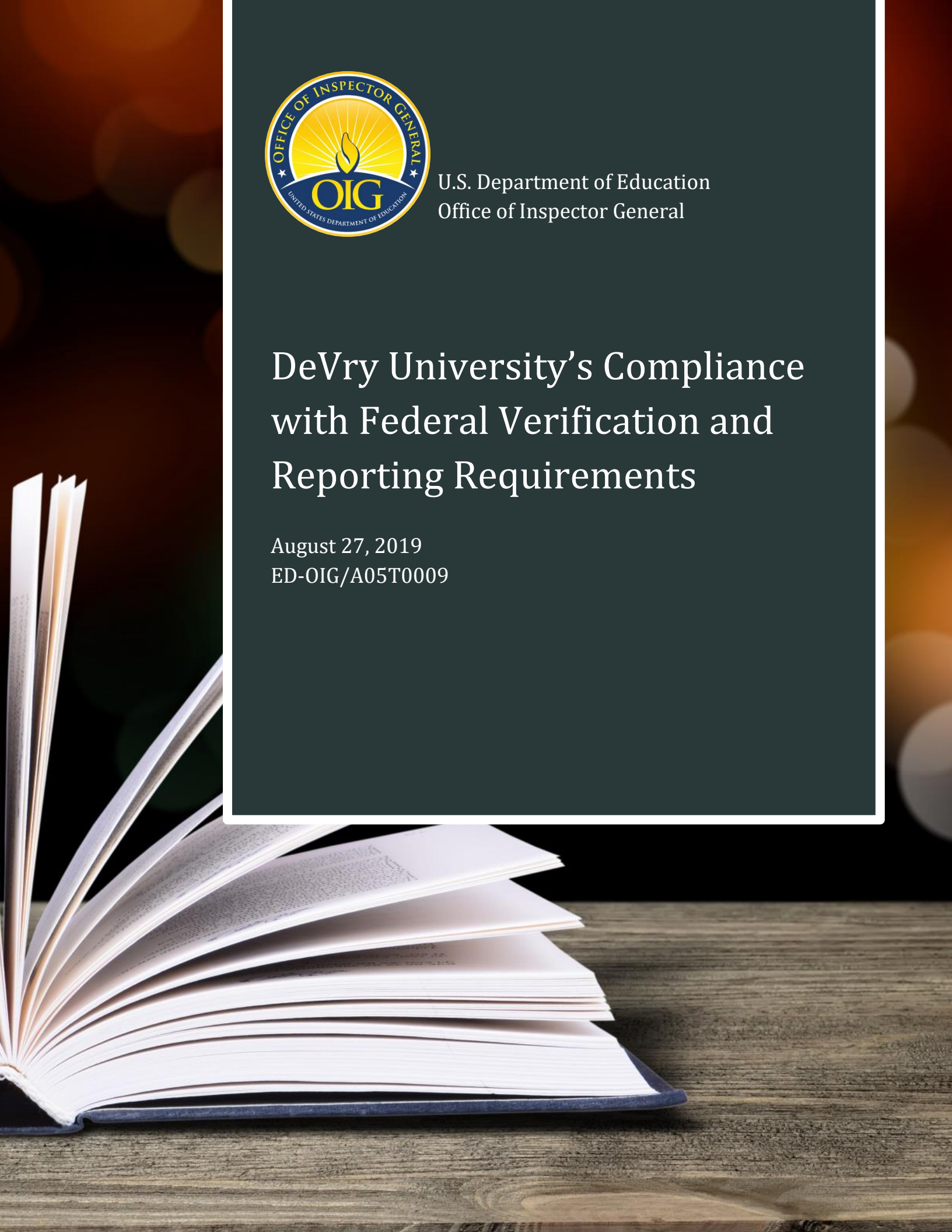

U.S. Department of Education
Office of Inspector General

DeVry University's Compliance with Federal Verification and Reporting Requirements

August 27, 2019
ED-OIG/A05T0009

NOTICE

In accordance with Freedom of Information Act (Title 5, United States Code, Section 552), reports that the Office of Inspector General issues are available to members of the press and general public to the extent information they contain is not subject to exemptions in the Act.

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

August 27, 2019

James Bartholomew
President
DeVry University
1200 East Diehl Road
Naperville, IL 60563

Dear Mr. Bartholomew:

Enclosed is our final audit report, "DeVry University's Compliance with Federal Verification and Reporting Requirements," Control Number ED-OIG/A05T0009. This report incorporates the comments you provided in response to the draft report.

We appreciate the courtesy and cooperation shown by DeVry University officials and employees throughout the audit.

Sincerely,

/s/

Gary D. Whitman
Regional Inspector General for Audit

Enclosure

Table of Contents

Results in Brief 1

Introduction 3

Finding 1. DeVry University Completed Verification of Applicant Data in Accordance with Federal Requirements and Accurately Reported Verification Results 7

Appendix A. Scope and Methodology 9

Appendix B. Acronyms and Abbreviations 13

DeVry University Comments 14

Results in Brief

What We Did

Our audit objectives were to determine whether DeVry University completed verification of applicant data in accordance with Federal requirements and accurately reported verification results to Federal Student Aid. The audit covered award year 2017–2018 (July 1, 2017, through June 30, 2018).

To answer the objectives, we gained an understanding of the school's processes for verifying applicant data, reporting the results of verification to the U.S. Department of Education's Central Processing System and Common Origination and Disbursement System, and disbursing student aid funds authorized by Title IV of the Higher Education Act of 1965, as amended (Title IV), for students selected for verification. We selected a statistical random sample of 60 students from the population of 9,677 DeVry University students who received a Federal Pell Grant Program (Pell) disbursement and whose applications were selected for verification for award year 2017–2018. For each of the 60 students, we obtained and reviewed the records that the school obtained during its verification process. We then determined whether the student provided the required documentation and whether the records supported the information in the student's Institutional Student Information Record.

We also compared the information in DeVry University's information systems with the information in the Central Processing System and Common Origination and Disbursement System for all 60 students in our sample. We completed this comparison to determine whether the school accurately reported verification status codes to the systems and updated those codes when a student's information changed as a result of the verification process.

What We Found

DeVry University's policies and procedures for verifying applicant data, reporting verification results, and disbursing Title IV funds for students selected for verification complied with Federal requirements established by Title 34 Code of Federal Regulations (C.F.R.) § 668.53.[1]

We also found that DeVry University completed verification of applicant data in accordance with Federal requirements (34 C.F.R. § 668.54 through § 668.57 and 81 Federal Register 18843-18847) and accurately reported verification results to the

[1] All references to the C.F.R. are to the July 1, 2017, version.

Central Processing System and Common Origination and Disbursement System for all 60 students included in our statistical random sample.

Because we did not identify any deviations from the school's written policies and procedures or instances of noncompliance with Federal verification requirements and reporting guidance for any of the 60 students in our sample, we are 90 percent confident that DeVry University completed verification in accordance with Federal requirements and accurately reported verification results to the Central Processing System and Common Origination and Disbursement System for at least 96 percent of the 9,677 Pell recipients selected for verification for award year 2017–2018 (see Finding).

What We Recommend

We are not providing any recommendations for corrective actions.

DeVry University Comments

DeVry University concurred with the finding (see DeVry University Comments).

Introduction

Background

DeVry University is a proprietary school offering postsecondary education programs at more than 45 locations in 17 States and online. It offers associate, bachelor's, and master's degree programs in fields of study such as accounting and finance, business and management, healthcare management, information technology and networking, and web and digital media. As of May 2018, the school's enrollment was about 18,000 undergraduate students. The Higher Learning Commission accredited DeVry University.

Federal Assistance Programs and Funding Information

The purpose of the Title IV programs is to provide loans, grants, and work-study financial assistance to students and their parents. During award year 2017–2018, DeVry University participated in the following Title IV programs:

- Pell: Provides eligible students who have demonstrated financial need with grant assistance to help pay undergraduate educational expenses.
- William D. Ford Federal Direct Loan: Provides loans to postsecondary school students and their parents to help defray the costs of education at participating schools.
- Federal Supplemental Educational Opportunity Grant: Provides need-based grants to eligible students to help meet undergraduate educational expenses.
- Federal Work-Study: Provides part-time employment to eligible students to help meet undergraduate educational expenses and encourage students receiving program assistance to participate in community service activities.
- Federal Perkins Loan: Provides low-interest loans to help needy students finance the costs of postsecondary education.

During award year 2017–2018, DeVry University disbursed more than $327 million in Title IV funds (see Table 1).

Table 1. Title IV Program Funds Disbursed by DeVry University During Award Year 2017–2018

Program	Funds Disbursed
Pell	$66,339,020
William D. Ford Federal Direct Loan	$247,948,856
Federal Supplemental Educational Opportunity Grant	$3,362,372
Federal Work-Study	$2,768,915
Federal Perkins Loan	$7,100,351
Total	$327,519,514

SOURCE: THE U.S DEPARTMENT OF EDUCATIONS'S GRANTS MANAGEMENT SYSTEM (G5) AND DEVRY UNIVERSITY'S FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE (FISAP).

Verifying Applicant Data and Reporting Verification Results

Students apply for Title IV funds by completing a Free Application for Federal Student Aid (FAFSA). The FAFSA is processed by the Central Processing System. This system uses the FAFSA information to calculate each applicant's expected family contribution. After processing the FAFSA, the Central Processing System produces two output documents. An Institutional Student Information Record is sent to the school, and a Student Aid Report is sent to the student. Both documents show the student's application data, expected family contribution, and other information, including whether the student was selected for verification.

Verification is the process that Federal Student Aid requires schools to use to ensure that students and parents report accurate financial and demographic data on the FAFSA. During processing of the FAFSA, if the student's application data meet the criteria established by the U.S. Department of Education (Department), the Central Processing System assigns a verification tracking flag, indicating that the student has been selected for verification.

The verification tracking flag on a student's Institutional Student Information Record indicates the FAFSA data elements the school must verify for that student. Each award year, the Department publishes in the Federal Register a notice announcing the FAFSA data elements that a school and an applicant might be required to verify and

listing the types of documentation that schools must obtain.[2] See Table 2 for a list of the verification tracking flags and the corresponding data elements that schools were required to verify for award year 2017–2018.

Table 2. Verification Tracking Flags and Data Elements to Be Verified for Award Year 2017–2018

Flag*	Elements
V1	Adjusted gross income, U.S. income tax paid, untaxed portions of individual retirement account distributions, untaxed portions of pensions, individual retirement account deductions and payments, tax-exempt interest income, education tax credits, income earned from work (for nontax filers), number of household members, and number of household members in college.
V4	High school completion status, identity, and statement of educational purpose.
V5	All elements under V1 and V4.

**Verification tracking flags V2, V3, and V6 were not used for award year 2017–2018.*

A school has completed the verification process when it has either determined that the FAFSA data elements are correct or when the corrected data have been submitted to the Central Processing System. The school must retain records of its verification processes and records showing the student's final expected family contribution as recorded in the Central Processing System.

When a school disburses Pell funds for a student, it is required to report the verification status of the student's application to the Common Origination and Disbursement System. As described in the "Federal Student Aid Handbook 2017–2018, Application and Verification Guide 2017–2018," the verification status codes were as follows.

- V—The school has verified the student's information. This includes the students selected by the Central Processing System and students selected by the school based on its own criteria.
- W—The student was selected for verification by the Central Processing System or the school, and the school chose to make a first disbursement of Pell funds without the required verification documentation. The school must update the

[2] For the award year 2017–2018 notice, see 81 Federal Register 18843–18847 (April 1, 2016).

code once it completes verification; otherwise, the Common Origination and Disbursement System will reduce the student's Pell amount to zero.

- S—The Central Processing System selected the student for verification, but the school did not verify the student's information because the school determined that the student satisfied an exclusion.[3]
- Blank—The school did not complete verification, either because the student was not selected for verification or because the student ceased being enrolled at the school and all Pell disbursements had already been made.

In addition, for an Institutional Student Information Record with a verification tracking flag of V4 or V5, a school must report to the Central Processing System the results of verifying the student's identity and high school completion status using one of the following numeric codes.

- 1—Verification completed in person; no issues found.
- 2—Verification completed using notary; no issues found.
- 3—Verification attempted; issues found with identity.
- 4—Verification attempted; issues found with high school completion.
- 5—No response from applicant or unable to locate.
- 6—Verification attempted; issues found with both identity and high school completion.

[3] Schools did not need to complete verification if a student (1) died before verification could be completed, (2) did not receive Title IV funds for reasons other than failure to complete verification, (3) was eligible for only an unsubsidized William D. Ford Federal Direct Loan Program loan, or (4) completed verification for the award year at another school.

Finding 1. DeVry University Completed Verification of Applicant Data in Accordance with Federal Requirements and Accurately Reported Verification Results

DeVry University had written verification policies and procedures that covered all the requirements established by 34 C.F.R. § 668.53, and the school completed its verification procedures in compliance with 34 C.F.R. § 668.54 through § 668.57; 81 Federal Register 18843-18847 (April 1, 2016); and 82 Federal Register 29058-29062 (June 27, 2017).

We selected a statistical random sample of 60 of the 9,677 DeVry University students who received a Pell disbursement for award year 2017–2018 and were selected for verification. For each of the 60 students, we reviewed the school's enrollment and financial assistance records to determine whether DeVry University obtained required documentation and whether the school's records supported the information in the student's Institutional Student Information Record. We found that the school completed verification of applicant data in accordance with Federal requirements for all 60 students. DeVry University verified all the required data elements, obtained records supporting the data elements, and obtained records specified in the Federal Register for all 60 students.

We also compared the school's enrollment and financial assistance records with the records in the Central Processing System and Common Origination and Disbursement System. We found that DeVry University accurately reported verification results to the Central Processing System and Common Origination and Disbursement System for all 60 students. DeVry University updated the Common Origination and Disbursement System when a student's Institutional Student Information Record information changed and reported the appropriate verification status code to the system. The school also reported the correct codes to the Central Processing System for students selected under each of the verification tracking flags.

Because we did not identify any deviations from the school's written policies and procedures or instances of noncompliance with Federal verification requirements and reporting guidance for any of the 60 students in our sample, we are 90 percent confident that DeVry University completed verification in accordance with Federal requirements and accurately reported verification results for at least 96 percent of the 9,677 Pell recipients selected for verification for award year 2017–2018. We do not have any recommendations for corrective actions.

DeVry University Comments

DeVry University concurred with the finding.

Appendix A. Scope and Methodology

We evaluated DeVry University's processes for verifying applicant data, reporting verification results, and disbursing Title IV funds for students selected for verification for award year 2017–2018. To accomplish our audit objectives, we first gained an understanding of the following regulations and guidance relevant to the audit objectives and in effect for the audit period:

- regulations in 34 C.F.R. Part 668, Subpart E, "Verification and Updating of Student Aid Application Information;"
- the notice of FAFSA information to be verified for award year 2017–2018, 81 Federal Register 18843-18847 (April 1, 2016), "Free Application for Federal Student Aid (FAFSA) Information To Be Verified for the 2017–2018 Award Year;"
- the notice of award year 2017–2018 deadline dates for reports and other records associated with the FAFSA, 82 Federal Register 29058-29062 (June 27, 2017), "2017–2018 Award Year Deadline Dates for Reports and Other Records Associated With the Free Application for Federal Student Aid (FAFSA), . . . ;" and
- Department guidance, including dear colleague letters, electronic announcements, "Federal Student Aid Handbook 2017–2018, Application and Verification Guide 2017–2018," and "Common Origination and Disbursement 2017–2018 Technical Reference."

We then reviewed information in the Department's grants management system and the school's Fiscal Operations Report and Application to Participate to identify the Title IV programs in which DeVry University participated during award year 2017–2018. In addition, we reviewed the school's website, documents, and records to gain an understanding of the school's history and organizational structure. Further, we interviewed DeVry University officials and reviewed financial aid policies and procedures to gain an understanding of the processes that the school designed for verifying applicant data, reporting the results of verification to the Central Processing System and Common Origination and Disbursement System, and disbursing Title IV funds for students selected for verification.

To identify any findings or recommendations included in prior audits and reviews and relevant to our audit objectives, we reviewed reports on annual audits of DeVry University for the years that ended June 30, 2013, through June 30, 2017, conducted by PricewaterhouseCoopers, LLP; a Federal Student Aid program review report (January 19, 2016) and the corresponding final program review determination letter (February 21, 2018); and DeVry University's fiscal year 2018 internal audit assessment (June 8, 2018).

Internal Control

After reviewing the Federal requirements relevant to verifying applicant data, reporting the results of verification, and disbursing Title IV funds for students selected for verification; prior audit reports; and other relevant school information, we determined that the control activities component of internal control was relevant to our audit.[4] Therefore, we gained an understanding of DeVry University's control activities relevant to verifying applicant data, reporting verification results, and disbursing Title IV funds to students selected for verification.

We then compared the school's written verification policies and procedures with the requirements in 34 C.F.R. § 668.53 and determined that the school's policies and procedures covered all the requirements. Next, we evaluated whether the school implemented the relevant control activities by assessing whether it followed them when completing verification, reporting verification results, and disbursing Title IV funds for 60 randomly selected students who were selected for verification.

We did not identify any deviations from the school's control activities; therefore, we concluded that DeVry University implemented its control activities as designed.

Sampling Methodology

We used sampling to achieve our audit objectives. From the National Student Loan Data System, we obtained the population of 9,677 students who received at least one Pell disbursement for award year 2017–2018 and whose applications were selected for verification by the Central Processing System. To ensure that we could estimate the extent of the school's compliance with a margin of error not exceeding 10 percent at the 90 percent confidence level, assuming a sample error rate not exceeding 20 percent, we selected a statistical random sample of 60 of the 9,677 students.

Analysis Techniques

To determine whether DeVry University complied with Federal requirements relevant to verifying applicant data, reporting verification results, and disbursing Title IV funds for students selected for verification, we reviewed the enrollment and financial assistance records in the school's information systems and the records that the school obtained for the 60 students included in our statistical random sample. We reviewed the records to determine whether they demonstrated that the school completed its verification procedures in compliance with 34 C.F.R. § 668.54 through § 668.57, 81 Federal Register

[4] Control activities are the policies, procedures, and practices that management establishes to achieve objectives and respond to risks.

18843–18847 (April 1, 2016), and 82 Federal Register 29058-29062 (June 27, 2017). We concluded that DeVry University complied with requirements if it verified all the required data elements for a student, obtained records supporting the data elements, and obtained records specified in the Federal Register.

We also compared DeVry University's records with information recorded in the Common Origination and Disbursement System for the 60 students to determine whether the school reported verification results in accordance with "Federal Student Aid Handbook 2017–2018, Application and Verification Guide 2017–2018" and "Common Origination and Disbursement 2017–2018 Technical Reference." We concluded that DeVry University complied with the guidance if it updated the Common Origination and Disbursement System when a student's Institutional Student Information Record information changed and if it reported the appropriate verification status code to the system. Also, for students selected under verification tracking flags V4 and V5, we concluded that the school complied with the guidance if it reported the correct code (1 through 6) to the Central Processing System.

Finally, we reviewed enrollment and financial assistance records in DeVry University's information systems for the 60 students to determine whether the school disbursed Title IV funds in compliance with 34 C.F.R. § 668.58 through § 668.61. We first calculated each student's 2017–2018 Pell award using the student's final expected family contribution, enrollment status, and cost of attendance. We then compared our calculated award amount to the Pell payment schedule to determine the amount of Pell funds that the student was eligible to receive for award year 2017–2018.[5] Next we compared the amount of Pell funds that the student was eligible to receive with the amount that the school disbursed for the students. We concluded that DeVry University disbursed the correct amount of Pell funds and complied with requirements if it (1) calculated the student's Pell award based on the expected family contribution shown on her or his final Institutional Student Information Record for award year 2017–2018 and (2) adjusted the student's Title IV award if the student's information changed after the student had already received Title IV funds, or the student did not provide documentation within the required timeframe.

Use and Reliability of Computer-Processed Data

We relied, in part, on data that DeVry University retained in its information systems. We assessed the reliability of the school's data by comparing it with the records that the school obtained to verify applicant data for the 60 students included in our statistical random sample. We also compared the school's data for the 60 students with data that

[5] "Payment Schedule for Determining Full-Time Scheduled Awards for 2017–2018 Award Year."

we extracted from the National Student Loan Data System and the Central Processing System. The records that the school obtained to verify applicant data agreed with the data in the school's information systems for all 60 students. Additionally, the school's data for all 60 students matched the data in the National Student Loan Data System and the Central Processing System. Therefore, we concluded that the school's data were sufficiently reliable for use in our audit.

Compliance with Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit finding and conclusions based on our audit objectives.

We conducted our audit at DeVry University's offices in Naperville, Illinois, and our offices from October 2018 through March 2019. We discussed the results of our audit with DeVry University officials on March 20, 2019, and received their comments on a draft of this report on July 3, 2019.

Appendix B. Acronyms and Abbreviations

C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
FAFSA	Free Application for Federal Student Aid
Pell	Federal Pell Grant Program
Title IV	Title IV of the Higher Education Act of 1965, as amended

DeVry University Comments

DeVry University

NAPERVILLE HOME OFFICE
1200 East Diehl Rd.
Naperville, IL 60563
630-515-7700

July 2, 2019

Gary D. Whitman
Regional Inspector General for Audit
U.S Department of Education
Office of Inspector General
400 Maryland Avenue, S.W.
Washington, D.C. 20202-1510

Re: DeVry University's Compliance with Federal Verification and Reporting Requirements
Control Number ED-OIG/A05T0009

Dear Mr. Whitman,

DeVry University (The University) is in receipt of the draft report on June 5th, 2019 of the Inspector General for the Audit that was conducted from October 2018 to March 2019. The University is writing to provide a response to the findings provided in the report.

Finding – DeVry University Completed Verification of Applicant Data in Accordance with Federal Requirements and Accurately Reported Verification Results to FSA

The University concurs with the findings as represented by the auditor as follows:

A. DeVry University's policies and procedures for verifying applicant data, reporting verification results, and disbursing Title IV funds for students selected for verification complied with Federal requirements established by Title 34 Code of Federal Regulations

   - *The school completed verification of applicant data in accordance with federal requirements for all 60 student selected.*

B. DeVry University completed verification of applicant data in accordance with Federal requirements (34 C.F.R. § 668.54 through § 668.57 and 81 Federal Register 18843-18847) and accurately reported verification results to Federal Student Aid for all 60 students included in our sample

   - *The school reported the correct codes to the Central Processing System for students selected under each of the verification tracking flags.*

C. The auditor did not identify any deviations from the school's control activities; therefore concluded that DeVry University implemented its control activities as designed.

No recommendations were made for corrective action.

visit DeVry.edu

DeVry University

NAPERVILLE HOME OFFICE
1200 East Diehl Rd.
Naperville, IL 60563
630-515-7700

The University appreciates the opportunity to provide our comments. If you have any questions, please do not hesitate to reach out by email at Barbara.bickett@devry.edu or by phone 630-515-5852

Respectfully,

/s/

Barbara Bickett
Director, Regulatory Affairs
DeVry University

visit DeVry.edu