



United States
General Accounting Office
Washington, D.C. 20548

Office of Special Investigations

B-259500

January 10, 1995

The Honorable Sam Nunn
Ranking Minority Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate

Dear Senator Nunn:

In your capacity as the then Chairman, Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs, you requested that we investigate whether abuses or fraud were occurring within the Pell Grant Program, specifically by a group of private, parochial schools operating in the New York City area. We reported the results of our investigation in a hearing held on October 27, 1993.¹ Subsequently, you asked that we extend our inquiry into a reported limitation that the National Collegiate Athletic Association (NCAA) had placed on the amount of Pell Grant awards that college athlete scholarship recipients could receive.

Pell Grants (formally called Basic Educational Opportunity Grants) are federally funded grants to help undergraduate students from low-income families finance their postsecondary education; grant amounts are based on need. The program was authorized in 1972. Between the 1973-74 and 1991-92 school years, approximately 46 million students were awarded Pell Grants totaling \$52 billion. In the 1991-92 school year (the year for which we examined data), the maximum Pell Grant award was \$2,400; and 6,855 schools participated in the program. Approximately 3.8 million students received awards of \$5.79 billion, with the average grant totaling \$1,530.

We found that the NCAA had placed a \$1,700 limit on the amount of Pell Grant award that an NCAA Division I student athlete could receive in combination with a full grant-in-

¹Student Financial Aid Programs: Pell Grant Program Abuse
(GAO/T-OSI-94-8, Oct. 27, 1993).

153478

aid scholarship.² Responses to our inquiries from 52 of 81 Division I I-A schools that are members of the NCAA indicated that the schools--with the U.S. Department of Education's knowledge--lowered their already-awarded, full grant-in-aid athletic scholarships by the amount over \$1,700 that the students received from the Pell Grant Program.

Thus, in instances in which students were awarded Pell Grants that exceeded the NCAA's \$1,700 limit, member schools reduced their own cost of institution-financed scholarships by the amount of Pell Grant awards that exceeded the NCAA limit. As a result, Division I schools received federal funds through the student recipients by up to \$700 per student athlete. The majority of the schools we queried concerning where the federal funds were deposited told us that the funds went into athletic department accounts.

According to two U.S. Department of Education officials, schools could not reduce Pell Grant awards. Therefore, funding adjustments necessary to conform with NCAA rules were made to other sources of financial assistance, such as athletic scholarships. Current U.S. Department of Education regulations and policy do not prohibit NCAA Division I schools from making such adjustments.

In the 1991-92 school year, on average, the 52 Division I schools that responded to our inquiry provided 156 full athletic scholarships. In the same school year, on average, 24 of these student athletes at each school were awarded Pell Grants in excess of the \$1,700 limit. For the schools that adjusted the amount of institution-financed full grant-in-aid scholarships, we estimate the total amount of scholarship cost savings in the 1991-92 school year to be \$668,000. On average, each school reduced its institution-based athletic scholarship costs by \$12,840.

The NCAA amended its rules in January 1993, setting the overall grant total that a student athlete may receive at the full value of the grant-in-aid plus \$2,400, or the cost of attendance, whichever is less. According to the NCAA, this rule change remains in effect through the current school year (1994-95). While many NCAA schools increased the limit on Pell funds plus full grant-in-aid that a

²A full athletic scholarship for Division I schools, as defined in NCAA rules, consists of tuition, fees, room and board, and required course-related books.

B-259500

student can receive, some have retained the \$1,700 limitation.

- - - - -

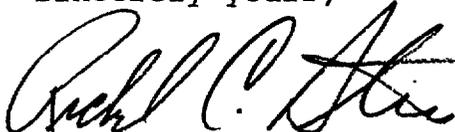
For our investigation, and as agreed with your office, we contacted 81 of 107 Division I I-A schools belonging to the NCAA that are generally recognized as having major college athletic programs. We requested data on student athletes for the 1991-92 school year, the last full school year prior to a January 1, 1993, change in NCAA rules regarding Pell Grant disbursements. We first contacted 18 schools and asked them for a list of all students with full athletic scholarships for the 1991-92 school year and compared this with the U.S. Department of Education's Pell Grant payment summary for each school. We wrote to the remaining 63 schools and asked them to provide us with information including (1) the number of students with full athletic scholarships receiving Pell Grants whose awards exceeded the then imposed NCAA cap of \$1,700, (2) the total amount of the awards over the \$1,700 limit, and (3) how the Pell funds were used. In total, we received responses from 52 of the 81 (64 percent) schools contacted.

We performed our investigation from September 1992 until October 1994. We interviewed officials and reviewed documents from the U.S. Department of Education, the NCAA, and NCAA Division I member schools.

As agreed with your office, unless you publicly announce the contents of this letter earlier, we plan no further distribution of it until 30 days from the date of the letter. We will then make copies available to others upon request.

If you have any questions about these issues, please contact me or Robert H. Hast, Assistant Director for Investigations, New York Regional Office, at (212) 264-0982.

Sincerely yours,



Richard C. Stiener
Director

(600340)



Office of Special Investigations

B-259500

January 10, 1995

The Honorable Sam Nunn
Ranking Minority Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate

Dear Senator Nunn:

In your capacity as the then Chairman, Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs, you requested that we investigate whether abuses or fraud were occurring within the Pell Grant Program, specifically by a group of private, parochial schools operating in the New York City area. We reported the results of our investigation in a hearing held on October 27, 1993.¹ Subsequently, you asked that we extend our inquiry into a reported limitation that the National Collegiate Athletic Association (NCAA) had placed on the amount of Pell Grant awards that college athlete scholarship recipients could receive.

Pell Grants (formally called Basic Educational Opportunity Grants) are federally funded grants to help undergraduate students from low-income families finance their postsecondary education; grant amounts are based on need. The program was authorized in 1972. Between the 1973-74 and 1991-92 school years, approximately 46 million students were awarded Pell Grants totaling \$52 billion. In the 1991-92 school year (the year for which we examined data), the maximum Pell Grant award was \$2,400; and 6,855 schools participated in the program. Approximately 3.8 million students received awards of \$5.79 billion, with the average grant totaling \$1,530.

We found that the NCAA had placed a \$1,700 limit on the amount of Pell Grant award that an NCAA Division I student athlete could receive in combination with a full grant-in-

¹Student Financial Aid Programs: Pell Grant Program Abuse
(GAO/T-OSI-94-8, Oct. 27, 1993).

aid scholarship.² Responses to our inquiries from 52 of 81 Division I I-A schools that are members of the NCAA indicated that the schools--with the U.S. Department of Education's knowledge--lowered their already-awarded, full grant-in-aid athletic scholarships by the amount over \$1,700 that the students received from the Pell Grant Program.

Thus, in instances in which students were awarded Pell Grants that exceeded the NCAA's \$1,700 limit, member schools reduced their own cost of institution-financed scholarships by the amount of Pell Grant awards that exceeded the NCAA limit. As a result, Division I schools received federal funds through the student recipients by up to \$700 per student athlete. The majority of the schools we queried concerning where the federal funds were deposited told us that the funds went into athletic department accounts.

According to two U.S. Department of Education officials, schools could not reduce Pell Grant awards. Therefore, funding adjustments necessary to conform with NCAA rules were made to other sources of financial assistance, such as athletic scholarships. Current U.S. Department of Education regulations and policy do not prohibit NCAA Division I schools from making such adjustments.

In the 1991-92 school year, on average, the 52 Division I schools that responded to our inquiry provided 156 full athletic scholarships. In the same school year, on average, 24 of these student athletes at each school were awarded Pell Grants in excess of the \$1,700 limit. For the schools that adjusted the amount of institution-financed full grant-in-aid scholarships, we estimate the total amount of scholarship cost savings in the 1991-92 school year to be \$668,000. On average, each school reduced its institution-based athletic scholarship costs by \$12,840.

The NCAA amended its rules in January 1993, setting the overall grant total that a student athlete may receive at the full value of the grant-in-aid plus \$2,400, or the cost of attendance, whichever is less. According to the NCAA, this rule change remains in effect through the current school year (1994-95). While many NCAA schools increased the limit on Pell funds plus full grant-in-aid that a

²A full athletic scholarship for Division I schools, as defined in NCAA rules, consists of tuition, fees, room and board, and required course-related books.

B-259500

student can receive, some have retained the \$1,700 limitation.

- - - - -

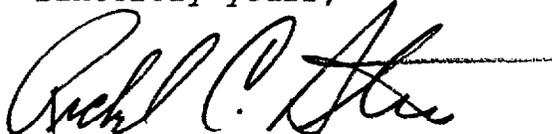
For our investigation, and as agreed with your office, we contacted 81 of 107 Division I I-A schools belonging to the NCAA that are generally recognized as having major college athletic programs. We requested data on student athletes for the 1991-92 school year, the last full school year prior to a January 1, 1993, change in NCAA rules regarding Pell Grant disbursements. We first contacted 18 schools and asked them for a list of all students with full athletic scholarships for the 1991-92 school year and compared this with the U.S. Department of Education's Pell Grant payment summary for each school. We wrote to the remaining 63 schools and asked them to provide us with information including (1) the number of students with full athletic scholarships receiving Pell Grants whose awards exceeded the then imposed NCAA cap of \$1,700, (2) the total amount of the awards over the \$1,700 limit, and (3) how the Pell funds were used. In total, we received responses from 52 of the 81 (64 percent) schools contacted.

We performed our investigation from September 1992 until October 1994. We interviewed officials and reviewed documents from the U.S. Department of Education, the NCAA, and NCAA Division I member schools.

As agreed with your office, unless you publicly announce the contents of this letter earlier, we plan no further distribution of it until 30 days from the date of the letter. We will then make copies available to others upon request.

If you have any questions about these issues, please contact me or Robert H. Hast, Assistant Director for Investigations, New York Regional Office, at (212) 264-0982.

Sincerely yours,



Richard C. Stiener
Director

(600340)

