



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

MEMORANDUM

MAY 18 2001

TO: Greg Woods
Chief Operating Officer
Student Financial Assistance

FROM:

Lorraine Lewis

A handwritten signature in cursive script that reads "Lorraine Lewis".

SUBJECT: **FINAL AUDIT REPORT**

Indiana State University's Policies and Procedures Covering Educational Programs and Courses Delivered Through Distance Education Methods
Control No. ED-OIG/A09-A0021

Attached is our subject report presenting our findings and recommendations resulting from our audit of Indiana State University.

In accordance with the Department's Audit Resolution Directive, you have been designated as the action official responsible for the resolution of the findings and recommendations in this report.

If you have any questions, please contact Gloria Pilotti, Regional Inspector General for Audit, Sacramento Office at (916) 498-6622.

Please refer to the above control number in all correspondence relating to this report.

Attachment



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

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MAY 18 2001

ED-OIG/A09-A0021

Dr. Lloyd Benjamin, III
President
Indiana State University
Terre Haute, Indiana 47809

Dear Dr. Benjamin:

This **Final Audit Report** (Control Number ED-OIG/A09-A0021) presents the results of our audit of Indiana State University (ISU). The purpose of the audit was to evaluate whether ISU's policies and procedures, which were used for delivering educational programs and courses through distance education methods, ensured that the Higher Education Act (HEA), Title IV Student Financial Assistance Program requirements were met by the institution and its students.

AUDIT RESULTS

ISU used the same policies and procedures to administer student financial assistance for programs and courses offered on campus and those offered through distance education methods. We concluded that these policies and procedures provided a reasonable level of assurance that the institution's educational programs and courses, offered through distance education methods, and the students enrolled in such programs and courses, met the requirements of selected provisions of the HEA and Federal regulations, except that:

- ISU policies and procedures did not ensure that enrollment status was properly determined for students enrolled in correspondence courses.
- ISU policies and procedures did not ensure that students completed the required percentage of a correspondence course prior to disbursing Federal Pell Grant funds.
- ISU had no policies and procedures for ensuring adherence to institutional eligibility limitations on correspondence courses and students.

ISU concurred with our findings and recommendations. A copy of ISU's comments is included as an attachment to this letter.

Finding No. 1 – ISU’s Policies and Procedures Did Not Ensure That Enrollment Status Was Properly Determined for Students Taking Correspondence Courses

ISU offered educational courses to its students through on-campus instruction and through various distance education methods, including correspondence. Federal regulations contain provisions restricting the Title IV eligibility of students taking courses through correspondence. ISU’s procedures for determining a student’s enrollment status did not take into consideration these restrictions.

A student’s enrollment status (full-time, three-quarter-time, half-time, or less-than-half-time) is used to determine the amount of funds a student is eligible to receive under the Pell Grant Program. Within the definition of a half-time student, Title 34 CFR § 690.2(c)(2) states that “regardless of the work, no student enrolled solely in correspondence study is considered more than a half-time student.”

Title 34 CFR § 690.8 restricts the amount of correspondence work that may be included in determining the enrollment status of students taking both regular and correspondence courses. Paragraph (b)(3) of the section limits the correspondence work to the amount of work that “does not exceed the amount of a student’s regular course work for the payment period for which the student’s enrollment status is being calculated.” Paragraphs (c) and (d) provide additional guidance on the application of this limitation.

Our review found that ISU overawarded Pell Grant Funds because it did not have policies and procedures to consider the limitations in 34 CFR §§ 690.2 and 690.8 in determining the enrollment status of students taking semester-based correspondence courses.¹

We reviewed student records for 25 students who were enrolled in one or more semester-based correspondence courses during award year 1999-2000 and received Title IV funds during the award year.² The enrollment status used to calculate the Pell Grant award for 10 of the 25 students was not in compliance with the regulations.

- Five of the 25 students were enrolled solely in correspondence courses during the award year. For 2 of the 5 students, ISU did not comply with 34 CFR § 690.2. ISU improperly disbursed a total of \$3,124 (\$1,562 for each student) in excess of the Pell grant amounts that the students were eligible to receive.
- Twenty of the 25 students were enrolled in a combination of semester-based correspondence and other courses during the award year. For 8 of the 20 students,

¹ ISU students enroll in correspondence and other distance education courses under either a semester-based or year-based program of study. The institution only considered students enrolled in semester-based programs as eligible for Title IV programs.

² The 25 students were part of our 50 student sample of the 922 students who were enrolled in one or more distance education courses during award year 1999-2000 and received Title IV funds during the award year. Of the 922 students, 633 students were enrolled in one or more semester-based correspondence courses in one or both semesters. Of these 633 students, 342 received Pell Grants during the 1999-2000 award year.

ISU did not comply with 34 CFR § 690.8. ISU improperly disbursed a total of \$6,562 in excess of the Pell grant amounts that the students were eligible to receive. The excess amounts for individual students ranged from \$234 to \$1,562.

We used a judgmental rather than random basis to select the students whose school records were reviewed during our audit. Therefore, results from our review of the 25 students may or may not be representative of the Pell Grant funds awarded to students who were enrolled in at least one semester-based correspondence course during award year 1999-2000. In the award year, a total of 17 students, who were enrolled solely in semester-based correspondence courses, received Pell Grant funds. A total of 325 students, who were enrolled in a combination of semester-based correspondence and other courses, received Pell Grant funds.

Recommendations

The Chief Operating Officer for Student Financial Assistance should require ISU to:

- 1.1. Revise its policies and procedures for calculating Pell Grant awards to ensure the institution complies with the limitation on Pell Grant awards for students enrolled in correspondence courses.
- 1.2. Identify and return Pell Grant funds disbursed to students enrolled in correspondence courses that exceeded the allowable amount. The amount returned should include improperly disbursed funds for students enrolled in correspondence courses on and after July 1, 1999 (the beginning of our audit period).

ISU's Comments

ISU stated that the necessary modifications would be made to its current policies and procedures to ensure compliance with the regulations. ISU agreed to identify and return the improperly disbursed Pell Grant funds.

Finding No. 2 – ISU's Policies and Procedures Did Not Ensure That Students Completed the Required Percentage of Correspondence Courses Prior to Disbursing Pell Grant Funds

ISU policies and procedures did not require that students enrolled solely in correspondence study complete the required percentage of course work prior to disbursing Pell Grant funds. Title 34 CFR § 690.66 (c) states:

In a program of correspondence study offered by correspondence courses using terms but not including any residential component –

* * * * *

(4) The institution shall make the payment to a student for a payment period after that student completes 50 percent of the lessons or otherwise completes 50 percent of the work scheduled for the term, whichever occurs last.

ISU's financial aid office disbursed Pell Grant funds to students enrolled solely in correspondence courses on the same disbursement schedule as students enrolled in other programs and courses. The financial aid office did not confirm that the students had completed 50 percent of the course work prior to making the disbursements.

Currently, the number of students subject to the 50 percent completion requirements is small. Only 21 students at ISU were enrolled solely in semester-based correspondence courses during award year 1999-2000, and only 17 of the 21 students received Pell Grant funds during the award year.

Recommendation

The Chief Operating Officer for Student Financial Assistance should require ISU to:

- 2.1. Implement policies and procedures that ensure students in a program of solely correspondence study have completed the required percentage of their courses prior to disbursing Pell Grant funds.

ISU's Comments

ISU stated that the necessary modifications would be made to its current policies and procedures to ensure compliance with the regulations.

Finding No. 3 – ISU Did Not Have Policies and Procedures for Ensuring Adherence to Institutional Eligibility Limitation on Correspondence Courses and Students

ISU did not perform the calculations to ensure that the institution did not exceed the allowed maximum number of correspondence courses offered in a semester and maximum student enrollment in correspondence courses. ISU had no such policies and procedures in place.

An institution loses its eligibility to participate in Title IV programs if, during its latest award year, its correspondence courses represented more than 50 percent of its courses or more than 50 percent of its students were enrolled in correspondences courses. Title 34 CFR § 600.7 states:

- (a) ...an educational institution...does not qualify as an eligible institution under this part if—
 - (1) For its latest complete award year—
 - (i) More than 50 percent of the institution's courses were correspondence courses....;
 - (ii) Fifty percent or more of the institution's regular enrolled students were in enrolled in correspondence courses....

For purposes of this calculation, telecommunication courses³ are considered to be

³ A telecommunication course is defined as a course offered principally through television, audio or computer transmission, including open broadcast, closed circuit, cable, microwave satellite, or audio or computer conferences. (Includes video courses if students physically attending the school also receive the video course in the same award year.)

correspondence courses if the sum of telecommunication courses and other correspondence courses provided by the institution during its latest complete award year was equal to or more than 50 percent of the total courses provided that year.

During award year 1999-2000, ISU offered more than 3,000 courses each semester to its students. ISU had 472 semester-based correspondence/telecommunication courses. Of the 15,264 students enrolled during the award year, 2,357 students (about 15 percent) were enrolled in one or more of the correspondence/telecommunication courses in one or both semesters. Although ISU is currently well under the 50 percent requirements, both the number of correspondence/telecommunication courses offered by the institution and the number of students enrolled in such courses are increasing each year. By not performing the calculation, ISU could unknowingly exceed the 50 percent limits and, as a result, lose its eligibility to participate in Title IV programs.

Recommendation

The Chief Operating Officer for Student Financial Assistance should require ISU to:

- 3.1. Implement policies and procedures for annual calculations of the percentage of correspondence/ telecommunication courses offered each award year and the percentage of students enrolled in correspondence/telecommunication courses.

ISU's Comments

ISU stated that policies and procedures would be developed and implemented for an annual calculation of the percentages.

OTHER MATTERS

Exit Counseling Documentation. Our review of student financial aid files revealed that ISU did not consistently retain documents to substantiate its compliance with exit counseling requirements of the Federal Family Education Loan (FFEL) Program. Title 34 CFR § 682.604(g) states that an institution is required to conduct exit counseling with each borrower shortly before the borrower ceases to be at least a half-time student at the institution. Such counseling can be conducted by electronic means; in-person (either individually or in groups); and, under certain circumstances, in writing. The regulation requires that institutions maintain documents substantiating compliance with this section. ISU had procedures for conducting the required exit counseling, but we were unable to confirm that the procedures were executed, as intended, due to the lack of documentation in the school records.

ISU's Comments

ISU stated that it would review its current entrance and exit counseling procedures to be able to readily substantiate its compliance with the federal regulations.

BACKGROUND

ISU, located in Terre Haute, Indiana, is a state-supported institution of higher education. ISU offers bachelor's and master's degrees, doctorates in philosophy and psychology and an educational specialist degree. For the award year ended June 30, 2000, ISU had an enrollment of about 15,000 students and about 5,300 of the students received Title IV funds. During that award year, ISU received approximately \$4.5 million in Pell Grants and \$435,000 in Federal Supplemental Educational Opportunity Grants. Also, ISU students were approved for \$28 million in FFEL funds. The institution's 1998 cohort default rate (the most recent rate available) was 4.4 percent.

The institution is governed by the Indiana State University Board of Trustees and is subject to oversight by the Indiana Commission for Higher Education. The Commission reviews and approves degree programs, including programs offered through distance education methods. In March 1998, the Commission issued policy on delivering degree programs through distance education methods.

The institution is accredited by the North Central Association of Colleges and Secondary Schools (NCA), Commission on Institutions of Higher Education. NCA, in collaboration with eight regional accrediting agencies, developed guidelines for the evaluation of electronically offered degree and certificate programs. In March 2000, NCA implemented a policy requiring institutions to obtain the Commission's approval to extend an institution's accreditation to degree programs offered through distance education methods. NCA conducted an on-site reaccreditation review at ISU from February 29-March 1, 2000. The review included coverage of ISU's programs and courses offered through various distance education methods.

ISU offered 18 degree programs and 472 semester-based courses through distance education methods during school year 1999-2000.

- WEB courses (179 courses) can be completed anywhere the student has access to the Internet. WEB courses typically include a course syllabus, information on lessons and assignments, discussion boards, and links to supplemental material. ISU uses CourseInfo, software purchased from Blackboard, Inc, to facilitate delivery of WEB courses. The software allows the faculty instructor to review student activity on an individual student or class basis. For example, the instructor can track how many times a student accessed the course by time of day.
- Correspondence courses (177 courses) use printed material that may be supplemented with a video or audio tape. Students work independently and submit assignments, questions and examinations by mail to ISU. Some courses require proctored examinations.
- Videotaped courses (17 courses) include a set of videotapes and printed materials. Some videotape courses refer the student to Internet sources for supplemental information.
- Interactive television courses (99 courses) are offered at more than 300 sites in Indiana. The courses are held on-campus and broadcast simultaneously to receiving sites.

Receiving sites are located in libraries, public schools, college campuses, hospitals and other offices that are equipped to receive transmission through the Indiana Higher Education Telecommunications System. The faculty instructor and students at the receiving sites can communicate with each other through an audio or audio/video connection.

Typically, ISU students taking courses through distance education methods were simultaneously enrolled in one or more on-campus courses. For award year 1999-2000, we identified only 69 students receiving Title IV who were enrolled solely in courses offered through distance education.

The ISU's Division of Lifelong Learning is responsible for overseeing the delivery of distance education. The Division also offers services to assist faculty in preparing their courses for distance delivery. The Division staff include instructional designers, web programmers, computer graphics specialists, multi-media developers and a course editor. To implement a new distance education course, faculty members complete a Course Development Agreement and Course Planning Guide, meet and work with instruction designers and developers. According to Division staff, about one-third of all full-time tenured faculty have attended the Division's Course Transformation Academy, a development program designed for faculty members preparing to use technology in their teaching.

Consortia. ISU participates in a consortium agreement for a Doctoral Degree in Technology Management with the following institutions: Texas Southern University, University of Wisconsin-Stout, Central Missouri State University, Bowling Green State University, and North Carolina Agricultural and Technical State University. ISU is the designated degree granting university for this agreement and provides the necessary support for admissions, record maintenance and contact with students.

ISU is also part of the Indiana Partnership for Statewide Education (IPSE). IPSE is a not-for-profit consortium of 20 Indiana universities and colleges that cooperatively offer distance education courses. Students select a home institution that processes the student's enrollment and financial aid, maintains records and issues the degree.

Learning Anytime Anywhere Partnership Grant. ISU's Division of Lifelong Learning is the recipient of a \$1.15 million Learning Anytime Anywhere Partnership Grant from the U.S. Department of Education. The grant is being used to develop a virtual instructional design application that provides faculty at various institutions with anytime, anyplace access to the information, documentation, training, models and interactive support necessary to design quality asynchronous online courses.

PURPOSE, SCOPE AND METHODOLOGY

The audit objective was to evaluate whether ISU's policies and procedures, which are used for delivering educational programs and courses through distance education methods, ensure that Higher Education Act, Title IV Student Financial Assistance Programs requirements are met by the institution and its students.

To accomplish our objective, we identified and reviewed applicable Title IV requirements. We reviewed ISU's policies and procedures and interviewed ISU management and staff to identify policies, procedures and practices used to record, process and account for students enrolled in courses delivered through distance education methods. We interviewed ISU's managers and staff in enrollment services, admissions, registrar office, student financial aid, bursar operations, financial accounting, grants and contracts, information technology and institutional research.

We also interviewed management and staff in ISU's Division of Lifelong Learning to gain an understanding of the policies and procedures specific to distance education programs, including course design, approval and delivery; faculty and administrative support; and student services. We interviewed faculty involved in the delivery of distance education programs and courses. We also interviewed students enrolled in such programs and courses to obtain their viewpoint.

We visited the institution's accrediting agency, NCA, in Chicago, Illinois from September 13-15, 2000. We interviewed NCA staff to gain an understanding about their standards, procedures and practices related to reviews of distance education programs and courses. We reviewed NCA's report of its site visit to ISU from February 29-March 1, 2000, the most recent NCA self-study report of ISU and NCA's accreditation handbook.

We reviewed rules, guidelines and approval requirements of the Indiana Higher Education Commission, which is responsible for approving programs offered by institutions in Indiana. We reviewed the institution's audit report for the year ended June 30, 1999. We also interviewed the auditor at the Indiana State Board of Accounts responsible for conducting the audit in accordance with requirements of Office of Management and Budget Circular A-133.

To achieve our audit objective, we relied on computer-processed data extracted by ISU staff from the institution's database to identify the universe of students enrolled during award year 1999-2000. To evaluate the reliability of the computer-processed data, we reviewed documentation explaining the system and interviewed ISU staff to identify the subsystems, tables, data elements and codes relevant to our review. We reviewed the job query language used by ISU staff to prepare the extract file to confirm that ISU had provided us with the requested data for all students. Nothing came to our attention as a result of our limited review that caused us to doubt whether the extract file reflected the students enrolled at ISU during award year 1999-2000.

From the extract file, we identified 922 students enrolled in one or more courses delivered through distance education methods who received Title IV funds. From these 922 students, we judgmentally selected 50 students for whom we reviewed school records to evaluate whether ISU's policies and procedures were adequate to ensure that students enrolled in program and

courses offered through distance education methods met Title IV requirements. We used a judgmental selection process to ensure that our review covered a variety of delivery methods.

Our audit work covered ISU's policies, procedures and reports for award year 1999-2000. We conducted our fieldwork from August to November 2000, which included four weeks on site at ISU. We held our exit briefing with ISU on November 2, 2000. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

STATEMENT ON MANAGEMENT CONTROLS

As part of our review, we assessed the system of management controls, policies, procedures and practices applicable to ISU's administration of Title IV programs. Our assessment was used to determine whether ISU policies and procedures, which were used for delivering educational programs and courses through distance education methods, provided a reasonable level of assurance that the institution and its students met selected Title IV requirements.

For the purpose of this report, we categorized the significant controls as follows:

- Oversight of institutional and program eligibility
- Student recruitment
- Student eligibility
- Award and disbursement of Title IV funds
- Refunds
- Exit Counseling

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. However, our assessment disclosed management control weaknesses in determining student enrollment status, the timing of Pell Grant disbursements and adherence to institutional limits for correspondence course and students. These weaknesses are fully discussed in the Audit Results section of this report.

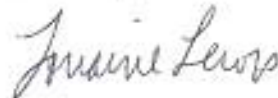
If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department official, who will consider them before taking final action on the audit:

Greg Woods
Chief Operating Officer
Student Financial Assistance
U.S. Department of Education
ROB MS-5132, Room 4004
7th and D Streets, SW
Washington, DC 20202

Office of Management and Budget Circular A-50 directs Federal agencies 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 to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions under the Act.

Sincerely,

A handwritten signature in cursive script that reads "Lorraine Lewis".

Lorraine Lewis

Attachments



March 28, 2001

Gloria Pilotti
Regional Inspector General for Audit-Region IX
U.S. Department of Education
Office of Inspector General
801 I Street, Room 219
Sacramento, CA 95814

RE: ED-OIG/A09-A0021

Dear Ms. Pilotti:

Indiana State University has reviewed the Draft Audit Report and concurs with the Office of the Inspector General's findings. ISU has begun the review of its policies and procedures in order to implement the corrective action necessary to comply with the findings in question. The corrective action plan is outlined below for each finding with a targeted completion date.

FINDING No. 1 ISU's Policies and Procedures Did Not Ensure That Enrollment Status Was Properly Determined for Students Taking Correspondence Courses.

Institutional Response

- 1.1 ISU will review its policies and procedures for calculating Federal Pell Grant awards for students enrolled in correspondence courses to ensure compliance with the regulations. The review of the current policies and procedures will be complete, with necessary modifications to ensure compliance, by May 31, 2001.
- 1.2 ISU will comply with the OIG recommendation to the Chief Operating Officer for Student Financial Assistance and identify and return Federal Pell Grant Program funds disbursed to students enrolled in correspondence courses that exceeded the allowable amounts for the period of enrollments beginning on or after July 1, 1999. The students in question will be identified and the amount of Pell Grant program funds to be returned will be determined by May 31, 2001.

FINDING No.2 ISU's Policies and Procedures Did Not Ensure That Students Completed the Required Percentage of Correspondence Courses Prior to Disbursing Pell Grant Funds.

Institutional Response

- 2.1 ISU will implement policies and procedures that will ensure students in a program of solely correspondence study complete the required percentage of their course prior to disbursing Federal Pell Grant Program funds. The new policies and procedures will be complete, with necessary modifications to ensure compliance, by May 31, 2001.

FINDING No. 3 ISU Did Not Have Policies and Procedures for Ensuring Adherence to Institutional Eligibility Limitations on Correspondence Courses and Students.

Institutional Response

- 3.1 ISU will comply with the OIG's recommendation to the Chief Operating Officer for Student Financial Assistance by developing and implementing policies and procedures for an annual calculation of the percentage of correspondence and/or telecommunication courses offered each award year and the percentage of students enrolled in correspondence and/or telecommunication courses. The calculation will take place after the census date (ten day count) during the spring semester of each year.

Other Matters

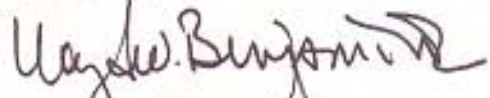
Exit Counseling Documentation. OIG's review of student aid files revealed that ISU did not consistently retain documents to substantiate its compliance with exit counseling requirements of the Federal Family Education Loan (FFEL) Program.

Institutional Response

ISU will review its current entrance and exit counseling procedures to be able to readily substantiate its compliance with the federal regulations by May 31, 2001.

Should you have additional questions or need additional information please feel free to contact me or Diann McKee, Director of Financial Analysis and Associate Budget Officer at 812-237-2372.

Sincerely,



Lloyd W. Benjamin, III
President

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