterans Affairs.

## Office of Inspector General's Response

We have considered Ivy Tech's comments, and we have made some minor changes to this audit report. However, we have not made substantive changes to the audit report for the following reasons:

- The GTS program does not meet eligibility criteria in the HEA or in applicable regulations. For a one-year, certificate program to be an eligible program, it must prepare a student for gainful employment in a recognized occupation. A student's readiness to enter a degree program, or desire to explore various occupational training opportunities, does not affect the eligibility of a one-year program.
- Under 34 C.F.R. § 668.8(c)(3), in order for a one-academic-year training program to be an eligible program, it must lead to a recognized educational credential and must prepare students for gainful employment in a recognized occupation. As we cite in our report, similar guidance for one-year programs is found elsewhere in the HEA and in supporting regulations. Enrollment in a general technical studies program does not prepare students for gainful employment in a recognized occupation. For example, when students receive GTS program certificates in Health and Human Services, or any of the other three divisions Ivy Tech identifies in its comments, the students are not prepared for gainful employment in a specific recognized occupation. Though the students may have increased their general knowledge, additional study or training will be needed before the students are prepared for gainful employment in a recognized occupation.
- According to the Federal Student Aid Handbook, 2002-2003, Volume 2, Chapter 1, Institutional and Program Eligibility, p. 2-14, "Because a school's eligibility does not necessarily extend to all its programs, the school must ensure that a program is eligible before awarding FSA program funds to students in that program. The school is ultimately responsible for determining that a program is eligible." As we noted earlier in our report, the Department's approval of the GTS program was based on an Application submitted by Ivy Tech, in which Ivy Tech described the GTS program as an undergraduate program that prepares students for gainful employment in a recognized occupation. Since Ivy Tech's description of the program in its Application is incorrect, the Department's determination of the program's eligibility may be void. As to the GTS program's approval by the U.S. Department of Veterans Affairs and by the Indiana Commission for Higher Education, those approvals have no bearing on a determination of program eligibility under the HEA and the Department's regulations.

## BACKGROUND

Ivy Tech's website describes Ivy Tech as an open-door college offering two-year degrees and technical certificates, as well as customized education for Indiana's businesses and industries. Ivy Tech is Indiana's second largest post-secondary institution and consists of 14 administrative regions, with 23 campuses and five instruction centers across Indiana. The Higher Learning Commission of the North Central Association of Colleges and Schools accredits Ivy Tech.

Ivy Tech - Gary is located in Gary, Indiana, and is part of the Northwest Region (also known as Region 01). It houses both classes and the Region 01 administrative offices. Region 01 includes four campuses: Gary, East Chicago, Valparaiso, and Michigan City.

The Northwest Region's campuses participate in the Federal Pell, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work Study (FWS), and Federal Family Education Loan (FFEL) programs. According to Ivy Tech records, for the Summer 2002, Fall 2002, Spring 2003, and Summer 2003 semesters, the Northwest Region disbursed \$8,774,677 of Title IV funds.

### OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether Ivy Tech - Gary administered the Title IV programs in accordance with the HEA and applicable program regulations during the period July 1, 2002, through June 30, 2003. Specifically, we evaluated Ivy Tech – Gary's compliance with requirements in the HEA and applicable program regulations governing student eligibility, award calculations, disbursements, and return of Title IV funds.

To accomplish our objective, we assessed Ivy Tech – Gary's system of internal controls, policies, procedures, and practices applicable to its administration of the Title IV programs. For the purpose of our audit, we classified the significant controls into three categories—student eligibility, awards and disbursements, and return of Title IV funds. We also assessed the risk that Ivy Tech - Gary would fail to comply with the law and selected regulations governing the Title IV programs. Because of inherent limitations, a study and evaluation made for the limited purpose described would not necessarily disclose all material weaknesses in Ivy Tech – Gary's system of internal controls. However, our limited assessment did not disclose any material weaknesses in Ivy Tech – Gary's system of internal controls over student eligibility, awards and disbursements, and return of Title IV funds.

To accomplish our objective, we also

1. Reviewed Region 01's Title IV funding information;
2. Reviewed Ivy Tech - Gary's history and organization;
3. Reviewed A-133 audit reports prepared by the Indiana State Board of Accounts, a program review report prepared by FSA, and internal audit reports prepared by Ivy Tech's Internal Audit Department;
4. Reviewed the laws and regulations applicable to the audit objective;
5. Reviewed records (financial aid, academic, and accounting) for 40 Title IV recipients,<sup>5</sup> 6 apprenticeship students,<sup>6</sup> and 4 distance education students;<sup>7</sup>

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<sup>5</sup> We selected 25 randomly from a population of 1,570 Pell recipients. We selected an additional 15 judgmentally, from Ivy Tech's Student Information System, to ensure that our sample included at least 5 recipients from each of the non-Pell programs in which Ivy Tech participated (FSEOG, FWS, and FFEL).

<sup>6</sup> We selected 3 randomly from a population of 1,458 (Fall 2002 semester) and 3 randomly from a population of 1,548 (Spring 2003 semester).

<sup>7</sup> We selected 2 randomly from a population of 856 (Fall 2002 semester) and 2 randomly from a population of 958 (Spring 2003 semester).

6. Reviewed and tested Ivy Tech's process for returning funds and reviewed 17 return of Title IV fund calculations for 14 students;<sup>8</sup>
7. Reviewed the payment of one credit balance for 39 of the 40 Title IV recipients;
8. Reviewed information about the GTS program, including the Ivy Tech catalog description, eligibility and certification approval report, program participation agreement, and Ivy Tech's Applications for participation; and
9. Identified the amount of Title IV funds disbursed to students enrolled in the GTS program during the Summer 2002, Fall 2002, Spring 2003, and Summer 2003 semesters.

In addition, we relied, in part, on Ivy Tech data of the population of Title IV recipients. Ivy Tech uses a system called Student Information System for administering the Title IV programs. To assess the reliability of Ivy Tech's data, we performed logic tests and compared Ivy Tech's data to the Department's data. We also relied, in part, on Ivy Tech's data of Title IV funds disbursed to Ivy Tech - Gary students enrolled in the GTS program. To assess the reliability of this data, we tested the data provided to ensure that it agreed to Ivy Tech's Student Information System. Based on our assessment and tests, we concluded that the computer-processed data Ivy Tech provided was sufficiently reliable for the purposes of our audit.

Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the audit work described above. We conducted our field work at Ivy Tech - Gary in Gary, Indiana, from February 2004 through May 2004, and we visited Ivy Tech's Central Office in Indianapolis, Indiana, in July 2004. We discussed the results of our audit with Ivy Tech's Executive Assistant to the President on September 22, 2004.

### **ADMINISTRATIVE MATTERS**

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department official who will consider them before taking final Departmental action on the audit.

Theresa S. Shaw, Chief Operating Officer  
Federal Student Aid  
U.S. Department of Education  
Union Center Plaza, 830 First Street, NE  
Room 112G1, Mail Stop 5132  
Washington, DC 20202

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<sup>8</sup> We selected all 8 of the students in our sample of 40 (described in item 5) for whom returns of Title IV funds were calculated, and we selected the remaining 6 students randomly, from a population of 388 students who had withdrawn.

It is the policy of the Department to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions, please call Gary Whitman, Assistant Regional Inspector General for Audit, or me at 312-886-6503.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard J. Dowd", with a large, stylized flourish extending to the right.

Richard J. Dowd  
Regional Inspector General  
for Audit

Attachment

One West 26th Street  
PO. Box 1763  
Indianapolis, Indiana 46206-1763  
317-921-4882

January 18, 2005

U.S. Department of Education  
Office of Inspector General  
111 North Canal Street, Suite 940  
Chicago, Illinois 60606-7204

RE: Control Number ED-OIG/A05-E0013, Ivy Tech State College

In response to your draft audit report concerning the Ivy Tech State College campus in Gary, Indiana, enclosed please find our response. If you have questions, please call me at 317-921-4713 or Ben Burton at 317-921-4712.

Sincerely,



Janet Bozzelli  
Executive Assistant to the President

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Enclosures



Ivy Tech is an accredited,  
equal opportunity,  
affirmative action state college.



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Ivy Tech State College maintains that the General Technical Studies (GTS) Technical Certificate is a Title IV eligible program as defined by the Code of Federal Regulations (CFR). Additionally, we contend that since the program was approved by the Department of Education (DOE) eligible program the students enrolled in this Certificate program are eligible to receive Title IV financial aid funds.

In the Findings section of the draft audit report you quote the College state-wide catalog as stating; "The General Technical Studies Program provides an option for students who may not be ready to enter a degree program due to lack of preparation or other reasons." We concur this statement is used in the College state-wide catalog, however, we do not agree that such verbiage makes this program ineligible for Title IV funding. The GTS program is a certificate program; not a degree program. Certificate programs that meet the criteria set forth in CFR 668.8 are Title IV eligible programs. Some students may be ready to enter into a certificate program but not ready or eligible to enter into a degree program. The GTS Certificate program allows these students an opportunity to explore the various occupational training opportunities that are available at the College.

As outlined in your report, 34 CFR 668.8(d)(1)(iii) states that "an eligible program provided by a proprietary institution of higher education or postsecondary vocational institution- (iii) Must provide undergraduate training that prepares a student for gainful employment in a recognized occupation..." CFR 600.2 defines "recognized occupation" as: "an occupation that is- (1) Listed in an "occupational division" of the latest edition of the *Dictionary of Occupational Titles* published by the U.S. Department of Labor". Ivy Tech contends that the GTS program prepares students for numerous occupations listed within the above noted publication. The audit finding states that the GTS program is being deemed ineligible because it "does not prepare students for a particular occupation." The CFR reference quoted in the audit finding and reiterated above does not stipulate that a program must lead to gainful employment in a specific or particular occupation. We have asked for further clarification from the OIG's office supporting this stance; however to date, none has been provided. Additionally we are unable to locate any published clarifying guidance from the U.S. Department of Education.

The "Abstract Proposal for General Technical Studies Technical Certificate" program that was submitted to and subsequently approved by the Indiana Commission for Higher Education describes the curriculum as follows:

*The General Technical Studies Technical Certificate will be composed of one-year programs of study, centering around the College's degree-granting divisions— Business, Visual Communications, Technology, Health and Human Services. Each of the Technical Certificates will contain a total of 30 credit hours, with typically 6-15 credit hours of general education appropriate to divisional technical certificate or associate*

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*degree requirements. General education courses may be selected from: Communications, Social Sciences, Humanities, Mathematics, or Life and Physical Sciences. Each certificate will contain core technical courses appropriate to divisional technical certificate or associate degree requirements. Three credit hours will be determined by the student elective.*

Attached is a program sheet from the Gary Ivy Tech campus. This program sheet would be used to counsel students as they progress towards the completion of their certificate, and to inform them of certificate requirements. As you will note, as stated in the Proposal submitted to the Indiana Commission on Higher Education, the College established the GTS program around the College's degree-granting divisions. As outlined above, these divisions include: Business, Visual Communications, Technology, Health and Human Services, all of which clearly prepare individuals for occupations listed in the *Dictionary of Occupational Titles*, including but not limited to, occupations identified under the two digit occupational division code of 00/01, 02, 03, 04, 07, 09, 20, 21, 24, 30, 31, 32, 33, 35 and 38.

As pointed out in the audit finding, the U.S. Department of Education did approve the GTS program as an eligible program. We would additionally note that the U.S. Department of Veterans Affairs also approved the GTS program as an eligible program.

In conclusion, it is our position that the GTS program is a Title IV eligible program that does prepare a student for gainful employment in a recognized occupation as defined by the CFR 600.2; therefore we do not agree with this audit finding.

#### RECOMMENDATION:

As was explained to the auditor when he was on site at the College, the GTS program is scheduled to be phased out. On November 8, 2002, the College received approval from the Indiana Commission for Higher Education to offer a two-year AS general studies degree (GNS). The College started offering this program in the Fall of 2003. As a part of this approval process, the College agreed to phase out the GTS program. For Title IV purposes, as of the end of the current semester, the phase out will have ended. Students have been informed that they may remain in the program until the end of the Summer term, however, they would not be considered Title IV eligible for that term.

Although the College is adamant that this program is an eligible program, if the OIG's Office and DOE's Federal Student Aid Office deem the GTS program as ineligible, it would seem unreasonably harsh to require repayment by the institution. As outlined above, there is no written guidance that echoes the stance being taken by the OIG's

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Office on this issue. If the interpretation of the outlined regulation is to be narrowed, as suggested by the audit report, it would seem reasonable that written guidance be provided to all institutions with similar programs, and that all disbursements made from that time forward be deemed ineligible.

To require institutions to repay funds when no interpretative written guidance has been issued would cause an undue burden not only on Ivy Tech, but also all institutions with similar programs. Upon official notification from the DOE, Ivy Tech will cease issuing aid for the GTS program; however it is our stance that any and all action should be prospective in nature.

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