

GAO Highlights

Highlights of [GAO-18-481](#), a report to congressional requesters

Why GAO Did This Study

Education provided over \$122 billion in grants, loans and work study funds to help students pay for college at about 6,000 schools in fiscal year 2017. Education is responsible for certifying that these schools are eligible for and capable of properly administering federal student aid funds. Schools are required to submit an annual compliance audit that provides information on schools' administrative capability, which Education considers in its school certification decisions. GAO was asked to review Education's process for certifying schools to receive federal student aid.

This report examines (1) how Education certifies schools to administer federal student aid and how frequently schools are approved and denied certification; and (2) the role of compliance audits in the certification process and what, if any, steps Education has taken to address the quality of the audit information. GAO analyzed data on school certification outcomes for calendar years 2006-2017 (when GAO determined data were most reliable); reviewed data and reports summarizing Education's reviews of compliance audit quality for fiscal years 2006-2017; reviewed a non-generalizable sample of 21 school certification decisions from fiscal years 2015 and 2016, selected for a mix of decisions, school characteristics, and geographic regions; examined relevant federal laws, regulations, policy manuals and guidance; and interviewed Education officials.

What GAO Recommends

GAO is not making recommendations in this report.

View [GAO-18-481](#). For more information, contact Melissa Emrey-Arras at (617) 788-0534 or emreyarras@gao.gov.

July 2018

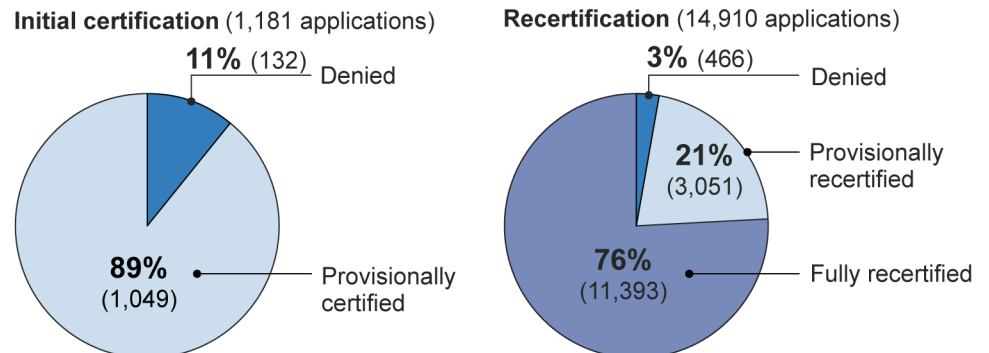
FEDERAL STUDENT AID

Education's Postsecondary School Certification Process

What GAO Found

The Department of Education (Education) is responsible for evaluating a variety of information to determine whether a postsecondary school should be certified to administer federal student aid programs, and agency data show that it approves most schools that apply. Education procedures instruct regional office staff to review school policies, financial statements, and compliance audits prepared by independent auditors, among other things. Education can certify schools to participate in federal student aid programs for up to 6 years, or it can provisionally certify them for less time if it determines that increased oversight is needed—for example, when a school applies for certification for the first time or when it has met some but not all requirements to be fully certified. In calendar years 2006 through 2017, Education fully or provisionally approved most schools applying for initial or recertification to receive federal student aid (see figure).

Outcomes of Certification Applications for Postsecondary Schools to Administer Federal Student Aid, Calendar Years 2006-2017



Source: GAO analysis of Department of Education's Postsecondary Education Participants System data. | GAO-18-481
Note: Schools applying for certification for the first time and approved are placed in provisional certification.

In deciding whether to certify schools, Education particularly relies on compliance audits for direct information about how well schools are administering federal student aid, and Education's offices of Federal Student Aid and Inspector General have taken steps to address audit quality. The Inspector General annually selects a sample of compliance audits for quality reviews based on risk factors, such as auditors previously cited for errors. In fiscal years 2006 through 2017, 59 percent of the 739 selected audits received failing scores. Audits that fail must be corrected; if not, the school generally must repay federal student aid covered by the audit. Because higher risk audits are selected for review, Inspector General officials said they cannot assess the overall prevalence of quality problems in compliance audits. These two Education offices have taken steps to improve audit quality. For example, the Inspector General offered additional training to auditors on its revised 2016 audit guide and provided guidance to schools on hiring an auditor, while Federal Student Aid created a working group to strengthen its procedures for addressing poor quality compliance audits. Education's efforts to address audit quality could help ensure that these audits provide reliable information for school certification decisions.