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BOGUS DEGREES AND UNMET EXPECTATIONS: ARE TAXPAYER DOLLARS SUBSIDIZING DIPLOMA MILLS?

HEARINGS

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

MAY 11 AND 12, 2004

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BOGUS DEGREES AND UNMET EXPECTATIONS: ARE TAXPAYER DOLLARS SUBSIDIZING DIPLOMA MILLS?

TUESDAY, MAY 11, 2004

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:35 a.m., in room 216, Hart Senate Office Building, Hon. Susan M. Collins, Chairman of the Committee, presiding.

Present: Senators Collins, Akaka, Carper, Lautenberg, and Durbin.

OPENING STATEMENT OF CHAIRMAN COLLINS

Chairman COLLINS. The Committee will come to order.

Good morning. In hearings today and tomorrow the Committee on Governmental Affairs will explore the problems that unaccredited, substandard colleges and universities, often referred to as diploma mills, pose to the Federal Government and to private-sector employers.

Three years ago I became concerned by what appeared to be a proliferation of schools advertising degrees either for no work whatsoever or for only a nominal or token effort. At that time I served as Chairman of the Permanent Subcommittee on Investigations, and I asked the General Accounting Office to look into this problem. The GAO queried a government-sponsored database that included approximately 450,000 resumes to determine how many individuals listed degrees from diploma mills.

The results were disturbing. GAO found more than 1,200 resumes that included degrees from 14 different diploma mills. The GAO used a list of diploma mills compiled by the Oregon State Office of Degree Authorization which at that time included 43 schools. Now that list has grown to 137.

The GAO also purchased two degrees in my name from a service called Degrees-R-Us. The degrees were for a Master's of Science and Medical Technology. Here is my nice Degree in Medical Technology.[1] And also a Bachelor's of Science in Biology from a fictitious school called Lexington University.[2]

Degrees-R-Us also provided the GAO with an official-looking transcript in my name. It shows my grades for 4 years' worth of course work. I did not do that well in Spanish but I aced finite

[1] The chart appears as Exhibit No. 1 in the Appendix on page 161.
[2] The chart appears as Exhibit No. 2 in the Appendix on page 162.

mathematics. And there was even a number provided that I could have prospective employers call to verify my so-called academic credentials.

The GAO paid $1,515 for the package. I would note that I have not taken a course in biology since my sophomore year in high school and yet here I have a degree in biology.

Degrees-R-Us is a fitting jumping off point for our current hearings. Degrees-R-Us is what most people probably think of when they hear the term diploma mill, because cranking out bogus diplomas is all that it does. It does not offer classes, it has no professors, and it does not require any work. It is essentially a printing press or a vending machine that takes in $1,000 bills and pops out phony diplomas.

The General Accounting Office has defined diploma mills as businesses that sell bogus academic degrees based upon life or other experience, or substandard or negligible academic work. I would add that diploma mills are generally unaccredited schools, though people should not make the mistake of automatically assuming that all unaccredited schools are diploma mills because some of them are not.

Similarly, many colleges and universities offer excellent, fully legitimate distance-learning programs that provide invaluable course work, particularly for working students. Degrees-R-Us is obviously not one of those. It is an example of a rather blatant type of diploma mill.

But others are not so obvious. The schools that we will examine today and tomorrow practice a more sophisticated form of deception and they charge students accordingly. All of the schools we investigated gave credit for prior work or life experience, even for advanced degrees, which is very rare among accredited institutions. One institution's list of life experiences that could qualify for academic credit included horseback riding, playing golf, pressing flowers, serving on a jury, and planning a trip. The schools we examined also required their students to do some modicum of work, either tests or papers or both, and they at least give the impression that the school includes professors with suitable academic credentials who actually play a role in the school's academic programs.

Yet for all their pretense, the diplomas that these businesses offer may not be worth much more than the ones that GAO purchased in my name. The danger of these more sophisticated diploma mills is that they can attract a far broader range of students. I think it is safe to say that very few Degrees-R-Us diploma holders believe that they have earned their degrees. Indeed, the GAO interviewed a sampling of individuals who purchased their degrees from Degrees-R-Us and found that they were not candid in discussing why they purchased their degrees or how they used them.

In contrast, the schools that we investigated take pains to try to convince prospective students that they are legitimate and that students have to earn their degrees. That is why a healthy dose of credit for work and life experience becomes such a critical component of their business model. That is what permits these more sophisticated diploma mills to assume an air of legitimacy while minimizing the actual amount of work required.

The financial results can be impressive. According to the GAO, Degrees-R-Us grossed only about $150,000 in a 2-year period. In contrast, as the chart now displayed indicates,[1] the five unaccredited schools that we examined have taken in more than $110 million. One diploma mill that we will hear more about today, Columbia State University, took in roughly $18 million in an 18-month period. According to the FBI, approximately $12 million of that amount was pure profit.

Today and tomorrow we will focus on the challenges posed by diploma mills to the Federal Government. I am very pleased and honored that Congressman Tom Davis, the Chairman of the House Government Reform Committee, will lead off our witnesses today. Ten months ago, Chairman Davis and I asked the General Accounting Office to examine two issues. First, whether some Federal employees are using taxpayer dollars to enroll in diploma mills. And second, whether high-level Federal officials have listed diploma mill degrees on official employment or security clearance application forms or resumes in their personnel files.

We also asked GAO to examine whether any such high-level officials have attempted to use these degrees for advancement. We will hear the results of the GAO's investigation this morning.

Later in this hearing we will hear from Lauri Gerald, who helped run a successful diploma mill and who has been convicted for doing so. Ms. Gerald will provide us with an insider's perspective on how remarkably simple it is to set up a diploma mill, provided one finds that winning marketing formula.

Finally, we will hear testimony today from Alan Contreras, the Administrator of Oregon's Office of Degree Authorization. He established his State's list of diploma mills, which in the absence of action by the Federal Department of Education, has become the most widely cited and respected list of its kind.

I began this investigation because I suspected that the Federal Government was not doing enough to combat the problem of diploma mills which posed problems on many levels. First, they devalue education by deliberately making it difficult to distinguish between a legitimate and a sham degree. Many diploma mills, for example, use names that are close to those of well-known institutions. Thus, Columbia State University attempts to approximate the excellent reputation of Columbia University, and Hamilton College becomes Hamilton University.

Second, diploma mills are unfair to those who work long and hard for legitimate degrees and who might get passed over for a hiring, a raise, or a promotion based on an employer's misunderstanding of what a diploma mill degree truly represents.

Third, they are unfair to their students who enroll and only later realize that the academic program that they have paid thousands of dollars for is little more than smoke and mirrors, and that their degree is not accepted by many prospective employers.

Fourth, they are unfair to potential employers whether in the public or private sector who might assume that a bogus degree actually reflects mastery of materials needed to perform a particular job.

[1] The chart appears as Exhibit No. 3 in the Appendix on page 163.

Fifth, if a job is critical to public safety or involves significant responsibility, then a bogus degree can do tangible and substantial harm.

And finally, if taxpayers are paying for such degrees then all of these problems are compounded by inexcusable waste.

The laws, regulations, and guidelines regulating payment for training for Federal employees and employment in the Federal Government at first glance appear to reject diploma mills outright. Yet after looking at only five schools we found that agencies have paid for more than 70 Federal employees to enroll in degree programs at diploma mills and other unaccredited institutions. I believe that this is just the tip of the iceberg because we only looked at five such schools. But you could see the number of Federal checks that we found, and this is just a partial list.[1]

As we will discuss some today and more tomorrow, the problem is a loophole in the law. While agencies cannot pay for an employee to get a degree from a diploma mill, there is no prohibition against them paying for individual courses at such an institution. In the course of our investigation we found evidence that recipients of funds from at least one Federal program have used Federal dollars to pay for diploma mill degrees. As the chart shows,[2] while looking for agency payments to diploma mills we happened across three checks from Federal Head Start program grantees in three different States made out to Kennedy-Western University.

The issues that we have encountered while investigating diploma mills, particularly during the past year, are many and varied. I look forward to hearing from our witnesses today. Their testimony will be very helpful, not only to Congress but to Federal agency heads, human resources coordinators, and to prospective students across the country whom diploma mills seek to attract through promises they fail to keep.

Senator Akaka.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Madam Chairman. I wish to thank you for holding this hearing today and for bringing to our attention the use of diploma mills by Federal agencies and their employees. I also want to add my welcome to Congressman Tom Davis, as well as thank our witnesses. Be assured that your testimony will aid this Committee tremendously.

As our Chairman noted, our witnesses will confirm the Internet is allowing diploma mills to use highly sophisticated and creative ways to reel in prospective clients. Their activities have helped to propel diploma mills into a $500 million a year industry. As a former educator I am alarmed because I understand the threat diploma mills pose to the integrity of our educational system. I have witnessed how education opens doors, and I know that when sound instruction takes place students experience the joys of newfound knowledge and the ability to excel. Diploma mills fail to provide the rewards and returns of a true education.

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[1] The chart appears as Exhibit No. 4 in the Appendix on page 164.
[2] The chart appears as Exhibit No. 5 in the Appendix on page 165.

Up until 5 years ago, my State of Hawaii was a haven for these businesses. Faced with an influx of unaccredited degree-granting schools, the Hawaii State legislature passed a bill that tightened requirements on diploma mills. The new law requires a school to have a physical presence in the State, employ at least one person who resides in the State, and have 25 students enrolled within the State.

Although these steps alone will not eliminate such schools, the numbers have dropped significantly. More importantly, Hawaii now has the legal means to close down schools and file lawsuits against those who claim they are operating under State law.

As one who has long championed making sure that the Federal Government has the resources to recruit, retain, and train employees, I do not condone agencies funding training courses offered by diploma mills. I am disheartened to learn that these businesses may be providing the very training that I have worked so hard to promote. Although current rules prohibit agencies from funding non-accredited degrees, loopholes exist which enable employees to obtain a degree by applying for reimbursement of individual classes at non-accredited institutions. The use of taxpayer money to fund diploma mill programs is the essence of government waste.

Again, I commend our Chairman for holding these hearings which I believe will guarantee that Federal employees have the academic qualifications and training that enable them to bring value to their agencies and the Nation. I look forward to hearing from our panels today.

Thank you very much, Madam Chairman.

Chairman COLLINS. Thank you, Senator. Our first witness today is the Hon. Tom Davis, who is Chairman of the House Committee on Government Reform.

Senator LAUTENBERG. Madam Chairman, may I make a quick statement?

Chairman COLLINS. If it would be very brief, Senator, because Congressman Davis needs to get back to the House.

OPENING STATEMENT OF SENATOR LAUTENBERG

Senator LAUTENBERG. We are glad to see Congressman Davis, and I will try to—just to say that I apologize for my tardiness here because I think this is a very important hearing. I understand that you, Madam Chairman, have been able to purchase a couple of graduate degrees. I do not know whether we call you Doctor or Dr. Chair or whatever, but the fact is, the title goes, maybe the knowledge does not.

Unfortunately, the so-called diploma mills are not a laughing matter. They represent an important and increasingly serious problem. The problem attracted attention last year when a high-ranking official at the Department of Homeland Security was discovered to have purchased degrees from Hamilton University. I know several young people whose families have sent them to Hamilton College, which is a distinguished educational institution in New York State. So Hamilton University looks like a pure cop out. They said that this is an institution that grants degrees based on life experiences. Some people knowingly buy these pseudo-credentials so they can trick an employer. Many others, however, are simply being

scammed themselves and they do not realize that what they are getting is not worth the paper it is printed on.

Diploma mill operators often portray themselves as legitimate institutions and are accredited. The problem is that the accrediting organizations are often bogus as well. Diploma mill degrees also represent a significant waste, fraud, and abuse problem for all of us, for the entire Federal Government which may be offering tuition assistance for individuals to get degrees from these bogus institutions. Madam Chairman, again I salute you for doing this. The individuals getting these degrees are taking advantage of the public and the Federal Government and they both lose.

While some States, including my State of New Jersey, have passed tough laws against unaccredited academic institutions, the Interstate Commerce Clause makes it difficult to enforce these laws. That is why it is important for the Federal Government to seek remedies to this problem.

So Madam Chairman, I will conclude with that and ask permission that my full statement be included in the record. I am called to other places and will submit questions if the record stays open. I thank you very much.

Sorry, Congressman Davis. Good to see you here.

Chairman COLLINS. Thank you, Senator. Your full statement will be entered into the record.

[The prepared statement of Senator Lautenberg follows:]

PREPARED STATEMENT OF SENATOR LAUTENBERG

Madam Chairman: Thank you for holding this important hearing.

I understand that you have been able to *purchase* a couple of graduate degrees. Should we be calling you "Doctor" instead of "Madam Chairman"?

Unfortunately, so-called "diploma mills" are no laughing matter. Rather, they represent an increasingly serious *problem*.

The problem attracted attention last year when a high-ranking official at the Department of Homeland Security was discovered to have purchased degrees from Hamilton University, an institution that grants such degrees based on "life experiences."

Some people knowingly buy these pseudo-credentials so they can trick an employer. Many other people, however, are being "scammed."

They don't realize that what they're getting isn't worth the paper it's printed on.

Diploma mill operators often portray themselves as *legitimate* institutions and claim they're *accredited*.

The problem is that the accrediting organizations are often bogus, too.

Diploma mill degrees also represent a significant *waste, fraud, and abuse problem* for the Federal Government, which may be offering the tuition assistance necessary for individuals to get the degrees from these bogus institutions.

In my view, the individuals getting the degrees and the Federal Government both lose.

While some States—including New Jersey—have passed tough laws against unaccredited academic institutions, the Interstate Commerce Clause makes it difficult to enforce these laws. That's why it is important for the *Federal Government* to seek remedies to this problem.

The unemployment rate for people *with* college degrees is at an all-time high. More and more employers want job applicants with *graduate* degrees. So the pressure to have academic credentials is growing.

Some people want to cut corners to meet the criteria needed to get a job or be promoted. Others are well-meaning in their pursuit of a degree, but they get duped.

Either way, we need to crack down on diploma mills *to protect consumers and taxpayers*.

Thank you, Madam Chairman.

Chairman COLLINS. Chairman Davis is the House leader in investigating diploma mills. He has a strong commitment to the in-

tegrity and quality of the Federal workforce. We jointly requested the GAO investigation, the report of which is being released today. I am delighted to have him be our lead-off witness.

Chairman Davis.

TESTIMONY OF HON. TOM DAVIS,[1] A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. DAVIS. Thank you very much. Let me thank Senator Susan Collins for inviting me to join this hearing today and for her groundbreaking work on this very important issue.

In a world where citizens increasingly need reassurances that they can trust their Federal Government to competently do the job of protecting and securing this Nation and its families, it is more important than ever that we ensure that we are hiring, properly training, and appropriately rewarding and advancing the Federal workforce.

Last year, as Senator Lautenberg alluded to, the Department of Homeland Security launched an investigation of allegations that Laura Callahan, a senior official in the Chief Information Officer's office had used, in connection with her Federal employment, a bogus degree from Hamilton University in Wyoming. Any claim that such a degree represents legitimate educational achievement is at a minimum fundamentally dishonest and cannot be tolerated within the Federal service. In some cases, such a claim could also be a prosecutable crime.

As the Internet and new methods of communications make it easier and easier to create and market bogus diplomas, along with legitimate education, the time has come for Congress and the Administration to develop a coherent policy to permit Federal managers to know whether a degree represents completion of a legitimate course of study.

The Committee on Government Reform has focused its efforts on studying the use of diploma mills in the Federal civil service to help develop a coherent government-wide policy that will enable Federal employers to more easily identify and discourage the use of these degrees.

Last summer we joined with Senator Collins and the Senate Committee on Governmental Affairs in commencing a GAO study into the purchase and use of degrees from diploma mills by Federal employees in selected Federal agencies. At the same time, we asked the DHS IG's office to keep us apprised of its progress in looking at the Laura Callahan matter. We also asked the Office of Personnel Management to provide us with any policies that instruct agencies on how to address the use of diploma mill degrees by Federal officials.

At that time, OPM responded that there were no specific policies that required all agencies to screen current employees to discover whether the degrees claimed came from legitimate institutions. As a result, last fall I opened a dialogue with the Department of Education seeking to discover whether it had any resources that OPM could use for this screening process. My staff also participated in a meeting of the Department of Education, OPM, the FBI, the FTC,

[1] The prepared statement of Mr. Davis appears in the Appendix on page 75.

and several States to discuss methods of identifying diploma mills and making that information widely available within the Federal Government and among the general public. Most recently, we have exchanged letters with OPM regarding the definitions of legitimate educational achievement that can be used for Federal employment purposes.

To date, the Department of Education and OPM have been very responsive to our concerns and we have worked well together to begin developing a solution. OPM has recently announced that it will hire additional staff to verify educational backgrounds. OPM is also reviewing government-wide forms to ensure that responses to questions about academic backgrounds will enable Federal managers to root out phony degrees more easily. Finally, OPM will also hold a second seminar to educate all Federal human capital officers, especially with respect to rules for reimbursement.

Essentially, Congress and the Administration must define a diploma mill for the purposes of Federal employment. The quintessential diploma mill presents itself as a valid institution of higher learning that offers advanced degrees for a fee while requiring no legitimate academic work. The problem is that in the commercial world, institutions are not so kind as to group themselves according to neat paradigms. Some diploma mills require an exhaustive listing of all job training activity, some require testing, and some have limited written requirements.

Moreover, the purchasers of these degrees are often willing to participate in the fraud. They want the degree and they are not going to report that it is not legitimate. Federal criminal prosecutions of diploma mill operators usually involve mail and wire fraud charges arising from false representations that a school was accredited or approved in some way by a State. Ronald Pellar, the operator of Columbia State University was recently sentenced to 8 months in jail for just such a scheme.

As an example of how complex it can be to categorize a school, one of today's witnesses, Alan Contreras of the Oregon Office of Degree Authorization refers in his written statement to the Berne University fiasco. Yet on the ODA web site, Berne University is not listed as either substandard or a diploma mill. ODA classifies Berne as simply an unaccredited institution that appears to supply degrees that cannot be classified by ODA owing to insufficient information. The official categorization clearly does not justify the term "fiasco."

I believe the solution to the use of bogus degrees involves fundamentally changing government classification of institutions of higher education. Currently, the Department of Education only makes determinations regarding eligibility for certain government aid or reimbursement, such as federally guaranteed student loans. This determination relies on whether an institution has been accredited by a recognized accrediting agency.

But other schools provide legitimate education as well. We have many excellent community colleges and many more excellent commercial and vocational training schools that may not be accredited. There are also foreign universities and legitimate distance-learning institutions that are not accredited that may provide legitimate

educational opportunities. We have to be sure not to confuse these forms of education with diploma mills.

We need to look at how we track accreditation over time. Occasionally, a college may lose accreditation for one program while retaining overall accreditation, and some schools simply go out of business altogether. At this time, no one organization tracks and organizes this information into a usable format.

So who is responsible? Congress, the Department of Education, and OPM all have important roles to play in preventing the use of diploma mills in Federal employment. I understand that the Department of Education is studying the feasibility of developing and publishing a list of accredited schools. But that list should also include any school which is offering a legitimate course of study toward a degree.

OPM has to use this resource to establish an effective policy for human capital officers to use in enforcing a zero-tolerance policy on the use of diploma mill degrees in Federal service. Reformatting government-wide forms and holding seminars will also help to suppress the use of these degrees.

But OPM needs to do at least two more things in my opinion. It must provide regular training and provide the resources to allow agency verification of educational achievements, even when a job does not specifically require a degree for employment. OPM has stated that the knowing use of a bogus degree can give cause for removal since the employee has attempted to violate the merit system. It is, therefore, logical that OPM should actively encourage agencies to verify all employee records and provide the resource agencies need to complete this job.

Finally, Congress may need to consider granting additional authority to both the Department of Education and OPM to ensure that this sort of work can be effectively conducted. Congress may also need to consider whether new criminal laws are needed to allow Federal law enforcement to investigate and prosecute diploma mill activity. Or perhaps the Federal Trade Commission should do more to stop false claims by diploma mills.

Diploma mills are not merely a problem for the Federal Government. State and local governments are also struggling with how to handle this problem. Recently one of the top DMV officials in California resigned after it was discovered that he used degrees from a school considered by some to be a diploma mill. In Georgia it was recently discovered that 11 educators were found to have degrees from a foreign school in Liberia that may be a diploma mill. And in northern Virginia, where I come from, an elementary school principal has been found to hold a bogus degree. Clearly, this nationwide problem merits a Federal response.

The Federal Government also needs to set the tone for the corporate community. It is unthinkable that while the government is sending people to jail for other forms of corporate dishonesty, we would allow this practice to fester in our own ranks.

This problem can be solved. Congress' job is to provide the oversight, and if necessary, the authority to solve it. Diploma mills will not go away. It is time to make an unequivocal statement that fake degrees have no place or value in the Federal workforce.

Thank you very much.

Chairman COLLINS. Thank you very much for your excellent statement. I know that you are on a tight schedule so I am going to submit any questions that I might have for the record, but I just want to give my colleagues an opportunity, if they have something that they are just burning to ask you. When Senator Carper comes in it is usually because he has a burning question to ask the witness.

Mr. DAVIS. Thank you all very much for your interest in this. We look forward to working with you on this issue.

Chairman COLLINS. Thank you.

Our second witness today is Robert Cramer, the Managing Director of the GAO's Office of Special Investigations. He is accompanied by Special Agent Paul DeSaulniers, of GAO's Office of Special Investigations. Mr. Cramer will discuss the GAO report that Congressman Davis and I commissioned. We are very interested to hear the results of that investigation. I want to thank you for your work and for being with us this morning.

Mr. Cramer.

TESTIMONY OF ROBERT J. CRAMER,[1] MANAGING DIRECTOR, OFFICE OF SPECIAL INVESTIGATIONS, ACCOMPANIED BY PAUL DeSAULNIERS, SENIOR SPECIAL AGENT, OFFICE OF SPECIAL INVESTIGATIONS, OF THE U.S. GENERAL ACCOUNTING OFFICE

Mr. CRAMER. Good morning, Madam Chairman, Members of the Committee. I am pleased to be here today to talk about the most recent work performed by the Office of Special Investigations at GAO relating to diploma mill issues and other unaccredited secondary schools. As you mentioned, Special Agent Paul DeSaulniers who performed this investigation is with me here.

As you requested, we conducted an investigation to determine whether the Federal Government has paid for degrees from diploma mills and other unaccredited schools. You also asked us to determine whether senior level Federal employees have degrees from such schools. My testimony here will summarize our findings.

We searched the Internet for non-traditional, unaccredited post-secondary schools that offer degrees for a relatively low flat fee, promote the award of academic credits based on life experience, and do not require any classroom training. We requested that four such schools provide information on the number of current and former students in their records who were identified there as Federal employees, and payment of fees for those students by Federal agencies. We also requested that some Federal agencies examine their records to determine whether they had made payments to diploma mills and other unaccredited schools.

In summary, on the Federal payments question, only two schools gave us the records that we asked for. Those records, together with records that we obtained from two Federal agencies, the Departments of Energy and Transportation, showed total Federal payments of nearly $170,000 to just two unaccredited schools by Fed-

[1] The prepared statement of Mr. Cramer with attachments appears in the Appendix on page 79.

eral agencies. The chart to the right here summarizes the information that we obtained.[1]

As I said, we asked four schools, California Coast, Hamilton, Pacific Western, and Kennedy-Western Universities, to provide information on the number of their current and former students who were Federal employees and any Federal payments for those students. The first column gives you the information that three schools gave us. One school, Hamilton, gave us no records. The other three schools did give us records of the number of students. You have the agencies for which they work as well as the number of students at each agency.

Only two schools gave us the financial information. They were California Coast and Kennedy-Western. Column three on the chart[1] shows the number of Federal employees at each agency for whom Federal agencies made tuition payments. There were 64 such employees. Column four shows the total tuition payments for those 64 employees, which was more than $150,000.

However, the records provided by the schools understate the extent of Federal payments. It is very difficult to get an accurate snapshot of the true extent of Federal payments to the schools.

First, our investigation showed that some diploma mills and other unaccredited schools modified billing practices so students can obtain payments for degrees by the Federal Government. Purporting to be a prospective student who works for a Federal agency, Agent DeSaulniers placed telephone calls to three schools that award academic credits based on life experience and require no classroom instruction. These were Barrington, LaCrosse, and Pacific Western Universities. Each of these schools charge a flat fee for a degree.

For example, Pacific Western for its Hawaii degree charges $2,295 for a bachelor of science, $2,395 for a master's degree, and $2,595 for a Ph.D. Representatives of these three schools emphasized in their conversations with Agent DeSaulniers that they are not in the business of providing course training. They are not in the business of charging fees for individual courses. They are in the business, they market degrees for a flat fee.

However, representatives of each of these schools told Agent DeSaulniers that they would structure their charges to facilitate reimbursement or payment by the Federal Government. Each agreed to divide the degree fee by the number of required courses, thereby creating a series of payments as if a per-course fee were actually being charged. All of the representatives he spoke to said that they had had students at their schools who obtained reimbursement for their degrees or payments for their degrees by the Federal Government.

Further, the Departments of Energy and Transportation provided data that identified payments of about $19,000, in addition to those listed in this chart to the two schools that gave us information. Thus, we found that Federal payments to just these two schools of nearly $150,000.

Additionally, a comparison of the data that we got from the schools with the information that we got from the two agencies,

[1] The chart appears in the Appendix on page 82.

shows that both the schools and the agencies have likely understated Federal payments. For example, Kennedy-Western reported total payments of $13,500 from the Energy Department for three students, while Energy reported total payments of $14,500 to Kennedy-Western for three different students. Thus, Energy made payments of at least $28,000 to Kennedy-Western.

Additionally, the Department of Transportation reported payments of $4,550 to Kennedy-Western for one student, but Kennedy-Western did not report any receipt of money for that particular student.

The second question you asked was whether senior level Federal employees have degrees from diploma mills and other unaccredited schools. The answer is that some do. We requested that eight Federal agencies provide us with a list of senior employees and the names of any post-secondary institutions from which those institutions reported receiving degrees. The eight agencies we contacted informed us that their examination of personnel records revealed 28 employees who listed degrees from unaccredited schools. However, we believe that this number understates the number of Federal employees at these agencies who have such degrees.

The agencies' present ability to identify degrees from unaccredited schools is limited by a number of factors. As you have heard and as you have said, diploma mills frequently use the names of accredited schools, which often allows the diploma mills to be mistaken for accredited schools. For example, Hamilton University of Evanston, Wyoming, which is not accredited by any accrediting body recognized by the Department of Education, has a name which is quite similar to and could well be confused with that of Hamilton College, a fully accredited institution.

Additionally, Federal agencies told us that employee records may contain incomplete and misspelled school names without addresses. Thus, an employee's records may reflect a bachelor's degree from Hamilton but it will not reflect whether it is Hamilton University, the unaccredited school, or Hamilton College, the fully accredited school.

We interviewed six Federal employees who reported receiving degrees from unaccredited schools. These included three management level Department of Energy employees who have security clearances and emergency operations responsibilities at the National Nuclear Security Administration. One of these employees referred to his master's degree from LaSalle University as a joke. We also found one employee in the senior executive service at Transportation and another at the Department of Homeland Security who received degrees from unaccredited schools for negligible work.

In conclusion, the records that we obtained from schools and agencies likely understate both the extent to which the Federal Government has paid for degrees from diploma mills and other unaccredited schools, as well as the true extent to which senior level Federal employees have diploma mill degrees.

At this time, with your permission, Agent DeSaulniers will play for you excerpts of his conversations with three representatives of schools that charge flat fees for degrees, are not in the business of providing individual training courses, but who sell degrees. In these excerpts, school representatives talked to Agent DeSaulniers

about assisting him to obtain payment for his degree from the Federal agency that he said he worked for.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Madam Chairman, before these recordings are played, I would just like for the record to show, our Congressman Mike Castle, former Governor Mike Castle, is a graduate of Hamilton, and I would like for the record to show he is a graduate of Hamilton College. [Laughter.]

Chairman COLLINS. I am sure he will appreciate that you made that very clear for the record.

Senator CARPER. I just gave the Chairman a note, I am supposed to be in a meeting on asbestos. We are trying to find a path forward on asbestos litigation reform legislation and it is important to me. I apologize for slipping out.

Thank you for the good work that you are doing. Madam Chairman, I know that this is going on because of your efforts and interest. I think you are on to something and we are interested in being part of cleaning this up. Thank you.

Chairman COLLINS. Thank you, Senator.

[Audio tape played.]

Mr. CRAMER. That completes our presentation. At this time we would be happy to take any questions you might have.

Chairman COLLINS. Thank you very much, and thank you for that excellent presentation.

Mr. DeSaulniers, I just want to clarify what we just saw. It looked to me that the officials at these various schools with whom you talked were working to structure the billing so that you could get reimbursed by a Federal agency for the course work; is that correct?

Mr. DESAULNIERS. Yes, that is absolutely correct. They were trying to structure the billing to facilitate Federal reimbursement.

Chairman COLLINS. Yet since these are unaccredited institutions, is the Federal Government supposed to be reimbursed at all for this so-called educational course work?

Mr. DESAULNIERS. For these unaccredited schools, for a degree, which is all they grant is a degree, from an unaccredited school, no, not at all.

Chairman COLLINS. Did you find any indication that some of these schools actually market to Federal employees? That was a long list of agencies in the last example that you gave us.

Mr. DESAULNIERS. Yes. They list Federal agencies on their websites, so they are trying to show that if you are an employee of these different agencies that it is acceptable. So in that sense, absolutely, they would be marketing to them.

Chairman COLLINS. Mr. Cramer, I understand that the Federal Government has some 330,000 jobs that require some sort of degree or a minimum amount of completed course work. Is it your conclusion that despite the restrictions on the Federal Government not paying for degrees from unaccredited institutions that in fact we are paying for those degrees?

Mr. CRAMER. Clearly, the evidence shows that the Federal Government has paid towards degrees for people from unaccredited schools. I think you would characterize what we have gathered to

date, the information we have to date, as a window on this problem. What has emerged is there is a problem. The extent of the problem is not altogether clear at this point.

We know for a certainty, for example, that what we have is only part of the picture. We did not, for example, get any records of reimbursement to employees. All of the money that we have talked about are direct payments to the schools. The Department of Health and Human Services, for example, told us that they have employees who charge on credit cards payments for education expenses and they did not have access to the kind of information we were trying to get from those sources. So we know it is a much larger problem than the evidence we have to date shows.

Chairman COLLINS. Mr. DeSaulniers, I am very interested in whether or not the Federal employees whom you interviewed understood that they were paying for bogus degrees. Could you report to us on what your experience was when you interviewed Federal employees holding diploma mill degrees?

Mr. DESAULNIERS. I think clearly one of the employees I spoke with called the degree a joke so obviously was aware that it was bogus. And certainly, the other employees that I spoke with, whether they would acknowledge it or not, had to have known that the degree was not good. Some somewhat admitted it but tried to give the impression of legitimacy because they were trying to defend the degree.

Chairman COLLINS. Mr. Cramer, what was the motivation of the Federal employees who sought out diploma mills and got degrees that in many cases they knew were bogus?

Mr. CRAMER. It is difficult for us to describe other people's motivation. We do through our conversations with people, however, and Agent DeSaulniers can pitch in here to the extent that he has additional information to offer on this, but they told us of motivations including advancement as well as ego satisfaction.

Chairman COLLINS. Mr. DeSaulniers, do you have anything to add?

Mr. DESAULNIERS. Certainly those would be the two, advancement is an obvious one, but ego would probably be a very big part of it, to be able to call yourself a doctor.

Chairman COLLINS. Could you describe for the Committee some of the positions that are held by individuals in your survey who have these bogus degrees and are working for the Federal Government?

Mr. DESAULNIERS. Sure. There were people that were responsible for classifying and declassifying documents in the Federal Government, people with emergency response responsibilities, to make decisions on emergency responses. I do not want to get too specific because it would somewhat identify the person, but they certainly had people that had security clearances and were in very sensitive positions and that had significant responsibility.

Chairman COLLINS. Could you give us some idea of the level of these employees?

Mr. DESAULNIERS. Program managers. People that were also perhaps at a director level where they were running a program or running an information technology area perhaps, SES level positions.

Chairman COLLINS. So weren't these GS–15's and above that you were looking at?

Mr. DESAULNIERS. That is correct. They were all, at a minimum, GS–15's.

Chairman COLLINS. So these are responsible positions of authority or program managers or individuals who have significant jobs?

Mr. DESAULNIERS. That is absolutely correct.

Chairman COLLINS. Based on your review of these individuals and their diploma mill degrees, do either of you have any concerns about whether there could be a possible compromising of public safety or national security? Do we have people in these jobs who might represent a threat to our national security or their ability to carry out these jobs?

Mr. DESAULNIERS. Certainly if someone has listed a degree that they have not done the work for and do not have the knowledge and they are working in a position where that knowledge might be critical, I think it would definitely have an impact. We were looking at positions—we tried to look at positions in the Federal Government that impacted safety and health. So the people that we identified, since they were people with fake degrees, absolutely, without the knowledge it might have a negative impact on their performance.

Chairman COLLINS. So we really have two issues here, it seems to me. One is whether these individuals with bogus degrees are qualified for the positions that they are holding. But the second is an issue that goes to the trustworthiness of the employee. If the employee is willing to cite a bogus degree on a security clearance form or a resume, that raises concerns in my mind of whether they have the level of character that we look for before granting a security clearance. Do you share those concerns, Mr. Cramer?

Mr. CRAMER. Yes, there is clearly a concern there, particularly someone who is handling classified information. One could envision a situation in which they have degrees which another person knows are bogus and they might be subject to blackmail as a result of it. So there are certainly some possibilities for some problems out there if people who get security clearances in fact have bogus degrees. It is something to look at.

Chairman COLLINS. Now obviously, in some cases these individuals may be well-qualified for the jobs despite the presence of a bogus degree, but it certainly is a red flag. Could you inform the Committee what you intend to do with the information that you collected that identified these Federal employees?

Mr. CRAMER. We have alerted each of the agencies which are involved with respect to our findings and referred specifically each case in which we have uncovered a problem to the inspector general or other appropriate authority.

Chairman COLLINS. Thank you. Finally, I want to go back to an issue, Mr. Cramer, you raised in your opening statement. You said that in looking at just two institutions, two diploma mills, that you uncovered nearly $170,000 worth of Federal checks. Is it your belief that were you able to go to the 137 diploma mills that is the commonly used number, that you would find many more examples? Did you find some cases where you asked for the checks from a diploma

mill, did not receive them from the institution but found them in the agencies' files?

Mr. CRAMER. Actually, we had more luck going to the schools than we did going to the agencies.

Chairman COLLINS. Which is a comment as well.

Mr. CRAMER. This was a very difficult investigation getting information. It was very difficult. The agencies really do not have their information organized in such a way that what we were asking for was readily accessible.

But that being said, we went to four schools and asked for the records. Only two produced them. So clearly one has questions about why the other two did not, why they would not cooperate with us. I think it is fair to say that there is something there that we ought to be able to uncover and if we can pursue it some day perhaps we will.

Chairman COLLINS. I think you have brought up another very important issue which is, it seems that Federal agencies are not keeping the data necessary to make sure that they are paying for only appropriate course work. Would you agree with that?

Mr. CRAMER. It is true. In fairness to the agencies, the law which now permits payments only to accredited schools is a relatively recent one. Prior to that, although payment for academic degree training was permissible, it was only permissible if the head of the agency determined that it was necessary in order to recruit or retain an employee for a position for which the government had a shortage of qualified people. It happened very rarely is our understanding. So this was not something that agencies did on a regular basis, and they just do not seem to have geared up their record-keeping systems in order to keep track of this.

With the passage of the new law, the agencies perhaps will now recognize the importance of this issue and the need for them to adapt their practices.

Chairman COLLINS. Thank you very much. I very much appreciate your work. The Committee looks forward to continuing to work with you on this issue. We appreciate your testimony.

Mr. CRAMER. Thank you.

Chairman COLLINS. I would now like to call forward our third witness today. It is Lauri Gerald. She is a former employee of Columbia State University and of Columbia State University's founder Ron Pellar, who has been sentenced for his role in establishing this diploma mill. Ms. Gerald recently pleaded guilty to one count of mail fraud in connection with her activities at CSU. She will be able to give us a firsthand look at the inside of a highly successful diploma mill.

Ms. Gerald, we appreciate your cooperation with the Committee's investigation and your willingness to testify today. I would ask that you proceed with your statement.

TESTIMONY OF LAURI GERALD,[1] FORMER EMPLOYEE, COLUMBIA STATE UNIVERSITY

Ms. GERALD. Madam Chairman, Members of the Committee, my name is Lauri Gerald. I recently plead guilty in the U.S. District

[1] The prepared statement of Ms. Gerald appears in the Appendix on page 100.

Court for the Central District of California to one count of mail fraud in connection with my involvement with Columbia State University. Together with Ron Pellar I am charged with executing a scheme to defraud individuals through the operation of a diploma mill. I am currently awaiting sentence.

In its charging documents the government defines the term diploma mill to mean a business that pretends to be a university or other educational institution with qualified faculty, curriculum, classes, educational facilities, academic accreditation, and that solicits money from various individuals in the form of enrollment and tuition fees in return for the issuance of degrees with purported career advancement value, but which in truth hires no qualified faculty, has no established curriculum, classes, campus or educational facilities, and has no legitimate academic accreditation, and merely distributes purported degrees that do not have legitimate career advancement value. According to this definition, Columbia State University was a diploma mill before it was shut down by the authorities in 1998.

Columbia State University had no faculty, qualified or otherwise, no curriculum, no classes, no courses, no tests, no one to grade tests, no educational facilities, no library, no academic accreditation. In short, Columbia State University was a business conceived and set up by Ron Pellar, not to educate students but to make money, and it made plenty of it.

I think it might be helpful if I give you a little background on Ron Pellar. He was a successful and professional hypnotist by trade and his career literally spanned five decades. The two boards on display depict the front and back of a glossy poster Ron put together to promote himself.[2] The poster shows Ron photographed with the likes of Johnny Carson, the Beatles, Bob Hope, and Ron said that he was listed in the Guinness Book of World Records as the highest paid hypnotist and indicates that he played before two U.S. Presidents and the Queen of England. I do not know whether all of this is true, though I strongly suspect that some of it is not.

But what you need to know about Ron Pellar is that he is charismatic, very well read and researched, fascinating to talk to, and a world class self-promoter. He was also narcissistic, egotistical, and a user of people. He was motivated by one thing: Money.

In fact, the money and material wealth were so important to Ronald Pellar that he kept them close at hand. He wore expensive clothes and bought a fancy car called a Zimmer with gold inlay.[3] There is an example of it there. I have a picture of one on the board, as I said. He regularly carried around a briefcase containing $100,000 or more at a time. He even buried his gold coins in his backyard.

I came to know Ronald Pellar because he was married to my cousin. In 1992, I took a leave from my job as a program manager with BellSouth Telecommunications and moved to California to live with Ron and my cousin and work for Ron. At that time, Columbia State University was already in existence and had been since the mid-1980's. It was run along with two other of Ron's education re-

[2] The charts appear as Exhibit Nos. 6 and 7 in the Appendix on pages 166 and 167.
[3] The chart appears as Exhibit No. 8 in the Appendix on page 168.

lated ventures by five or six employees in a small office. I worked at that office until some time in 1996 for one of the other education ventures, though from time to time I did work for Columbia State.

The three schools made money, but none of them made enough to satisfy Ron. Each school had its own scam. One of the schools was for paralegals. Ron took out advertisements, one depicting himself in a wheelchair with an open book on his lap, that featured false testimonials indicating that graduates from his school could make hundreds of thousands of dollars per year as a paralegal. Another school called American Nursing Tutorial, charged $1,000 to $1,500 for study materials that Ron plagiarized in their entirety from a legitimate school or company called Moore Educational Services. Columbia State University, for its part, offered bachelor's, master's, and doctorate programs in a variety of fields, all requiring little work but a lot of money to complete.

In 1996, Ron moved his offices and charted a new course for Columbia State University, a course that caused the school to take off financially. Ron hit upon a formula that worked, a formula that was deceptively simple and remarkably effective. It was basically a marketing strategy that targeted people who never finished college or graduate school but who could be led to believe that through their life and work and academic experience they had more or less earned their bachelor's degree or master's or doctorate degree already. All they had to do was complete a minimal amount of work, pay the tuition, and Columbia State University would award them the degree that they deserved.

The cornerstone of the new marketing effort was a promise that a student could obtain a degree in 27 days. Ron called this Columbia State University's shortcut, internationally known and respected, adult degree program. He claimed that the school had the same government approval as Harvard, Yale, and the University of Illinois, and other accredited and respected schools. I am not certain what he meant by that, but I recall that Ron told me at one time he managed to license Columbia State University as a corporation with the State of Louisiana and may have been granted a tax-exempt status by the IRS.

Columbia State was never actually accredited, though Ron falsely claimed it was. This board shows here a page from Columbia State University's catalog.[1] It depicts a bogus accreditation certificate that Ron simply made up. Ron often disparaged accreditation in general but was smart enough to know that tricking people into thinking Columbia State University was properly accredited was to his benefit.

Ron took a number of other steps to make it seem as though Columbia State University was a legitimate school. For example, you made up a school logo and letterhead which falsely stated that the school had been about since 1953. The board shows a blown-up version of this form acceptance letter Ron put together.[1] As you can see, the stationery shows a 10-member board of advisers, all of which had advanced degrees. In fact there was no board of advisers

[1] The chart appears as Exhibit No. 9 in the Appendix on page 169.
[1] The chart appears as Exhibit No. 10 in the Appendix on page 170.

and Ron Pellar was Columbia State University. He simply made up the names and titles for the so-called board.

The stationery also lists honorary Ph.D. recipients. You will note that the man who discovered the polio vaccine, Jonas Salk, is listed among them. When Dr. Salk discovered that his name was being used on Columbia State University's letterhead he wrote a letter to Ron demanding that it be removed, which Ron did.

As I mentioned earlier, Ron sought to prey upon people who could be convinced that they deserved a college or graduate degree. This acceptance letter is a good example of Ron's technique. It reads: Many individuals with superior talent, ability and training are being denied raises, promotions, new jobs or the prestige they deserved just because they have not obtained the appropriate degree. Your intelligent decision, however, will not permit this travesty to happen to you.

At the same time, Ron would criticize traditional accredited schools in the hopes of making Columbia State's method look more sensible and therefore more legitimate by comparison. For example, another piece of promotional material reads as follows, how insulting can it be to anyone's intelligent to have your tax money pay for students taking subjects like wine-tasting, windsailing, how to make love, Western line dancing, etc., as an elective add to their credits for any degree? This is all for greed to keep you in school longer

Ron liked to advertise through testimonials and he used this technique to promote Columbia State University. The problem was that the testimonials were not real. Ron obtained stock photos from random people and simply made up the success stories. The board shows an example of a Thomas Rothchild.[2] Mr. Rothchild notes that he was a computer programmer for 13 years, got a Ph.D. from Columbia State University, and 1 year later became president of the company pulling down a salary of $484,000 per year. Ron made it up. All of it.

People were taken in by Ron's scheme. Lots of them. They each paid roughly $1,500 to $3,600 for a degree. I say they paid for the degrees because in truth they had little else to do. Generally, a student would be sent a book and told to read it and prepare a summary. I am not talking about one book per class, but one book per degree. One of the workers at Columbia State University would give the summary a cursory review and that is it, and a bachelor's degree complete with a made-up transcript, would be awarded. If a student wanted a master's degree he would have to do a book summary and a six-page thesis. A doctorate meant a book summary and a 12-page dissertation.

I think you get the idea. There was nothing that could pass for academic rigor, however, at Columbia State University. Ron saw the school as a cash cow and it was. During its 2-year heyday from 1996 to 1998 I understand that Columbia State University grossed roughly $20 million. I personally saw it pull in over $6 million in a 6-month period in 1998.

I understand from my deposition with your staff of this Committee that some Federal Government employees went to Columbia

[2] The chart appears as Exhibit No. 11 in the Appendix on page 171.

State University, at least in part at taxpayers' expense. Your staff showed me checks from the Department of Justice and the Bureau of Prisons which are now on display.[1] They also showed me a graduate survey that Ron put together indicating that a long list of Fortune 500 companies and Federal agencies had paid for their employees' schooling at Columbia State University. I was not personally aware of Federal agencies that were paying for their employees to attend Columbia State University, but that does not surprise me. Ron advertised Columbia State University very aggressively. As I recall, at one point he ran ads designed to attract potential students from the U.S. Army.

I learned a lot from my association with Ron Pellar and Columbia State University and I deeply regret that I had any role in those schools' lies and deceptions. That is the end of my prepared testimony and I am willing to answer any questions that you may have.

Chairman COLLINS. Thank you, Ms. Gerald. We appreciate your testimony and giving us the view from the inside.

Shortly there will be a poster put up that lists all of the various degrees available from Columbia State University. It is Exhibit No. 13[2] in your exhibit book. Let me ask you a couple of questions about that.

First of all, there is a wide range of degrees that could be purchased from Columbia State University. It offered diplomas not only in subjects like business administration, sociology, and classics but also in subjects like mechanical and chemical engineering. Are you testifying that a student could receive a degree in any one of these subjects, many of which are extremely complicated such as aeronautical engineering, in just 27 days; is that correct?

Ms. GERALD. That is what he advertised, yes, ma'am.

Chairman COLLINS. Putting outside how unfair this process could be for a potential employer who thinks that he or she is hiring someone with a degree in mechanical engineering, for example, do you think that offering a degree in 27 days could also pose a threat to public safety in some of these areas?

Ms. GERALD. Absolutely. I think that Mr. Pellar was intending to appeal to the individual on the basis that they had previous experience in that particular field and thus their life and work experience and whatever education that they had prior to that would be to their benefit. But the truth of it is, in 27 days, 6 months, or a year, one needs to go through a series of processes in a class like a typical university would do in having internships, test methods and all kinds of schooling that would back that up as opposed to just reading a book.

Chairman COLLINS. Do you think your students knew that they were getting bogus degrees, or do you think that some of them were hopelessly naive about what a college degree entails?

Ms. GERALD. I think both is probably the situation. There were probably more than the majority that were quite sure that what they were getting was what they needed to promote themselves just by simply paying $1,500 for a bachelor's degree. There were

[1] The chart appears as Exhibit No. 12 in the Appendix on page 172.
[2] The chart appears as Exhibit No. 13 in the Appendix on page 173.

those, however, that sent in vast amounts of homework, summaries, dissertations that were quite lengthy and I would assume that they felt like that was being judged, graded, assessed to their benefit.

Chairman COLLINS. Did anyone actually read that work, grade it, assess it, provide feedback to the students, to your knowledge?

Ms. GERALD. Not that I am aware of. If it was, it was only cursory.

Chairman COLLINS. Yet these students actually received transcripts showing grades, showing a completion of courses; is that correct?

Ms. GERALD. Yes, ma'am.

Chairman COLLINS. I would like to put up the exhibit that purports to be an official transcript for a bachelor's degree in aviation.[1] This is just one of dozens of similar transcripts that have been provided to the Committee. Now this appears to me to be preprinted. It lists a number of grades and classes including advanced airline performance, rules of the air, security and accidents, and it awards usually the grade of A for the work completed in each of those classes.

In fact did the students actually take such classes for an aviation degree and receive these grades, or were these transcripts preprinted with the grades and the courses just made up?

Ms. GERALD. Obviously, that one is preprinted, it has got the grades on it already but there is no student name. I never saw any one in particular based on aviation. However, to give you an example of what that represents, business administration, for example, the titles of the courses were versions of titles of the chapters of the book. So it would probably be fair to state that that particular transcript right there, those course titles are the chapters of the book that the student was given.

Chairman COLLINS. Your point is well taken. How can it be all filled out with the courses and the grades when there is no student name? So these are printed up in advance.

I would like to turn to some of the marketing materials for Columbia State University, in particular the cover of CSU's catalog.[2] As you can see, on my left there is a black-and-white photograph of a rather elegant building. It looks very impressive, maybe it is Gothic in style. Does that building have anything to do at all with Columbia State University?

Ms. GERALD. No, ma'am.

Chairman COLLINS. So that is not the headquarters or a classroom?

Ms. GERALD. No, ma'am, it is a residence, a mansion I believe in New York State.

Chairman COLLINS. Now the other photograph, the one in color, it is my understanding is a San Clemente, California storefront office and it has a sign identifying it as the American Consumer Protection League. Now there is quite a difference between those two locations. It is my understanding that Mr. Pellar also registered to receive mail for Columbia State University at the San Clemente

[1] The chart appears as Exhibit No. 15 in the Appendix on page 175.
[2] The chart appears as Exhibit No. 14 in the Appendix on page 174.

address using a false name. Can you explain any of this to us, what it is that we are seeing on my right?

Ms. GERALD. Actually 930 Calle Negocio in San Clemente was a complex of industrial business locations, meaning that they had a storefront, an office front, in the rear had a shipping type arrangement with a garage door. All of the offices there were the same way.

The receiving of mail was this: He had an arrangement with a secretarial service in Metairie, Louisiana that would go in and pick up his mail on Mondays and Thursdays, ship that mail overnight to that address, and it would be received on Tuesdays and Fridays. So it was packaged, bulk mail scenario sent from Metairie to that address. In other words, students when they enrolled, they did not know anything about the San Clemente address. They sent their mail to New Orleans or Metairie.

Chairman COLLINS. I want to ask you one final question before turning to Senator Durbin. It is my understanding that Columbia State University provided generous credit for life experience and I would like to turn your attention to the posterboard that is now being displayed.[1] Are you familiar with the kinds of experience that would qualify for credit? Have you seen this list before?

Ms. GERALD. Yes, ma'am.

Chairman COLLINS. It is my understanding that some of the activities listed for which CSU would grant college credit or graduate-level credit, included playing tennis, eating in exotic restaurants, pressing flowers, buying a Persian rug, watching public television, and playing the game Dungeons and Dragons. Did this actually happen? Did CSU actually give college credit for activities like that?

Ms. GERALD. If I can give you a broad answer, I think that was born out of—one of the examples I gave in my earlier testimony was that Ron had a school called American Nursing Tutorial. The premise of that school was that one would get a bachelor's degree and go to work as an LVN and spend maybe 10 years working in that particular field. And then maybe by that time have gotten married, had a couple of children in the home to take care of and not have the time to go to school. So you could enroll with your former credits accrued from your bachelor's degree and your life-work experience, meaning the 10 years that you worked as an LVN as a technical employee.

Now from that he drew this up which gave the prospective student the idea that any life-work experience that they had, be it technical or otherwise—and I would not call dining out in a restaurant necessarily technical—but that you could get credit for that. However, going back to a previous poster up there, the pre-prepared transcript showed no indication that I saw of life and work history because it did not have the student's name on there, and how would one know prior to completing the degree what they asked to have credit for? I do not recall having ever seen that done, but it may very well have been done.

Chairman COLLINS. Thank you. Senator Durbin.

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[1] The chart appears as Exhibit No. 16 in the Appendix on page 176.

OPENING STATEMENT OF SENATOR DURBIN

Senator DURBIN. Thank you very much, Madam Chairman, and thank you for this hearing. You have done an extraordinarily good job of investigating this issue and I am particularly proud to be a Member of the Committee when I consider the effort that you put into this and the fine witnesses that we brought forward today. If watching public television can earn you a degree, I suppose watching C–SPAN could get you an advanced degree in something, but I am not sure what it might be.

Aside from the humor that might be associated with it, there are some serious aspects. A few years ago a technician at the Clinton nuclear power plant in my home State of Illinois was interviewed for a story about the problem. He had received a bachelor's and master's degree from Columbia State University. According to the news story, both the individual interviewed and another person involved indicated they did not realize they were receiving fraudulent credentials and ended up working at a nuclear power facility.

We have ample evidence that there was at least one person working at a very high level job in the Department of Homeland Security fighting terrorism who turns out to have a bogus degree. I think what you found, Madam Chairman, is that there are people purporting to have medical training who have made some rather disastrous decisions on behalf of patients, and it turns out they had little or no training for their credentials.

I guess, Ms. Gerald, the thing that strikes me as well is the fact that as terrible as this fraud may be, the taxpayers are subsidizing it. We are providing hard-earned tax dollars by way of grants and loans to students at these bogus institutions. And the money involved is absolutely stunning in terms of how much the Federal Government may have financed the process. I do not know if I have all of that right at my fingertips here but I think the information that has been provided to us by GAO suggests that it could be substantial.

I note that five diploma mills the Committee surveyed brought in a combined revenue of $112 million over a 4-year period, the most profitable Kennedy-Western, revenues of $73 million between 2000 and 2003; another institution $20 million. The one that was bringing in $20 million had 30 people working for it. Talk about a gold mine that they have discovered.

I guess the question I have to ask is, and maybe you could tell us your own personal experience on this relating to Mr. Pellar and others involved in the institution, what did law enforcement do about this ultimately? Were there efforts such as criminal or fraud charges brought to try to recover some of this money that went from taxpayers to these institutions?

Ms. GERALD. I can tell you from personal experience the answer to that is absolutely yes. The FBI came in, I think it was July 3, 1998, to Ron's offices, confiscating files, computers, and other materials there at that business location that was shown on the board. They also came to my home, they came to the home of the manager at the time, and took information from those premises and then ultimately took other possessions and so forth.

Possessions meaning that, there were items, for example, in our case where Mr. Pellar had purchased automobiles directly with a

CSU or Columbia State University checks for his daughters, so those automobiles were taken. So there were efforts. I understand that were made to get a yacht that Ron had purchased after he had fled the country. So there were many items of personal possession of his and ours that were taken, yes.

Senator DURBIN. Do you have any idea how much money was recovered from Mr. Pellar?

Ms. GERALD. I have absolutely no idea. I can tell you exactly how much was taken from us.

Senator DURBIN. Would you tell us?

Ms. GERALD. I think overall the value of things that were taken from us and——

Senator DURBIN. Meaning your family?

Ms. GERALD. Meaning our family. There was myself, his wife, and his two daughters. Also we were defined as being part of the eligibility for seized items that were actually none of ours, like Ron's Columbia State University business account. None of that belonged to any of us but our names were on those documents. So if you look at all of that information there was a total of approximately $842,000.

Senator DURBIN. What marketing ploys did he use that were most successful in bringing students in?

Ms. GERALD. I would say the actual aesthetics of the materials that were sent out was one. He made them look fairly professional. Also, the appeal to the individual that their previous accrued credits, whether they had actually gotten a degree or not but had earned credit, would be accepted across the board.

For example, in today's university environment in the State of California, for example, if you go to school in Sacramento, University of California but you transfer to a city in Southern California you may lose some of your credits. This was not the case with Ron's school. He advertised that he would accept the credits that you had earned, and that was very appealing to the potential student. Then, of course, anything related to work and life history, that potential student felt like they would get credit for whatever school of hard knocks education that they had earned.

Senator DURBIN. I will tell you what is interesting, too, is that he also spawned a new generation of those involved in this fraudulent practice. Loyola State, which is offensive to those of us who have such respect for Loyola University in my home State, was a diploma mill that was uncovered by Illinois Attorney General Lisa Madigan and her predecessors. According to one of the news stories, the proprietor of Loyola State had a diploma from Columbia State. So they used their academic credentials from Columbia State to found a new university, which turned out to be totally fraudulent. Mr. Pellar himself plagiarized to launch one of his new schools, starting his nurse's tutorial by borrowing from another program. Do you know to what extent Mr. Pellar's operation may have led to others instigating copycat schemes?

Ms. GERALD. No, I am not familiar with any that spun off of that other than what you have just mentioned. I have no idea. I am sure there were many, but I could not define anything in particular.

Senator DURBIN. I have just been notified that it was former Attorney General Jim Ryan who was involved in that. I thought it was Lisa Madigan but it was Jim Ryan who did it in our State.

Thank you very much for your testimony.

[The prepared statement of Senator Durbin follows:

PREPARED STATEMENT OF SENATOR DURBIN

Madam Chairman, when you ably chaired the Permanent Subcommittee on Investigations in previous Congresses, your leadership helped expose to public scrutiny an array of serious consumer protection lapses including medicare fraud, safety of food imports, telephone service slamming and cramming, and sweepstakes fraud.

This week's hearings on the extent to which taxpayer funds are being expended for bogus degrees from diploma mills continue that noble quest to investigate and combat another situation vulnerable to waste, fraud, abuse, and mismanagement. I commend your initiative to confront this problem.

Diploma mills unabashedly exploit fraud on society by cleverly adopting institutional monikers that mimic legitimate and esteemed educational establishments. Some of the operators of these outfits even create their own bogus credentialing entities with lofty-sounding titles that appear perfectly reputable. Diploma mills also pose problems for the expanding arena of distance learning and credentialed on-line courses.

According to John Bear, who spent a dozen years as the FBI's principal consultant and expert witness on diploma mills and fake degrees, "it's not uncommon for a large fake school to 'award' as many as 500 Ph.D.'s every month." [Source: "Diploma Mills: The $200 Million A Year Competitor That You Didn't Know You Had" *University Business* (March 2000)]

My home State of Illinois is among the few, but growing number of jurisdictions which have addressed the problem of fraudulent use of academic credentials by enacting specific legislation prohibiting the conduct.

The Academic Degree Act (Illinois Public Act 86–1324), enacted in 1989, makes it unlawful for a person to knowingly manufacture or produce for profit or for sale a false academic degree, unless the degree explicitly states "for novelty purposes only." It is also unlawful under this act for a person to knowingly use a false academic degree for the purpose of obtaining employment or admission to an institution of higher learning or admission to an advanced degree program at an institution of higher learning or for the purpose of obtaining a promotion or higher compensation in employment.

This law established as a matter of public policy that deception of the public resulting from the offering, conferring and use of fraudulent or substandard degrees must be prevented.

In 1997, the Illinois Attorney General filed a lawsuit against "Loyola State University," which had been offering bachelor's, master's, and doctoral degrees based on "life-learning experiences." These experiences could include eating in an exotic restaurant, hooking a rug, visiting a museum and watching public TV, and would be matched with course names and numbers and listed on a transcript.

A *Chicago Sun-Times* story in March 1997 reported that Loyola State University's chancellory building was a private mail drop in Itasca, Illinois, a community of about 8,300 residents just outside of Chicago. Mail and phone calls were forwarded to California. The Executive Director of "Loyola State" was accused of violating the State's consumer fraud and deceptive practices acts and the Illinois Academic Degree Act, which requires regional accreditation for colleges and universities.

Furthermore, as our inquiry continues, I think we should also seriously question whether any individuals performing Federal sector work under contract are being bid for and selected for jobs based on credentials procured from fly-by-night schemes.

Moreover, there should be zero tolerance for the use of phony degrees for anyone seeking or holding a Federal security clearance, whether the applicant be an employee, a Federal contractor, or other requestor.

As competition for Federal jobs becomes more fierce, and as we tackle the heightened challenge of attracting the best and brightest to public service, I think we need to ask how we can do a better job of safeguarding the integrity of the hiring and promotional processes.

When individual educational achievement is so often a material element in selecting top candidates to fill coveted high-level civil service posts—and when a failure to scrutinize and validate claimed credentials appears to be a material deficiency across agencies—it's time for urgent and effective corrective action.

GAO's conclusions that the extent of this problem may be even worse than the data reflect should be a stark eye-opener. If agencies lack systems to properly verify academic degrees or detect fees spent for degrees but masked as fees for training courses, if there are no routine and standard verification protocols to check out academic references, and if there are no uniform government-wide practices to conduct queries on particular schools and their accreditation status, then it's high time that this situation changes.

With GAO's assessment that the Federal Government is itself a victim of these scams, I hope we will act with dispatch to close any statutory loopholes, require heightened vigilance by human resources officials across all agencies, and invoke remedial action to recover any misspent funds.

U.S. statesman, inventor, and founding father Benjamin Franklin observed that "there is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government." Franklin also quipped that "an ounce of prevention is worth a pound of cure."

Madam Chairman, I find these two enduring adages particularly apropos for the topic we are exploring in these hearings.

I appreciate your initiative to shed light on the scope of damage to the Federal Government by the deceptive practices of diploma mills. I trust that public exposure of this problem will accomplish several things: Help officials recover financial losses and prosecute fraud; strengthen and augment available enforcement tools; spur agencies to become more vigilant in reviewing credentials of applicants for employment, promotions, and security clearances; educate the workforce about how to avoid becoming unwitting victims of schemes; discourage the proliferation of deceptive ripoffs; and stem the tide of misappropriating taxpayer resources for illegitimate academic credentials.

Thank you for holding these hearings. I look forward to participating.

Chairman COLLINS. Thank you, Senator.

Thank you for your testimony. We may have a few additional questions for the record to clarify some issues, but we very much appreciate your coming forward and sharing your assessment with the Committee.

Ms. GERALD. Thank you for the opportunity.

Chairman COLLINS. Our final witness this morning is Alan Contreras. He is the Administrator of the Office of Degree Authorization at the State of Oregon's Student Assistance Commission. He has long lead the charge at the State level to curb the proliferation of diploma mills and he will discuss the various forms that diploma mills can take. We are really delighted to have one of the country's foremost experts on diploma mills with us this morning.

Mr. Contreras.

TESTIMONY OF ALAN CONTRERAS,[1] ADMINISTRATOR, OFFICE OF DEGREE AUTHORIZATION, OREGON STUDENT ASSISTANCE COMMISSION

Mr. CONTRERAS. Thank you, Senator. I appreciate the chance to be here today and I hope that some of my comments will be of some use to the Committee.

I think some of the basic issues about diploma mills have already been brought out by the earlier witnesses and I am going to just hit some of the high points in my testimony and then talk about what the State of Oregon is trying to do about this problem at a local level.

I think the key driving force behind the modern expansion of diploma mills, which after all have been around for a long time, is certainly the Internet, the ease of advertising via E-mail, combined with the ease of putting up a web site that makes you look like a

[1] The prepared statement of Mr. Contreras with attachments appears in the Appendix on page 106.

legitimate institution that has some of these nice pictures that we just looked at, most of which are stolen from real institutions or from things that are not colleges at all. So it is very easy now to make yourself look like you are a college when in fact you are not.

We often get asked, as has come up earlier, why do people care about these degrees and what are some of the issues that come up because people use them? Certainly, the public safety and national security issues that have been mentioned earlier would be in that category. But I want to add something to the national security item, which was mentioned earlier by the gentleman from the GAO, and that is the problem of potential blackmail.

One aspect that was not really discussed is what happens when a Federal employee based in Virginia or somewhere else, ends up moving to New Jersey, North Dakota, Oregon, Indiana, a State that has a law saying that these degrees are not valid? If you get transferred to Minot Air Force Base in North Dakota and you are an Air Force officer or a civilian employee and you have a degree from one of these bogus suppliers and that is your credential, that is a felony in the State of North Dakota. There is no exception for Federal employees, obviously, committing felonies in the State of North Dakota. So you are instantly subject to blackmail in a very sensitive institution.

Or for example, if you were in a border situation, a Coast Guard situation, things of which you are very familiar. So that is one additional item I wanted to add to the national security discussion.

I think we have already covered the questions of the problem of the waste of resources, both public and private, of people who buy and use these degrees. There is also the question of the devaluation of legitimate degrees, especially those from non-traditional providers that are legitimate; the University of Phoenix, Thomas Edison, Charter Oak, Capella in Minnesota. There are lots of places that are accredited, non-traditional degree providers. They are the ones that are really harmed by these bogus operators out there who are using similar techniques to offer a bad product.

Finally, I think you get down to the question of equity. If you are a Federal employee and you have worked there for 10 years and you earned your degrees the old-fashioned way, by actually taking the classes, and all of a sudden somebody gets promoted into a position that you would have been qualified for, because they bought their degree last week for $900 over the Internet, I think there is a very fundamental equity issue there that has nothing to do so much with the expenditure of public funds but with the nature of public policy. I hope that is an issue that the Committee will spend some time and energy on.

The question came up earlier of whether all unaccredited colleges are diploma mills. The answer is clearly no, and I will go over the Oregon procedure for evaluating these things a little bit later. But there are a number of unaccredited schools that are perfectly legitimate post-secondary providers. There are ways that you can determine what they are, and that they are not a pure mail-order house such as the previous witness described.

But right now in the United States, the only meaningful, transportable, national interstate standard to decide whether a post-secondary provider is legitimate or not, is accreditation. That is what

we use in the United States. Not every country does that, but that is what we do.

So as you may have noticed with things like Pacific Western, if you have a State-approved school somewhere else and somebody moves from one State to another and wants to use that degree, if it is not accredited, we have no idea what it is really, if they have not gone through our own evaluation process.

I have been asked to comment on what some of the most common professions are in which we in our office have found people using these bogus credentials. Certainly, K–12 education, both teachers and administrators, police, corrections and other public safety, counselors, public administrators, medical administrators would be in that category. We get a fair number of cases of referrals or comments coming up about people who serve as expert witnesses who want to be able to call themselves doctor in order to make a better impression, and so on, that sort of thing. And quite a few in business, although most of the complaints we actually get are from the public sector.

I will talk briefly about what the Oregon legislature has decided to do about this problem. Most people seem to think that we are the only State that has, and that is actually not true. New Jersey, North Dakota, and Indiana have done a fair amount. Illinois has recently passed a partial bill, and the Nevada legislature is considering it. It is a more popular item for discussion than it was 10 years ago.

What the Oregon legislature decided to do was adopt a very straightforward mechanism dealing with these things. In the State of Oregon today it is illegal, both a violation of criminal and civil law, to use an accredited degree as a credential for anything, employment, starting your business, whatever it is that you would require the credential for. That is both a crime and civil fraud, you cannot do it. The same is true in a couple of the other States I mentioned.

What that means as a practical matter is that if an unaccredited entity wants its degrees to be validated for use in the State of Oregon it has to go through our office and we have to do a screening. We have to do an evaluation of the provider to make sure that it meets certain minimum basic standards to be usable in Oregon. I wanted to just briefly let you know what those standards are and then I will go back to make a couple of comments about the Federal issues.

In order to be legitimate for use in Oregon, a degree has to be from an institution that has adequate faculty qualifications, adequate program length. That is, in terms of the student having to do a certain amount of work to get the degree and not get it in 27 days, or in 27 hours, because we all know how that happens. The content of the curriculum has to be something that is recognizable as belonging to a post-secondary offering and not simply something that looks more like a high school term paper.

Requirements on the award of credit. You cannot have people getting a full year's credit for work that they do on a Friday night. There has to be some indication that credit is awarded in an organized method over time.

There also has to be some evidence that the entity has admission standards that you and I would recognize as legitimate. For example, you do not start giving out Ph.D.'s to people who have never completed high school. There needs to be some kind of linkage there as you go through the process.

Now in the case of foreign degree suppliers we also look at whether the entity has legitimate approval within the Nation it comes from, whether that Nation has an adequate process in place, some related issues like that.

Finally, I think there are some basic things the Federal Government could do that would be very helpful in this process. The States, we can really take care of our own up to a point. Each State can make a decision about how to regulate these things. But I think if the Federal Government does not have a law on the books about qualifications necessary, you really need to move toward something that has these standards in it. You need to look at whether degrees used by Federal employees are from federally-recognized accreditors, whether you paid for them or not. The question you are looking at is partly whether my tax dollars and your tax dollars were used to buy these things. But the fact that we bought them or the individual bought them, they are still sitting there with a bogus credential in a sensitive position. That is really the basic problem: Whether these people are capable of performing.

Then I think you need to look at—if you are going to look at unaccredited institutions as being legitimate institutions, which a few of them are, you need some mechanism in place, through the Department of Education or possibly OPM, to determine whether the unaccredited entity is capable of meeting certain basic standards that an accredited entity normally would, or that an entity approved by an attentive State unit like ours really would.

So that is basically what the Oregon legislature has done when faced with this situation. North Dakota, New Jersey, Indiana have done similar things.

I would be glad to answer any questions you might have.

Chairman COLLINS. Thank you so much. Your testimony is excellent. It really gives us a fuller understanding of the issues involved.

Unfortunately, we are in the midst of two roll call votes on the Senate floor. There is only one minute remaining in the first one so I am going to have to spring away. I would like to ask, if possible, if you were planning to stay overnight here in Washington, that we could start our hearing tomorrow morning and allow the opportunity for myself and other Members to engage you in questions at that time.

Mr. CONTRERAS. I plan to attend the entire hearing tomorrow.

Chairman COLLINS. Wonderful. That would be great.

In that case, we will see you tomorrow and this hearing is now recessed until 10 a.m. tomorrow morning when we will reconvene in room 342 of the Dirksen Senate Office Building.

[Whereupon, at 12:16 p.m., the Committee was adjourned.]

BOGUS DEGREES AND UNMET EXPECTATIONS: ARE TAXPAYER DOLLARS SUBSIDIZING DIPLOMA MILLS?

WEDNESDAY, MAY 12, 2004

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:05 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Committee, presiding.

Present: Senators Collins, Lieberman, Akaka, and Pryor.

OPENING STATEMENT OF CHAIRMAN COLLINS

Chairman COLLINS. The Committee will come to order.

Good morning. This is the second of two hearings that the Committee on Governmental Affairs is holding this week to examine the problems that substandard, unaccredited schools, often referred to as diploma mills, pose to the Federal Government.

Yesterday, we heard testimony from the General Accounting Office's representatives, from a person who has been convicted for helping to run a successful diploma mill, and from an Oregon official who enforces one of the Nation's toughest anti-diploma mills laws.

Throughout this investigation, I have been struck by how a simple marketing strategy has propelled some diploma mills to financial success to the tune of millions of dollars. By hiding behind a mask of legitimacy, diploma mills can be used by the unethical and can fool the unwary student or employer into believing that their degrees are as legitimate as a degree from an accredited university that provides a quality education and plays by the rules.

Today, we will hear from three witness panels. On the first is Alan Contreras, the Administrator of Oregon's Office of Degree Authorization. He gave his statement yesterday, but the Committee did not have an opportunity to engage him in questions due to a series of votes. He has been gracious enough to join us again today so that the Committee can ask him questions about his extensive experience in combatting diploma mills, and I very much appreciate his willingness to stay over and join us again today.

The second panel will focus on Kennedy-Western University, an unaccredited school with academic requirements that fail to meet the standards of legitimate institutions. The Committee became interested in Kennedy-Western because its catalog boasted that a

number of Federal agencies had paid for their employees' education at the school.

The poster now on display is a page from the Kennedy-Western catalog.[1] Highlighted in yellow are more than a dozen different Federal agencies, including the Departments of Defense, Justice, Energy, Agriculture, Transportation, and Health and Human Services, that purportedly paid for their employees' course work at Kennedy-Western.

The General Accounting Office found that Federal agencies had paid for 50 employees to enroll at Kennedy-Western. The GAO did not find payments from all of the agencies listed in the business's brochure. But it is important to remember that the GAO was only able to capture direct payments from agencies to unaccredited schools. It has no way of looking at the payments that agencies make directly to reimburse employees who initially paid for diploma mill tuition themselves.

The witnesses on the second panel will offer an insider's perspective on Kennedy-Western's academic program, as well as on its aggressive marketing and sales methods. I want to note for the record that one of the reasons we have been able to examine Kennedy-Western in such detail is its cooperation with the Committee, which we do appreciate. Too often, individuals or organizations under investigation by a Congressional Committee adopt a bunker mentality, refusing to provide information unless and until they feel they have no choice but to do so. I would also note that we have looked at other diploma mills, some of which, for example, Columbia State University, were discussed at yesterday's hearing.

The third panel consists of representatives of the Department of Education and the Office of Personnel Management. We will learn what initiatives these agencies are undertaking to prevent taxpayer dollars from subsidizing diploma mill degrees and to make it clear to prospective and current employees that such credentials are not accepted in the Federal Government.

I want to thank both agencies for working closely with the Committee to help address these issues, and in particular, I want to recognize the leadership of OPM Director Kay Coles James and the Secretary of Education, Rod Paige.

The question on the minds of many individuals watching these hearings must be. "How is it possible that Federal agencies spend our tax dollars on these worthless degrees?" The answer is far from simple when what at first glance appears to be a clear rule and policy prohibiting agencies from paying for diploma mill degrees are in reality subject to a loophole that can be easily exploited. And as the numerous Federal checks that we have found that have been written to diploma mills clearly indicate, that loophole is frequently and successfully exploited.

This loophole, which we will discuss in detail this morning, allows agencies to pay for classes, individual courses, at diploma mills. It must be closed. We owe students, taxpayers, and employers no less, and working together with the agencies represented here this morning, I am certain that whether through new legisla-

[1] The chart appears as Exhibit No. 20 in the Appendix on page 180.

tion or new regulations, we will be successful in closing that loophole once and for all.

Senator Lieberman.

OPENING STATEMENT OF SENATOR LIEBERMAN

Senator LIEBERMAN. Thank you very much, Madam Chairman. Let me start by thanking you and your staff for the excellent work that you have done on this investigation and for your initiative in calling these hearings. I appreciate your leadership in focusing our Committee on the topic of these substandard, unaccredited schools.

The Committee's investigation has left no doubt that diploma mills deserve a failing grade. Sham degrees undermine the public's confidence in our educational institutions, in employee qualifications, and in the quality of the workforce. The Federal Government, as you have said, simply cannot afford to waste precious taxpayer dollars to subsidize employees who wish to obtain degrees that are worth less than the paper they are printed on.

Of course, the public interest may be at risk here, as well, when public employees are on the job without the educational credentials needed to do their jobs. Phony degrees from phony schools are unfair to honest people who work hard for their degrees and on their jobs, and they also can be unfair to those who seek them and are deceived by their value. No job applicant should be denied a position, no employee denied a promotion because a competitor has presented false qualifications.

As I followed this investigation, Madam Chairman, I would say that each of these diploma mills seems to work somewhat differently, but they all mock hard work and traditional intellectual pursuit. Many provide substantial credits for life experience, which led me to conclude that you and I are both probably Ph.D.'s right now. [Laughter.]

In some cases, students didn't have to complete much, if any, coursework to obtain a degree because their life experience was study enough. One diploma mill didn't have professors or teachers on staff, didn't bother to grade student assignments and suggested to potential students that they could get credit toward their degrees for such life experiences as playing tennis or eating in exotic restaurants.

This same school advertised that students could earn a Bachelor's degree, Master's degree, or Ph.D. in just 27 days without attending any classes. I mean, this is unbelievable. If it wasn't produced by the investigation that the staff has done, it would be hard for me to believe.

The tactics of some of these outfits in soliciting prospective students are really unbelievable. At one unaccredited school, according to the staff's investigation, so-called admissions counselors were actually telemarketers who used pressure tactics and misleading statements to lure students. These self-described admissions counselors were actually paid commissions based on the number of students they enrolled, and in some instances were fired for not meeting their sales goals. Yet even though these diploma mills offer next to nothing in terms of the education they provide, they, of course, are often quite profitable.

I believe that you have done a great service in uncovering and drawing these shameful practices out into the sunshine. We have a very good group of witnesses this morning. I look forward to hearing particularly about the Office of Personnel Management's stepped-up efforts to address issues concerning educational credentials of current and prospective government employees, including the amendment of Federal personnel forms to more readily identify unaccredited and substandard schools.

So again, Madam Chairman, I thank you for your leadership here. I congratulate you and your staff for what you have uncovered and I look forward to working with you either to pass legislation that would close the loopholes which you have described or to encourage the Executive Branch to take regulatory action that will do so. Thank you very much.

Chairman COLLINS. Thank you, Senator.

Our first witness today is Alan Contreras. As I mentioned in my opening statement, he delivered his statement to the Committee yesterday, but due to a series of votes, we were unable to question him at that time. He is the Administrator of the Office of Degree Authorization at the State of Oregon's Student Assistance Commission and is one of the Nation's foremost experts on diploma mills.

We very much appreciate your flexibility in joining us today and we will go straight to questions unless you have some comments that you felt you didn't get to make yesterday before we had to adjourn.

TESTIMONY OF ALAN CONTRERAS, ADMINISTRATOR, OFFICE OF DEGREE AUTHORIZATION, OREGON STUDENT ASSISTANCE COMMISSION

Mr. CONTRERAS. I am done with my formal presentation and would be glad to take questions.

Chairman COLLINS. Thank you. It is my understanding that your State's law prohibits schools from awarding degrees unless they are approved by the State Office of Degree Authorization. Could you explain more about the Oregon State law, what brought it about and how it affects employers in your State?

Mr. CONTRERAS. Well, Oregon has had some kind of law on the books for well over 20 years, but the current version was passed in 1997 by the legislature, prior to my arrival in this position. What it does is it says that in order to be valid for use as a credential for any purpose in the State of Oregon, a degree has to be from a school that is accredited by a federally-recognized accreditor or that is evaluated and approved by our office using the standards adopted by the commission for which I work.

So what that means is that for any employment situation, public or private, in the State of Oregon, there is a built-in screening situation. It doesn't mean that occasionally somebody doesn't get through, but when we catch up with them, we can enforce the law in that situation.

Chairman COLLINS. Are there fines or other penalties if unaccredited schools operate in your State? How does that work?

Mr. CONTRERAS. There are fines or penalties both for an unaccredited school operating in the State or for an individual who uses a degree from an unaccredited school in the State. It is a

Class B misdemeanor under the criminal law. It is also considered civil fraud on the part of an individual and would be an unlawful trade practice on the part of a commercial entity. And their fines range up to $1,000 per incident, and under the Class B misdemeanor, there is a potential of 1 year in jail.

Chairman COLLINS. When the Committee first began its investigation, which was actually 3 years ago, and we looked at your website and the list of diploma mills, at that time, I believe there were about 40 that were listed. Could you tell us how that list has grown, how many schools—"schools" I put in quotes—you list as diploma mills and how you determine—what standards do you apply to determine whether an institution is a legitimate school or simply a diploma mill?

Mr. CONTRERAS. I do appreciate you putting the word "school" in quotes. We use the term "supplier"——

Chairman COLLINS. That is a better term.

Mr. CONTRERAS [continuing]. Which I think covers it pretty well. [Laughter.]

The list that Oregon has right now has maybe 170 or 180 names on it. The State of Michigan maintains a similar list, the State Human Resources Office there. These are by no means complete lists. Some estimates are that there are up to 2,000 of these suppliers out there.

Really, the list is intended as a guideline, as a way of letting consumers, employers, anybody else know that we know that these suppliers do not provide a degree that is legal for use in the State of Oregon. What that means is we know they are not accredited and they have never gone through any of the evaluation processes that we would require in order to make those degrees legal for use in the State. There are a very small number of unaccredited schools that have gone through that process. It is fewer than ten. But that is basically what the list is for.

Chairman COLLINS. Our investigation has revealed that there seem to be two kinds of diploma mills. One is simply a printing press. That is how I got some very fancy degrees, Senator Lieberman. All I had to do was send a check and I received very nice looking degrees, complete with transcripts. It was just a matter of paying the money and out popped the degree.

Others, such as Columbia State University, Kennedy-Western, and some of the others we have looked at, are more sophisticated. They require a modicum of work, but nothing close to what should be required for a legitimate degree. Obviously, you shouldn't be able to earn a degree in 27 days, the example we discussed yesterday and Senator Lieberman cited.

Do you find that diploma mills are becoming more sophisticated? Is it becoming more difficult for a student who perhaps does not have any experience with higher education to distinguish between a diploma mill and a legitimate institution?

Mr. CONTRERAS. Well, in our experience, the great majority of people who buy these degrees are people who already have a legitimate Bachelor's degree, not all, but most. What that suggests to me is that we have people who already know what post-secondary education is supposed to be. These aren't people who just came in

off the bog, as my Irish ancestors might have said. They have been to college. They have earned a degree.

And I think Senator Lieberman is right on. What we are talking about here is the notion that working for something doesn't mean anything anymore. I don't know where we lost the idea of that. I don't know where we got the idea that a degree ought to be something fast and easy. But I am not persuaded that most of the people who get these degrees don't know exactly what they are.

Chairman COLLINS. One final question from me. You have provided the Committee with a letter that is dated September 15, 1997, from your predecessor as Administrator of the State Office of Degree Authorization and it is to a Ph.D. recipient from Kennedy-Western University. The letter discusses the recipient's doctoral dissertation, but it also comments on Kennedy-Western. It says, for example, "Your dissertation also confirms that Kennedy-Western University is not truly a university and does not engender or require any doctoral-level research for the Ph.D., which is the ultimate research degree."

Is there anything that you have learned about Kennedy-Western's academic program since that time that would lead you to conclude that it is now a legitimate university? Is it still—does it meet your State's standards for a legitimate institution?

Mr. CONTRERAS. It does not. It was on our list very early on and the Oregon Attorney General has an agreement in place with Kennedy-Western from about 4 years ago under which they are no longer allowed to offer degrees to residents of the State of Oregon. Since that time, of course, we haven't had any reason to look at them because that agreement has been in place, but we certainly have not seen any new information.

Chairman COLLINS. Thank you. Senator Lieberman.

Senator LIEBERMAN. Thanks, and thanks so much for your testimony. In your work on this, I am curious whether you have reached any conclusions about the kind of people who are organizing these diploma mills. Are they, if we can put it this way, educators who have gone bad, or are they just out-and-out sham artists, con artists who just have found this to be the latest way to make a quick buck?

Mr. CONTRERAS. My impression is that there are some of each. The ones that you might call a pure mail order house, the St. Moritz's and the Harrington's and all that sort of thing, appear to have no connection with anybody, as far as I can tell, who used to be a professor or was in higher education in some way.

But a number of the other unaccredited suppliers do have people working for them in some cases that did come out of a higher education background, or at least who have graduate—seem to have graduate degrees from a legitimate institution. Of course, without investigating that, we don't really know. So I would say there are some of both.

Senator LIEBERMAN. A mixture. Let me ask you, I am impressed by the program you have and wonder if you have had any way to measure the deterrent effect of what you are doing either on prospective students or on employers? Has the existence of your program made each of them more vigilant, particularly, I suppose, the employers, because to some extent—you have said to us your judg-

ment on the students is that most of them are going into this knowingly?

Mr. CONTRERAS. My impression is that most of them go into it knowingly, or by the time they get out of it, they certainly know what they have.

Senator LIEBERMAN. Right.

Mr. CONTRERAS. The deterrent effect is probably the most important aspect of what we do. Our law is designed so that when we find someone who is using one of these degrees, they have one chance to stop using it within 30 days with no penalty at all. We aren't really interested in penalizing people. We are interested in getting bogus credentials out of the market.

Senator LIEBERMAN. Right.

Mr. CONTRERAS. So our whole system is set up that way. Our website, I think serves a great purpose that way and we get many comments on it. Certainly, it has had a big effect among public employers in the State. I have less idea about its effect on private employers because we don't connect with them as often, but we do hear from them occasionally.

Senator LIEBERMAN. A final question—in your testimony I was interested that you mentioned that several occupations seem to have more common involvement with diploma mill degrees. Could you just mention those and tell us whether you have any explanation as to why you think those occupations tend to use these degrees more.

Mr. CONTRERAS. Well, the ones that I have seen a lot of, and I have confirmed this with my colleagues in seven or eight other States before coming here, are K–12 education; police, corrections, and other emergency services; professional counselors; public administrators; administrators of medical facilities; providers of alternative medicine; mid-managers in business; and persons who work as expert witnesses, for which that is their main profession.

As to why these particular professions attract the diploma mill market, I think it has to do with our expectations as a society that people constantly gather paper credentials or they aren't worth anything, they can't advance, they can't get promoted. I think we tend to over-emphasize paper credentials and that is especially true in certain professions. My impression is that it is more true in the public sector than it is in the private sector, and that is my gut feeling, I guess, about why these professions might attract them more.

Senator LIEBERMAN. Am I right that in some cases, such as K–12 education and maybe in some of the other civil service professions, the holding of a graduate—I presume, obviously, most of the people have an undergraduate degree—but the holding of a graduate degree automatically gives you an increase in compensation?

Mr. CONTRERAS. It does in most K–12 education situations——

Senator LIEBERMAN. Right.

Mr. CONTRERAS [continuing]. And that actually is where there is—of course, a major case in Georgia right now where there are 11 teachers, I think, that are going to have to resign or give back their raises because they went through the St. Regis scam.

In some of these other professions, I don't work with the managers often enough to know whether they give raises or not. Cer-

tainly in police and public safety, I am aware that there, that kind of situation is true.

Senator LIEBERMAN. Thanks very much, Mr. Contreras. You are doing a really good job and you point the way for the rest of the country. Thank you.

Mr. CONTRERAS. Thank you, sir.

Chairman COLLINS. Thank you very much, and thank you so much for coming back today so that we could get the benefit of your expertise.

Our second panel today includes Claudia Gelzer, a Lieutenant Commander in the U.S. Coast Guard who is currently detailed to the Governmental Affairs Committee, and Andrew Coulombe, a former employee at Kennedy-Western University.

I would note that Ms. Gelzer will describe her experience. She went undercover and actually enrolled in Kennedy-Western, so she can tell us what her experience was like, both as a prospective student and as one who actually enrolled.

Mr. Coulombe graduated from the University of California at Berkeley with a bachelor's degree in historical archeology and geology. Because he was interested in working in higher education, he answered a job posting as an admissions counselor at Kennedy-Western University. Today, he will describe his experiences recruiting students to Kennedy-Western and the tactics he employed in doing so.

I would like to welcome you both to the Committee today. Your testimony is very important to our investigation and we appreciate your being here. Lieutenant Commander, we are going to start with you.

TESTIMONY OF LIEUTENANT COMMANDER CLAUDIA GELZER,[1] U.S. COAST GUARD DETAILEE, COMMITTEE ON GOVERNMENTAL AFFAIRS, U.S. SENATE

Lieutenant Commander GELZER. Good morning, Madam Chairman, Senator Lieberman. My name is Claudia Gelzer. I am a Lieutenant Commander in the U.S. Coast Guard. I joined the staff of the Committee on Governmental Affairs a year ago as a detailee.

As part of the Committee's team investigating diploma mills, I enrolled at a non-accredited school and took classes. Our goal was to conduct a first-hand evaluation of the quality of education provided by an institution in this category.

The school that I attended, Kennedy-Western University, is successfully attracting thousands of students each year. The school earned almost $25 million in 2003. It has nearly 10,000 students currently enrolled in its programs.

I would like to point out that Kennedy-Western is just one of many like institutions operating in the Nation today. It is not our intention to single them out as the only example of a non-accredited school. The reason, as you mentioned in your opening, Madam Chairman, the school became a focus of our investigation is because of the claims in its catalog that some 20 Federal agencies and entities have paid for employees to get degrees from the school.

[1] The prepared statement of Lieutenant Commander Gelzer appears in the Appendix on page 125.

Kennedy-Western has been operating for 20 years. It has a professional-looking website, a glossy brochure, and offers 19 areas of study, including business, engineering, and health administration. The school operates strictly online and through the mail. It has no physical campus, only office buildings in California and Wyoming. Kennedy-Western offers Bachelor's, Master's, and Doctorate degrees. The school is not currently, nor has it ever been, accredited.

I first called Kennedy-Western in July 2003. I introduced myself as a Coast Guard officer looking to earn a Master's degree in environmental engineering. I was connected to an admissions counselor who told me I was in good company. The engineering programs were among the school's most popular. Given my military background, she said I was probably well on my way to earning a Master's degree already. She told me Kennedy-Western believes students should get credit for what they have already learned. An admissions board would evaluate my experiences and determine how much credit I should receive and how many classes I would actually have to take to get my Master's.

In the weeks following my initial contact with the school, I received and submitted an application to Kennedy-Western which asked about my life and work experience. I provided a current resume, which listed my Bachelor's degree in journalism and my 12 years of work experience in the Coast Guard. I only removed reference to a Master's degree I hold in environmental public policy.

The application also asked for any seminars, workshops, or on-the-job training I completed. I listed six seminars and four training courses I had attended in the Coast Guard related to oil spill response and boat accident investigation. This information was accepted at face value by Kennedy-Western. They asked for no proof or documentation. As a note, I have no formal engineering training.

Not long after I was admitted into the program. My counselor was effusive about how well my qualifications had rated with the school admissions board. In fact, she said, my rating was one of the highest she had ever seen. As a result, the school was immediately prepared to grant me credit for 43 percent of the degree requirements. To drive this point home, my counselor paused and said, "Claudia, you are only five classes away from your Master's." I would also have to write a final paper worth 12 credits. In other words, Kennedy-Western was prepared to waive six Master's level classes in engineering based solely on my claims of professional experience.

As part of the investigation, the Committee on Governmental Affairs staff wanted to compare Kennedy-Western's policy for granting life experience with those of accredited schools. We surveyed 20 accredited schools that offer a Master's degree in environmental engineering. None of them offer credit for life experience. A more expansive survey of 1,100 accredited institutions and their life experience policy conducted by the Council for Adult and Experiential Learning revealed that only 6 percent of these schools offer credit for life experience at the Master's level.

In response to a formal query from the Committee, Kennedy-Western told us they only admit students who can demonstrate applicable work experience. We were told that every student in the Master's program is awarded between 33 and 60 percent credit to-

ward a degree for their experience. In fact, documents produced by Kennedy-Western indicated that nearly half of all students in the Master's programs have received more than 55 percent credit for their experience. Again, I received roughly 43 percent toward an engineering Master's degree.

After discussing the results of my evaluation, my admissions counselor told me she had good news for me about the tuition. My degree would fall at the lower end of the school's tuition scale because of all my experience. That amount was $6,525, payable all at once or in installments, but with no less than 25 percent down to start.

I asked why the school charged for its degrees in a lump sum. As you know, the Federal Government can only reimburse students or employees for courses, not for a degree. So I told my counselor the Coast Guard would only reimburse me by the class. She said not to worry. Kennedy-Western could make it look like they were charging me per class by drawing up a bill reflecting a course-by-course breakdown. She said they had just done this for a student from NASA.

This is a chart that shows what they drew up for me to accommodate the Coast Guard's tuition reimbursement policy for my first class.[1] In our interviews with former Kennedy-Western employees, we were told that it was common practice for the school to alter the bill to satisfy private and Federal employers for reimbursement purposes.

My counselor wanted me to get started right away. I needed only to select a payment option. I told her, before I could sign up, I needed to make sure the Coast Guard would pay for a Kennedy-Western degree. At that point, she asked if it would help to see some canceled checks the school had received from other Federal agencies. I could show them to my boss to prove to him that other agencies had paid for the program.

The next day, she faxed me three canceled U.S. Treasury checks payable to Kennedy-Western. They were tuition payments for employees of the Air Force, the Army, and the Defense Finance Accounting Service in amounts ranging from $3,400 to $4,800. Upon receipt of the checks, I paid my first installment of 25 percent down using a GAO credit card used for undercover work.

I chose two classes, "Hazardous Waste Management" and "Environmental Law and Regulatory Compliance." I got the textbooks for about $100 each from a book distributor affiliated with Kennedy-Western. The course guidelines arrived by E-mail and contained no actual syllabus. Instead, the guidelines included three basic instructions: Read your textbook cover to cover at least twice; take the enclosed sample exam; and take the final exam. No papers, homework assignments, online discussions, or interaction with the professor was required.

Kennedy-Western courses are not what most of us have experienced at the university level. Instead of structured interaction between professors and fellow students in the classroom, including homework, papers, and a series of exams, Kennedy-Western requires students to pass one open-book multiple-choice test for each

[1] The chart appears as Exhibit No. 29 in the Appendix on page 190.

class. A student can retake the exam if they don't pass the first time.

Once enrolled in my classes, I was assigned a student advisor. I called her to ask how long I had to wait before I requested my final exams. There was no time restriction, she said. If I felt prepared to take the tests the day after tomorrow, that would be fine.

I ordered the Hazardous Waste Management test first. I had neither read nor reviewed the textbook. My objective was to determine whether the test was, in fact, legitimate. If so, having not prepared, I assumed I would not be able to pass it.

I had 3 hours to complete 100 questions, and I was able to answer most of them by simply looking up a key word in the index, turning to that section of the text, and finding the answer. However, I got stuck on several questions, some that were worded unclearly and several for which there appeared to be no correct answer provided on the test. Ultimately, I ran out of time.

After submitting the test, the school notified me that I had not passed. In that same letter, I was offered a make-up exam for $50. I began to think perhaps Kennedy-Western's program might be more rigorous than we had heard. But then I took a closer look at my test. While reviewing my answers, I noticed that a number of questions had been graded incorrectly. I had given the right answer, but the questions were still marked wrong. I also confirmed that several questions had no possible correct answer provided in the choices.

The school has an active online chat room for students called "The Pub." I had seen a lot of complaints from other students about the quality of Kennedy-Western exams when I was reading "The Pub." In this chart,[1] you can see one student who said, "I do not know about yours, but some of my exams were terrible. One referred to a diagram that was not on the test, and others you can barely read because of very poor English." Another student said, "My advice to those who are studying hard is to recheck their exam results and challenge the score if you believe you have the right answers. I was surprised to find out that all my exams contained some errors, which I had to challenge and correct. I guess a lot of us are experiencing similar issues across different majors."

So I filed a grade challenge. Ultimately, the school declared the test invalid, acknowledging, "significant errors." I received several calls from the class instructor, who apologized for the poor quality of the test and acknowledged that in addition to making administrative corrections, she would also reword several of the questions to make them clear.

The school also sent a letter of apology and I was told that my grade would be expunged and I could order a retake exam at no charge. Before ordering a new test, I reviewed the textbook layout and I took a practice exam. I spent just under 8 hours on these activities.

I assumed the school would send a different version of the exam the second time. The retake, however, was identical to the first with the exception of the corrections the instructor had made. I had no trouble passing it.

[1] The chart appears as Exhibit No. 21 in the Appendix on page 181.

I then focused on my second course, "Environmental Law and Regulatory Compliance." The textbook for the course was not a textbook at all, but rather a lawyer's desk reference entitled, Environmental Law Deskbook. This presented a problem. This is a 988-page reference guide containing 22 environmental statutes written in ten-point typeface. It contains no legal summaries, annotations, or any type of analysis of environmental law, in short, no context for the class whatsoever.

Again, the course guidelines recommended that I read the book twice in its entirety and then review questions at the end of each chapter. But this book had no study questions. It consisted of nothing more than the text of each statute. I wasn't sure how to study a book like this, so to prepare for the exam, I found on my own an environmental law treatise and I studied it for about 8 hours.

Again, the test was open-book, multiple-choice, 100 questions, and largely with the help of the alternative text I had found, I was able to pass it without a problem. Nevertheless, the class was a disappointment. The textbook prescribed by Kennedy-Western was essentially useless as a tool to increase a student's understanding of environmental law or to help to analyze environmental statutes and their genesis. After passing the test, I E-mailed the professor through my student advisor asking why he had selected such an ineffective book. I never heard back.

Not long after, I withdrew from the school, as by then we had a good sense of Kennedy-Western's academic program. With just 16 hours of study, I had completed 40 percent of the course requirements for my Master's degree.

In reviewing student dialogue in the school's online chat room, I found numerous postings about the quality of Kennedy-Western's program and its lack of accreditation. I sensed genuine disappointment and even desperation from some students, questioning whether they had made a mistake. Many admitted they hadn't understood the importance of accreditation when they enrolled. Some students spoke of feeling duped by the school. Several questioned why it seemed like so many students at Kennedy-Western had to take only four or five classes.

On the other hand, there were students who seemed completely at ease with the lack of program exams. The chat room included regular exchanges about how to prepare for Kennedy-Western exams. It was openly acknowledged that test answers could often be found in the textbook glossaries.

This is a chart that shows some actual quotes from the chat room on the issue.[1] One student said, "I would like to share general advice that helped me score an A on four of my courses. I highly recommend that you be familiar with the glossary and the index of the textbook. Some of the questions were copied from the glossary." Another student echoed that sentiment. "I took the test this morning and got a 91 percent. I was surprised myself on how many answers were straight from the glossary." There were multiple postings like this.

As for my first-hand experience with Kennedy-Western courses and passing the tests, I found that basic familiarity with the text-

[1] The chart appears as Exhibit No. 22 in the Appendix on page 182.

book was all that I needed. I was able to find answers without having read a single chapter of the text. As for what I learned, the answer is very little. The coursework provided only a cursory insight into the management of hazardous waste or environmental regulations and law, certainly not at the level one would expect from an environmental engineer.

Aside from a multiple-choice exam and someone to grade it, based on my experience, a student at Kennedy-Western receives little value for their roughly $6,000 in tuition. I think that is why I found so many who expressed disillusionment on the school's chat room. Having stood in their shoes for a few months, I can understand why they feel betrayed.

I can also understand the feelings of a number of Kennedy-Western employees who we interviewed during our investigation. A former admissions manager stated that there was no value to a Kennedy-Western education and that he was embarrassed to have ever been a part of the school. A former faculty member said Kennedy-Western's curriculum development system is broken. A former employee of the student services department said the work at Kennedy-Western simply does not qualify a student for a Bachelor's degree.

This concludes my written testimony. I would be happy to answer any questions that Members might have.

Chairman COLLINS. Thank you very much. Mr. Coulombe.

TESTIMONY OF ANDREW COULOMBE,[1] FORMER EMPLOYEE, KENNEDY-WESTERN UNIVERSITY

Mr. COULOMBE. Good morning. Madam Chairman, thank you for inviting me to testify about my experience at Kennedy-Western as an admissions counselor at Kennedy-Western University. I worked at Kennedy-Western for 3 months before quitting in February 2003.

First, let me provide my personal background. I received a Bachelor's degree from the University of California at Berkeley in 1997 in historical archaeology and geology. After graduating from college, I was looking to work in the field of higher education and I saw a listing on the employment website Monster.com for a position as an admissions counselor at Kennedy-Western University. I had not heard of Kennedy-Western, but was eager to work in academia and to advise students. Therefore, I applied for the job.

Shortly after being hired, I started training at Kennedy-Western. I soon discovered this was like no other school I had ever seen. I saw immediately that I had been mislead by Kennedy-Western's recruiter. I was not going to be counseling anyone. I had been hired to be a telemarketer, using a script to sell Kennedy-Western just like any other product.

As an admissions counselor, I was required to call between 120 and 125 prospective students per day, trying to convince them that they should apply to Kennedy-Western. If I convinced a student to apply, he was then handed over to a senior admissions specialist, who tried to get the student to enroll and pay for his degree. These senior admissions specialists were generally regarded as the experi-

[1] The prepared statement of Mr. Coulombe appears in the Appendix on page 132.

enced hard-core closers who would close the sale and bring in the money. Once the student paid, he was then turned over to the student services department to select his classes.

I generally called between 400 and 500 potential students per week, and of these, only a small number would usually submit an application. Admissions counselors like me were taught to use a negative-sell approach with prospective students. Generally, we would tell them that they were not very qualified, they did not have a strong academic background, and they did not have a good chance of getting into a prestigious school like Kennedy-Western. We told prospective students that we would do him a favor and submit his name to the admissions board and see what the board decided. Then once he was accepted, we would tell him the unbelievable news that he has been accepted.

The problem is, much of our sales pitch was not true. There is no admissions board. Applications were reviewed by one person. Of course, the applicant had excellent chances of getting in. In fact, I had never heard of an applicant being rejected.

We were also instructed to tell applicants that at Kennedy-Western, they would be taking the same classes that students took at real schools, like Harvard or Princeton. I went to a real school. Kennedy-Western is not a real school.

Admissions counselors work in a boiler room atmosphere, where we were under significant pressure to meet lofty sales goals. We were paid a low base salary and made over half of our pay in commissions. We were paid a commission of $15 per head on every application we brought in. If a student actually enrolled, we would get roughly $100 per student.

Admissions counselors' names were also listed on a large white board in our sales room, indicating how many sales we had made and whether or not we had met our sales goals. There was enormous turnover in Kennedy-Western's sales force. Many counselors quit once they discovered they were going to be telemarketers, not admissions counselors. Others could not meet the sales goals set by Kennedy-Western. Others simply could not stomach what they were being asked to do.

When a person gave their 2 weeks' notice, they were usually fired on the spot and locked out of the building's controlled access. These conditions alone sent up numerous red flags in my mind. No real school I had ever heard of operated like Kennedy-Western. At Kennedy-Western, everything was about the pursuit of cash.

I don't know where Kennedy-Western got all of the names that I was calling on a daily basis. The school's management told us that everyone we called had requested information on Kennedy-Western. However, my experience suggests that this was not true. Once, I called a name provided to me by Kennedy-Western and the person I called said that he worked for what he called the lead company and that his name had been included as a test lead. He explained that his company sold names to Kennedy-Western.

Because I had been told that everyone we called had expressed interest in Kennedy-Western and requested information, I was alarmed to hear that a company was selling names to the school. When I asked the school's management what was going on, they

denied that they had us cold-calling applicants, but did not explain what had happened.

However, it did not require great detective work to figure out that we were cold-calling people to ask them to apply to Kennedy-Western. Most of the people we called had never heard of Kennedy-Western. I often joked with my fellow admissions counselors that people kept referring to the school as "Kennedy Who?" and "Kennedy What?" I know that the management denies that we cold-called potential students, but that simply is not my experience.

Many of the people I called were down on their luck. Many lacked a college education and held dead-end jobs. Many had families and full-time jobs and did not want to take a lot of time to get a degree from an accredited school, and those were the buttons we pushed when trying to get them to apply to Kennedy-Western. We used negative-sell tactics to convince them that they did not have many options in life and that Kennedy-Western was their best chance to improve their lot.

The problem is, the school did not deliver what it advertised and I believe that these students could have done much better than to spend their money on Kennedy-Western. In the end, I felt that what I was being asked to do as an admissions counselor was unethical.

One issue I understand is of particular interest to the Committee is whether the Federal Government made payments for Federal employees to obtain degrees from Kennedy-Western. I know that prospective Kennedy-Western students were usually interested in trying to get their employers, whether private company or Federal Government, to cover the costs of the degree. Kennedy-Western did everything it could to help students get reimbursed. We would provide employers with letters explaining that other large companies and government agencies had paid for Kennedy-Western degrees in the past. Sometimes we were successful and sometimes we were not. Having worked at Kennedy-Western, I can say that as a Federal taxpayer, I am upset that tax dollars have been spent there.

I would like to make a couple of additional observations about the severe shortcomings of a Kennedy-Western education. Part of my job was to have applicants fill out applications and list their prior work experiences. I know that Kennedy-Western made no efforts to verify the work experience claimed by the applicant. I also know that Kennedy-Western gives applicants a substantial amount of credit for the prior work experience, even if they are inconsequential. I saw this happen numerous times.

Second, based on my observations during the time I worked at Kennedy-Western, I can tell you that there is no value to a Kennedy-Western education. Anything you learn there can be learned by buying a book and reading it on your own.

Madam Chairman, thank you for inviting me to discuss my experiences at Kennedy-Western. That concludes my prepared statement and I will be happy to answer any questions that you may have.

Chairman COLLINS. Thank you very much for your testimony. Lieutenant Commander, you were applying for a Master's degree, is that correct?

Lieutenant Commander GELZER. Yes, ma'am.

Chairman COLLINS. Did Kennedy-Western ever require you or suggest to you that you needed to take the Graduate Record Exam, the GREs that are typically required for graduate school work?

Lieutenant Commander GELZER. No, ma'am. There was no mention of any kind of entrance or qualification exam requirement.

Chairman COLLINS. Were you asked to provide a transcript or some proof of your undergraduate degrees?

Lieutenant Commander GELZER. The school admitted me before ever seeing any evidence of my undergraduate degree. Their policy was that you had to send it in within 30 days, and I was able to start my classes long before they ever saw it.

Chairman COLLINS. Did you have to verify or submit examples of the work experience for which you were receiving graduate-level credit?

Lieutenant Commander GELZER. No. I had certificates, graduate certificates from Coast Guard classes and different seminars I had attended, but they said it wasn't necessary to send any of that in. I just listed the names and the dates on the application.

Chairman COLLINS. So there was no evaluation of the so-called life experience for which you were receiving graduate-level academic credit?

Lieutenant Commander GELZER. No one ever asked me about the claims I made.

Chairman COLLINS. Now, it is legitimate in some cases for a school to give credit for life experience. According to the Council for Adult and Experiential Learning, which is known as CAEL, establishing equivalents between work experience and academic credit requires two things, and I think we have a chart on this.[1] First, the experience has resulted in specific learning, and second, the learning must correspond or at least be similar to the learning that is expected in the more traditional academic courses for which credit is being awarded.

We asked CAEL to review Kennedy-Western's process for assessing credit for experience and I am going to ask unanimous consent that the full text of the April 15, 2004, memorndum be entered as part of the official hearing record.

[The information of Chairman Collins follows:]

[1] The chart appears as Exhibit No. 23 in the Appendix on page 183.

Memorandum

Date: April 15, 2004
To: Michael Bopp & Pam Tate
From: Tom Flint
Re: Kennedy-Western University

Michael, this memo is in response to your request that CAEL comment on the 14 pages of information about Prior Learning Assessment (PLA) policies and practices submitted to your office by Kennedy-Western University (KWU).

First I must comment that CAEL has no specific prior knowledge about any aspect of KWU operations other than that which you have provided. If the reality of their procedures and practices is materially different than as described in the pages sent via fax to us, then our conclusions expressed below may misinterpret what is actually occurring. A check of our membership records today shows that no one from KWU is on our active list of dues-paying members, nor is the institution itself a member of CAEL.

From the information you provided, we can offer some observations about KWU PLA practices, vis-à-vis CAEL's standards for quality assurance for assessing prior experiential learning for credit. Our conclusions can address PLA practice only, not any other aspect of KWU's operations such as marketing, admission, teaching, tutoring, or other student services or administrative services. None of these comments below are intended to warrant whether or not KWU is, or should be investigated as, a 'diploma mill.'

CAEL's standards for quality assurance for PLA hold premier recognition throughout the US and the world. Most higher education accrediting bodies either refer directly to or imitate the CAEL standards when providing guidance to institutions. It is important to note that these standards are voluntary, and CAEL itself does not accredit PLA programs, policies or procedures at any college or university, whether accredited or not. CAEL's role is that of research, advocacy, professional development, and consultation to those who deliver PLA services to college students.

The first CAEL PLA standard for quality assurance states, "Credit should be awarded only for learning, not for experience." My reading of the KWU material that you forwarded to CAEL leads me to conclude that KWU does not observe this standard. KWU states it awards credit for "...professional experience assessed to be congruent with specific learning outcomes of the degree program." Further, "Credit is awarded for years of related occupational experience in excess [sic] minimum admission requirements" and "If the job responsibilities can be mapped to the degree program outcomes then the experience qualifies for the work experience credit."

Untested assumptions are in play when credit is awarded for experience, not for learning. First, job descriptions – statements of duties and responsibilities – do not always reflect the actual tasks assigned to incumbents. Second, an enormous range of difference in job

knowledge and skill – from simple to complex – might be legitimately portrayed in identical job descriptions or job titles, such that there is genuine uncertainty about the actual level of the abilities (or learning outcomes) required of the incumbents. Third, incumbents may (for various legitimate reasons) hold their jobs for years yet their performance in those jobs may be missing or unsatisfactory in one or more ability areas. Finally, any system that depends heavily upon the person being assessed to attest to the accuracy of past history and personal performance is open to intentional or unintentional distortion of the facts. These are among the reasons that the CAEL standard states that credit should be awarded only for the demonstrated achievement of the learning outcomes, not for the experience which may have been their origin.

Another CAEL standard states, "Credit should be awarded only for college-level learning." From the materials you forwarded on KWU's PLA policies and procedures, it is simply not possible for CAEL to conclude one way or another whether this standard is being observed by KWU. The document that you sent makes reference to KWU degree program learning outcomes, without stating what those outcomes are.

Yet another CAEL standard states, "The determination of competence levels and of credit awards must be made by appropriate subject matter and academic experts." From the material that you sent, one may doubt that this standard is being observed, for the following reasons. First, as just noted, the degree program learning outcomes are not stated, so it is not clear who the appropriate subject matter and academic experts must be, or their qualifications. On the matter of the capstone project, KWU notes, "Each student is assigned to a faculty mentor or team that is credentialed, qualified, and experienced in the field in which the research is being conducted. It is notable that four-fifths of the Kennedy-Western University faculty members hold doctoral degrees from regionally accredited universities." However, this statement apparently applies to the capstone project work but not to the PLA process.

Second, since the PLA process at KWU evaluates the level and length of work experience, not the learning outcomes directly, it brings into question whether subject matter or academic expertise is even necessary to do such evaluations. KWU states, "The registrar depends upon faculty leadership and content experts to consult and research specific issues or interpretations." At accredited colleges and universities that offer PLA based on the CAEL standards, the faculty is the decision-making body on PLA credit award policies and on individual student portfolio petitions for credit, from beginning to end – not just in a consultative or occasional capacity.

Finally, as indicated by KWU, because of the stated work experience requirement for admission, every student admitted is awarded a minimum level of PLA credit, from 15 to 21 credits depending upon degree level. Thus, the admission decision is simultaneously a PLA credit award decision, so credentials and qualifications of the staff at KWU who conduct admissions is key to deciding whether or not appropriate expertise is brought to bear on PLA credit. Several individuals on the list of team members supporting the admission process have no indication of their education or other expertise.

The admission process at KWU for doctoral students may exemplify doubts in connection with this last point. While in the case of the capstone project it is stated, "All faculty assigned to doctoral students have earned a doctorate or equivalent," no similar statement is made with respect to admitting students into the doctoral program. It thus appears that a range of a minimum of 21 to a maximum of 36 PLA credits (or 35% to 60% of the required program total of 60) are routinely awarded in the doctoral program by the registrar's and/or admissions team, none of whom is identified by KWU as having a doctoral degree. For all these reasons above, one may doubt that PLA credit awards at KWU are consistently decided by appropriate subject matter or academic experts.

CAEL has additional PLA standards, but from the material provided by KWU, I am unable to comment further about KWU policies and practices. I hope the information provided above is helpful to understanding the quality standards for PLA evaluations as advocated by CAEL.

Senator COLLINS. What we found and what the posterboard shows[1] is a CAEL representative wrote to the Committee, "My reading of the Kennedy-Western material that you forwarded to CAEL leads me to conclude that Kennedy-Western does not observe this standard."

Based on your investigation, do you believe that Kennedy-Western's policies in awarding credit for prior work experience differ from those that are more commonly accepted and from the standard established by CAEL?

Lieutenant Commander GELZER. I do. As mentioned in my testimony, we know that only a very small percentage of schools even allow for the award of credit for experience and that those schools make sure to verify that the student has actually had the experience that they are claiming. We also interviewed a former Kennedy-Western employee who had actually worked at several accredited distance-learning schools and he said the way accredited schools do business is entirely different.

If they give credit for experience, they make sure that a student can test out using something like the Educational Testing Service's CLEP test, and also if they do pass those tests, they will only allow them a certain percentage of credit over their entire degree, and we know that Kennedy-Western will waive as much as 60 percent of a student's degree requirements based on experience credit.

Chairman COLLINS. You paid careful attention to the website on which other students enrolled at Kennedy-Western posted comments about their experience. Did you ever find postings on the chat room website from other Federal employees who were attending Kennedy-Western, and, if so, what sense did you get of their experience?

Lieutenant Commander GELZER. I did see a couple of postings that made me believe these people were working for the Federal Government or they said they were in the military or something, and I pulled a couple quotes that are on this chart.

One student wrote, "I work for the Federal Government and recently read an article in the *Government Computer News* magazine that stated the Federal Government required accredited degrees. I verified this information and it's true. I'm crushed. I'm almost finished with the program and I don't know if I want to go to the trouble of writing my dissertation."

Another posting went like this. "I'm in the military and I read the claims from Kennedy-Western of how many Federal employees were reimbursed. I found out quickly that the military or Federal Government will not even consider a school that is not accredited. I did complete the degree since I had already paid for it. I guess that was money lost."

In general, they were of this kind of tone. These students sounded really despondent, disappointed, disillusioned. They were really surprised to have found out after the fact, after they put their money down, that their degree couldn't be used.

Chairman COLLINS. And this is an important point, because yesterday, we talked about individuals who knew very well when they were enrolling in diploma mills that they were buying a bogus de-

[1] The chart appears as Exhibit No. 23 in the Appendix on page 183.

gree. But in some of the cases that you have cited, students in good faith enrolled in Kennedy-Western, only to discover after they had paid their tuition that it did not meet the standards of a legitimate academic institution, is that correct?

Lieutenant Commander GELZER. That is right, both private and public sector people.

Chairman COLLINS. Senator Lieberman.

Senator LIEBERMAN. Thanks, Madam Chairman. Commander, thanks for your service to the Committee. Chairman Collins has covered most of my questions——

Chairman COLLINS. Sorry.

Senator LIEBERMAN. No, they are good. They are naturally very brilliant questions. [Laughter.]

I wanted to ask you whether there was any way in which the so-called professors at Kennedy-Western made themselves available to you over the Internet. For instance, was there ever a way given to you that you could contact anybody that seemed to be a professor if you had a question about a course?

Lieutenant Commander GELZER. You were supposed to be able to contact your professor for what they called tutorial advice. You weren't allowed to contact your professor directly. You had to make a request to your student advisor and then they would forward it on to the professor, and the only time I reached out to a professor, I never got a response.

Senator LIEBERMAN. OK. And again, my inference from some of the testimony that you have given and other parts of the investigation I have read about, is that in this case a lot of the students who signed up knew that the program was unaccredited, is that right?

Lieutenant Commander GELZER. They did, because Kennedy-Western is really careful about that. They never claim that the school is accredited. They come out and say, we are not accredited, but in the very same breath, my admissions counselor ran through all the reasons why that didn't really matter. She said that accreditation does not have much to do with the quality of a school, but it has more to do with whether a school has things like a certain number of tenured professors or has a certain number of hours a student has to spend in an on-campus classroom or whether they are dependent on Federal loans. And I think if you didn't know better, you would be convinced that accreditation was more of an administrative designation.

Senator LIEBERMAN. Do you think most of the students were willing, I don't want to say co-conspirators, but willing participants in what was essentially a fraud, or were they deceived?

Lieutenant Commander GELZER. I would say I saw more evidence of students who were surprised and seemed a little deceived that all of a sudden, they realized their company wouldn't reimburse them, or they put their degree on a resume and they went to apply for a job and they were questioned about it and they had to ultimately take it off their resume.

Senator LIEBERMAN. A final question for you, Commander. Did Kennedy-Western do any follow-up with you after you dropped out?

Lieutenant Commander GELZER. Well, I called them to say I was going to disenroll and they did call me to try to talk me into staying and see if they could adjust my payments and that kind of

thing. But once I told them the Coast Guard wouldn't accept an unaccredited degree or pay for it, they said, if you want to, you can be reinstated for a fee later down the line if you would like to come back.

Senator LIEBERMAN. Thanks. Mr. Coulombe, you mention in your testimony that Kennedy-Western paid commissions based on the number of students someone in your position enrolled. I am just curious whether there were any other incentives or pressures placed on you, whether you had sales goals or anything of that kind internally.

Mr. COULOMBE. Yes, there were incentives. Obviously, it was the mainstay of our income as employees that was not necessarily a salary but success-based initiatives.

Senator LIEBERMAN. Right.

Mr. COULOMBE. We did——

Senator LIEBERMAN. Were you salaried at all?

Mr. COULOMBE. We did have a very small base salary. The bulk, 50, 60, maybe even 70 percent if you stayed for a longer tenure than I did, would be based strictly on commission. I did see during our Christmas party that gifts and vacations and awards and certificates to shopping malls were handed out to successful employees. As well, to answer one part of your question about the goals, sales goals there were very lofty and there was only a handful of long-term successful, "admissions counselors" that were able to meet these sales goals.

Senator LIEBERMAN. I take it that you never, or did you visit the offices at any time?

Mr. COULOMBE. Before I applied, no. After I applied, yes, I did work in their offices. They are just as they represent themselves in the catalogs and their paperwork. They come off as being very structured and very professional to the outside eye.

Senator LIEBERMAN. Right. Was it a large facility that you worked in?

Mr. COULOMBE. It was three suites of a bigger office building. I believe they had the whole upstairs and a piece of the downstairs.

Senator LIEBERMAN. Right.

Mr. COULOMBE. There was a central conference area that was kind of the centerpiece with the hardwood and the nice furniture, and then there were the other office buildings in there that were more just boiler room type situations.

Senator LIEBERMAN. Some of your testimony touched on the manipulative tactics that were used on prospective students. Is there anything else beyond what you mentioned that you were asked to do that you concluded was unfair?

Mr. COULOMBE. A lot of it was unfair. I think I touched upon the major aspects of it. There were other things that were said along the lines of once we got their attention and convinced them that they were interested, to get them to apply, we were told to mention that tuition was going to be increased real shortly, so it was in their best interest to apply as soon as possible, hopefully today. It was just—it was an emotional play on people.

Senator LIEBERMAN. Sure.

Mr. COULOMBE. It was people who were not having a very good run with life and we played on the fact that this was their solution.

Senator LIEBERMAN. You mentioned this before and I was really interested—in terms of the list of names that you were given to call and your discovery that, at least in some cases, Kennedy-Western was buying lists—could you reach any conclusions from the people you were calling about what kind of lists they were buying?

Mr. COULOMBE. The one commonality that I found was the names, more so than anything. It was people in transitional phases in their life. They had recently either been fired or divorced or had a death in the family. It was a very traumatic list to say the least. People were not having a—we weren't calling successful business people, even though some people were the mid-level management type of person. But if there was one thread of commonality through it, it was the fact that people really needed something in their lives to get them over a hump of some sort, be it career or personal or financial.

Senator LIEBERMAN. So this pattern you have described leads us to, I think, not to alter our conclusion that most of the students involved are willing participants, but on the other hand, there is obviously an extent to which there was a solicitation, a kind of not quite entrapment, but tempting to participate in this fraud. That is what comes out of your testimony. I appreciate it.

Senator Pryor is here and I was thinking, both of us having been former State Attorneys General, I don't know the extent to which—I know there was some testimony that at least one AG has focused on this. These things really ought to be closed down, or life ought to be made difficult enough for them in terms of, cost enough, for them that they can no longer afford to go forward. And I am sure if you and I were still AGs, that is exactly what we would be doing.

Senator PRYOR. We would be right on top of it. [Laughter.]

Senator LIEBERMAN. Thank you, Madam Chairman.

Chairman COLLINS. Thank you. Senator Pryor.

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. Thank you, Madam Chairman.

Yes, in the world of attorneys general, we look at deceptive trade practices, so the question is how deceptive is this and what sort of techniques are being used. It would be interesting to pursue that on the State level, as well.

I have a couple of questions for you.

Mr. COULOMBE. Yes, sir.

Senator PRYOR. We know that this school, Kennedy-Western, was not accredited. How would you handle that on the phone when your prospective students would ask about that?

Mr. COULOMBE. Like most everything at Kennedy-Western, we were held to a strict script. We had no liberty to deviate from a prepared statement. The statements are, like we had heard from the Lieutenant Commander here, strictly in the same voice. They always mentioned up front that they were a non-accredited university. However, in the same breath of air, they gave a list of reasons as to why they were not accredited.

I completely agree with her that the script read out in a way that if you didn't know better, you would leave thinking that accreditation basically meant that you had to have a brick-and-mortar building with actual professors in it and actual student classes and it

had nothing to do with the fact that there was a difference in the education.

Senator PRYOR. Do you know if Kennedy-Western ever tried to become accredited?

Mr. COULOMBE. I don't know specifically. What I do know is that they were vocal about being in a niche market and they didn't pursue being accredited while I was there, nor did they show any interest in the past, as far as I could tell.

Senator PRYOR. Do you know, do you remember off the top of your head, how much it costs to be a student at Kennedy-Western? I assume the cost was by the credit hour?

Mr. COULOMBE. Yes.

Senator PRYOR. But how did that work?

Mr. COULOMBE. I believe that it was a sliding scale depending on the quantity of classes you needed to take. It has been a while, but I believe that it could range anywhere from $6,000 to $9,000, or $10,000.

Senator PRYOR. Would that be to get a degree from there?

Mr. COULOMBE. As far as I can recall, yes, that would be enough to pay for the tuition.

Senator PRYOR. You said you could not deviate from the script at all?

Mr. COULOMBE. No. There was no counseling that was going on. It was strictly a sales script like you would sell any other product that relied heavily on a proven sales tactic. We were told many times that if you called this number of people and you don't deviate from this script, you will have this type of success.

Senator PRYOR. Do you remember what type of success you had in trying to get people to sign up?

Mr. COULOMBE. I personally was very successful. One of the things I did before I left so that I didn't leave defeated was to show them that I was leaving out of an ethical, moral ground and not out of a defeated sales position. So I had success. The first couple months of working there, I didn't really realize what was going on until the last part of the month there, where I finally had a conversation with the gentleman who sold us the leads, and that was really kind of the straw that broke the camel's back as far as me believing in what was happening.

Senator PRYOR. Did you receive any training at the school?

Mr. COULOMBE. We did receive training. To my surprise, there was a week-long training period. The training was sales training. It was not academic or admissions training.

Senator PRYOR. It was basically like telemarketer-type training?

Mr. COULOMBE. It was very sophisticated. It was more than just, here are some numbers and here is a script. They explained why the reverse take-away sale works, how to install it in an emotional manner, and not only telling us why not to deviate from the script, they explained how it worked and the success they have had from it. So it was a week-long sales training.

Senator PRYOR. Do you know about how large the sales force was there?

Mr. COULOMBE. If I recall correctly, the sales force was 60 to 70 percent of the actual total employed people at the university.

Senator PRYOR. So what would that number be?

Mr. COULOMBE. Sixty or 70 people.

Senator PRYOR. OK. Do you know how many students they would have at any given time at Kennedy-Western University?

Mr. COULOMBE. I do not. It was a significant number. I know that just from watching the success of the company while I was there. But I do not have a number on that.

Senator PRYOR. How would the time frame work from the time you would contact someone and you would walk them through the process. I guess they would send in whatever material—did they send a check at that point, or——

Mr. COULOMBE. They do for the application. My job as an admissions counselor was to get them to apply to the university. I needed to get them, and I believe it was a $50 check and send them the actual brochures, which had the application in it. Once they sent back the application, my job was to get back in touch with them and explain to them that they did actually get into the university, and then I handed them off to what was referred to as a senior admissions specialist, which was in charge of setting up, I believe, the tuition and getting them in line, ready for the student services people.

Senator PRYOR. So as soon as you received their payment, then you fairly immediately——

Mr. COULOMBE. Yes. I called them and said, thank you, we got you in, and explained to them, not that I was giving them to a closer—but that I was giving them to someone who is going to be able to walk them through financial aid.

Senator PRYOR. OK. Do you recall anyone ever being turned down?

Mr. COULOMBE. I don't personally recall anybody being turned down. It may have happened. I am not really in a position, just due to tenureship there and my entry-level position, to know if that ever happened. But in my experience, no, everybody got in.

Senator PRYOR. That is all I have, Madam Chairman. Thank you.

Chairman COLLINS. Thank you, Senator Pryor.

As Senator Lieberman said, the only basis that he could think of where someone would be turned down is if the check bounced——

Senator PRYOR. That is exactly what I thought, too. [Laughter.]

Chairman COLLINS [continuing]. And I think that is probably accurate.

Senator PRYOR. Exactly.

Chairman COLLINS. And you would note I gave credit where credit is due for that.

Senator LIEBERMAN. It is very unusual.

Chairman COLLINS. It is very unusual. [Laughter.]

I want to just quickly follow up on two very important points that Senator Pryor made. Kennedy-Western provided the Committee with a listing of its current employees and the list indicated that they have 119 employees. Sixty-nine of them, almost 60 percent, work in admissions. I can't imagine a legitimate college having 60 percent of its employees working in admissions.

Mr. Coulombe, do you think that those numbers and that ratio are indicative of the fact that Kennedy-Western's emphasis was on sales rather than on teaching?

Mr. COULOMBE. Without question.

Chairman COLLINS. And one other point. You talked about your training and the training sounds much more like the training for someone working in a boiler room, someone who is trying to sell fraudulent stocks or investment scams, than a college degree. Could you talk a little bit more about the training, and in particular, do you consider it to have been high-pressure techniques? Were you ever instructed to call people repeatedly, even if they expressed no interest when you first solicited them?

Mr. COULOMBE. I would say the answer to your question is yes, and specifically the reason is that the reverse take-away sale on a superficial level does not look like a high-pressure sale. It looks as if it is a very touchy-feely emotional type of sales practice. However, if you are on the receiving end of it, especially if you are in a point of transition or in a desperate situation, I would say it is extremely high pressure.

Things being said as far as, "Oh, I guess you are not serious about bettering yourself," or "You are obviously not ready to continue your education and get that advancement," were things that were said that are just statements. They are not knocking on your door or anything like that. But if you are on the receiving end, I believe that I would consider it high pressure. There was a lot of things that we were asked to say and a lot of things that were on the script that I felt that if someone was calling my home and talking to me like that, that I would have a personal issue with it, not necessarily just a telemarketing issue with it.

As far as repetitive calling goes, they called them touches on the students. We were told to have at least three touches on them before we let them go, regardless pretty much of what their interest in the school was.

Chairman COLLINS. So if the first time you called, the student said, or the potential student says, "I am just not interested," that wasn't the end of it. You might call two more times?

Mr. COULOMBE. Oh, we would call two more times.

Chairman COLLINS. You would?

Mr. COULOMBE. Personally, for me, if they were violently mad at the fact that we were calling, we were still supposed to call them a couple more times. I never did. But yes, if they didn't show any interest, we would call them a few more times, and we also would try to reach them at different times of the day, the morning, afternoon, and evening, just in case their response was driven by a situation they were in either with kids or work or something of that nature.

Chairman COLLINS. I am fascinated by the calling lists that you worked from. I certainly would understand if a college were buying lists of people about to graduate from high school, for example, and send them materials or perhaps even call them. But you have suggested something much more ominous, that these were lists of people in difficulty. They may have been laid off from their jobs or getting a divorce. It almost sounds like a list of people who were primed for exploitation. Is that fair?

Mr. COULOMBE. I never looked at it like that while I was there, but with hindsight, I would say yes. I am not sure how a list like that would be generated due to the fact that there were so many

life situations and personal situations. Obviously, there is a complex equation to get a list like that. But what I do know is that they were not people who had requested information from Kennedy-Western.

Chairman COLLINS. Thank you. Senator Lieberman, do you have anything further?

Senator LIEBERMAN. I don't have any further questions. Thank you.

Chairman COLLINS. Senator Pryor.

Senator PRYOR. No, thank you.

Chairman COLLINS. Thank you very much. I want to thank you both for your excellent testimony and for giving us an inside look at one diploma mill. Thank you.

Our final panel today includes Stephen Benowitz, who is the Associate Director of Human Resources Products and Services at the Office of Personnel Management, and Sally Stroup, who is the Assistant Secretary for Postsecondary Education at the U.S. Department of Education.

Welcome to you both. We appreciate very much your being here and how closely you have worked with our Committee over the past months as we have conducted this investigation. Actually, this investigation goes back 3 years and it has involved a lot of work by the staff.

Ms. Stroup, we will start with your testimony. Thank you.

TESTIMONY OF SALLY L. STROUP,[1] ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION, U.S. DEPARTMENT OF EDUCATION

Ms. STROUP. Thank you. Good morning. I am pleased to be here this morning to talk about this issue of diploma mills and the role of the Department of Education. It is not necessarily something we think of at the Department because we deal with accredited institutions, so you have taken us to think about some other things that need to be on our list.

My testimony has been submitted for the record and I am going to try to briefly summarize it. I will try not to repeat things you have already heard.

Just by way of background, though, for institutions that participate in our programs, we rely on several different methods to ensure quality in the normal higher education system that we all think of. That is the institutions themselves, States that do the licensing, and the credentialing features of higher education. Our role is sort of the overseers of the accreditation process that is set forth in the Higher Education Act, and then, of course, our accrediting agencies themselves. We recognize about 70 of them right now that are regional, national, specialized, and cross all sectors of education.

Between all of these parties, we feel like we do a fairly good job of ensuring quality because we have this group who is working on those issues and are making sure that gets done. Obviously, that is missing in what we are talking about today when we talk about diploma mills.

[1] The prepared statement of Ms. Stroup appears in the Appendix on page 135.

Although we have always tended to focus our efforts at the Department of Education on worrying about students who are victims, having the meeting we recently had sort of brought a new light to us that, gee, there are people who are buying these and who do know they are buying them and are intentionally doing it. I mean, we all just have to accept that is the way it goes.

We got our own ad the other day from a diploma mill that we found intriguing that was sent to the Department of Education since it said, "Get your diploma within 30 days, no classes to attend, no books to read, simply pay and receive your diploma." My assistant got it on her computer and we said, clearly, someone who got that E-mail should know that is a diploma mill. It is hard to convince us that you don't know that is not.

For the most part, diploma mills don't jeopardize the things we do at the Department related to student aid, which is our primary responsibility, ensuring the integrity of the student aid programs and the institutions that participate. Between accreditation and our student aid process, we can cover those things.

When it comes to diploma mills, though, that is just outside of our stream of consciousness when you get right down to it. It is not the people we are looking at, talking to, or even thinking about.

You raised these issues to us in your letter to Secretary Paige, which got us thinking about this and sort of moved us down a series of events that occurred after that, which started with a meeting that included my colleague from OPM, Mr. Contreras from Oregon, we had North Dakota, New Jersey, Illinois, the FBI, the FTC, the GAO, your staff, House staff, all come together and sit down and talk about this issue. The premise of the meeting really was to say, what are we all individually doing? What should we be doing collectively? What can we do? How can we be helpful to each other? How can we share information?

I think the result of that meeting and sort of hearing about the different things that were going on certainly led us to the idea of talking about lists, and that got to be an interesting conversation for us because everybody said, we should have a list of diploma mills. And then we all went, well, gee, how are we going to make a list of diploma mills? Who knows who is a diploma mill and how do we define a diploma mill and who has that information and how do we put this all together? Of course, we all know they change daily. It is Internet-based. They can morph into different names every other day.

We kept sitting there going, how are we going to compile such a list, and I really think at the end of the day we all said, OK, maybe we should talk about a positive list and change our approach to this whole thing, at least for purposes of what we can be helpful about at the Department of Education.

That caused the Secretary and I to have some conversations saying, what can we do to be helpful, particularly when we heard our colleagues from the States say to us at this meeting, we really need you guys to put a positive list together because that will take care of 99 percent of our problems. We need a quick place we can go, look up the information, OK, we know that they are fine, and then we will figure out ways to deal with that other one percent that cause us problems.

We have concerns about putting together a diploma mill list at the Department of Education mainly because we don't evaluate institutional quality. I mean, the Department of Education doesn't really do that. The accrediting process does that. We oversee it, no question about it, but we are not the ones who decide that somebody is or is not a quality institution. The Federal Government historically has never made those kinds of decisions. We have always relied on this accrediting process.

So when we talk about a positive list, that is something we think we can do in a very sort of simple, reliable, easily usable fashion. We can get that information by going out to the accrediting bodies we already recognize and ask them to submit all the names. We will put it in a database that people can search and we can help address that first part of the step. It won't be perfect from the beginning.

We need historical data. I mean, we all know that we have people on our own staffs that have gone to institutions that have merged with other institutions and have changed names. They have gone to institutions that have closed. But they were accredited at the time they got their credential, so the credential itself was awarded during a perfectly valid period of time. It is perfectly legal and recognizable, but they won't show up on our list because they are not currently recognized by an accrediting agency recognized by the Secretary.

So we are going to have to do some work to make this list be really good, as far as I am concerned, for people to use, mainly because of the historical data that we are going to have to go back out and collect. It is just something we have never done in the past, so that will be a little adventure for us.

The basic list, though, that people could use today to do a search, to say, did somebody get their degree from a valid, recognized institution, we should be able to do that pretty fast, and we already have the wheels in motion. The Secretary has signed off on our doing it. We are talking to contractors about the database. We will get that up and running as fast as we possibly can.

One thing I do want to raise, though, is that, again, the list isn't going to be perfect. I know one of the problems we have all talked about, and certainly you have heard it in the last 2 days, is how do we define a diploma mill for purposes of what we are talking about, which is determining jobs and credentials for employment and promotions.

We don't have a definition. We don't have a way to put on our list those institutions that we know are actually doing a good job but have chosen not to be accredited, because accreditation is tied to student aid for our purposes in higher education. If you are not interested in getting money from the government for your students, you don't have to be accredited. I mean, you have that option. And certainly, we know of institutions, and particularly small religious institutions are going to be the ones that have chosen not to be accredited and they have their own reasons for doing it. They are offering very valid degrees. I am sure they are doing a good job.

But they are not going to be part of our system. They will not be on our database, and they are going to be sort of the missing piece that I think we all at least need to worry about and think

about when we talk about making lists. That would be the one caution I raise to people.

And we will do our part in putting a list out there. We want to be very clear to people that it is not the perfect list so that people do maybe take that second step. If you get an application from someone and it has an institution listed that is not on our list, it doesn't necessarily mean it is a diploma mill and I don't think we should make those kinds of assumptions. People are going to have to take the next step and do a little investigation to see what is the status of that institution that that application came from.

So with that, one thing I think we learned from having this meeting is that there is a lot we don't know. Between all of us talking together and you raising this sort of to our level of consciousness, we all now are working together to try to figure out how we can better help each other, the public generally, students certainly who might be victimized, and employers who are looking for access to information that will help them make hiring decisions, in some sort of easily usable, recognizable fashion that we all agree, anyway, is the right way to do it.

We will help do whatever we can. The Secretary has basically said, do what you have got to do to try to make this work. So we will start with the positive list first as our first effort into it, and then as more, I think, of these discussions and meetings go on, we will see what other things we can do to be helpful in the process.

We have always told people, if you don't know, call us because we don't have a list out there yet. We will look it up for you. I mean, we will tell you where to go. We will tell you who the accrediting body is. We will give you that kind of information. We already link to websites. Alan's website, we love it, too. We think it is great. More States having laws like Alan does and having someone like him managing it would be great for all of us. But we already link to all of those on our websites in several places to make that information available, to make sure.

Again, we always think of it from the student perspective and we want students to have that information so they don't end up enrolling somewhere and find out they have paid a lot of money for a degree that is not worth anything to them.

So to the extent we can be helpful and provide more information and do more to make people aware of the issue, we are ready, willing, and able to help do that anytime we can. Thank you.

Chairman COLLINS. Thank you. Mr. Benowitz.

TESTIMONY OF STEPHEN C. BENOWITZ,[1] ASSOCIATE DIRECTOR, HUMAN RESOURCES PRODUCTS AND SERVICES, U.S. OFFICE OF PERSONNEL MANAGEMENT

Mr. BENOWITZ. Madam Chairman and Members of the Committee, I am pleased to testify today on behalf of the Office of Personnel Management. OPM has been engaged in addressing the issue of bogus degrees and diploma mills since the mid-1980's, when we teamed with the Federal Bureau of Investigation to combat the fraudulent use of these so-called degrees by individuals under consideration for Federal employment.

[1] The prepared statement of Mr. Benowitz appears in the Appendix on page 141.

OPM Director Kay Coles James has said that these degrees deceive the public, pose a potential threat to national security, constitute a fraud if Federal funds are used to pay for them, and can give the public the impression that Federal employees have expertise and credentials when they do not. Degrees or other credentials from these schools are never acceptable for any purpose related to Federal employment. It is vital that members of the Federal workforce be well-trained and qualified and that Federal employees in no way misrepresent the experience and education they bring to their positions.

Every Federal employee must earn the utmost confidence of the American people no matter what job the employee fills. The way to maintain this confidence is by ensuring that the training and education of the Federal workforce are done by legitimate institutions that have a proven track record.

We have significantly increased our vigilance surrounding this issue in the past year. Director James has written to the heads of executive branch departments and agencies on three occasions, and I might point out that, in August 2003, her statement clearly told these agencies that diploma mills cannot be used for any purpose in Federal employment. She has also increased resources in our Center for Federal Investigative Services, where we do background investigations, including those that sometimes turn up information about diploma mills.

The use of fraudulent degrees in the Federal Government could substantially affect national security and the health and safety of Americans. In conducting background investigations on applicants, employees, and contractors, we have found examples where these degrees were cited by individuals in their applications and other official documents.

When we conduct a background investigation, we do that on behalf of our client agencies who use the information to determine if employees are suitable for Federal employment or should be granted security clearances. If we identify information related to diploma mills during the course of these investigations, we send it immediately to the agency that has requested the background investigation.

Use of a bogus degree may disqualify an individual from Federal employment. First, that individual may not meet the qualification requirements for the position. That is, to qualify for some positions, applicants need specific degrees or required credit hours, but these must be from institutions accredited or well in the process of being accredited by an organization recognized by the U.S. Department of Education.

In addition, and strongly in the view of Director James, the individual's deception in claiming a degree he or she knew to be invalid may constitute fraud in examination or appointment. In this case, the agency or OPM may determine that the individual is unsuitable for Federal employment because of the use of the bogus degree. The agency or OPM may find the person ineligible and disqualify him or her from consideration. If the person is already a Federal employee, they can be removed from their position. If an agency or OPM takes a suitability action, there is due process involved and the individual can appeal to the Merit System Protec-

tion Board. If OPM takes that action, we also have the authority to debar an individual from employment in the Federal Government for up to 3 years.

We have recently completed a review of all of the laws, regulations, policy statements, public information, and forms to determine what changes might be necessary to clarify what education will satisfy requirements for qualifications and training. Our review included consultations with our teammates at the Department of Education.

For purposes of Federal employment, we actually decided that there are four categories of schools that we have to deal with. The first we are calling conventional or accredited, or those that are accredited by organizations recognized by the Department of Education. Education from these institutions is acceptable for meeting the requirements set forth in law, regulation, and policy for all Federal personnel purposes—qualifying for positions, academic degree training, student loan repayment, employee training, and tuition reimbursement.

Schools in the second group, which OPM is calling non-accredited/pending accreditation, offer a curriculum for advanced learning similar to a conventional accredited school and are well in the process of seeking accreditation from an appropriate organization and have received what is called pre-accreditation or candidate for accreditation status. We believe that education from these schools is acceptable for all categories mentioned above, except academic degree training and student loan repayment, where statutes limit applicability to fully accredited schools.

Schools in the third category, which we are calling non-accredited/other and which Ms. Stroup referenced, generally have a traditional curriculum but have chosen not to seek accreditation and thus do not qualify under the first two categories. Because OPM and Federal agency human resource offices cannot evaluate the programs of these schools, we cannot determine whether training or education from these schools meets the requirements set forth in law, regulation, and policy. We are working with interested parties to address this problem and will be able to share information with you soon on this, I think.

We refer to the fourth category of schools as non-qualifying schools. These are the diploma mills, as well as firms that simply sell counterfeit degrees. Coursework or a degree from these institutions is never acceptable for any purpose in the Federal Government. Any individual claiming a degree from this type of institution is misrepresenting his or her background and may be found unsuitable for Federal employment.

To ensure that executive departments and agencies, members of the public interested in Federal employment, and current Federal employees have a better understanding of what types of education are qualifying for purposes of employment, training, and tuition reimbursement, OPM has completed the review I discussed earlier.

While no current statutes or regulations will require revision, Director James has told us to revise many other documents, including those found on OPM's website and on our USAJOBS site, the online job information system for Federal positions.

These changes will clarify for users what education is acceptable for qualifying for Federal positions and for purposes of other personnel policies, like academic degree training, student loan repayment, and training and tuition reimbursement. As I noted previously, we will be consulting with interested parties as we develop these clarifications.

We believe this effort, taken in conjunction with the Department of Education's efforts, will clarify for the public in general and for all Federal employees, including the human resources and personnel security staffs of Federal agencies, the distinctions that must be made in evaluating educational achievements of applicants and employees.

I would also like to correct for the record a statement in the written testimony of the General Accounting Office delivered to this Committee yesterday. On page six of that testimony, GAO addresses senior-level Federal employees who have degrees from unaccredited schools. GAO defined senior-level position as Grades 15 and above. There is an implication that one of the 28 senior-level Federal employees identified as having obtained a degree from a diploma mill was an OPM employee. That is not correct.

While OPM was one of the agencies reviewed by GAO, no OPM senior-level employee was found by GAO to have received a bogus degree from a diploma mill. There was one employee, Grade 11, who claimed a degree from a diploma mill, but OPM did not pay for this training. The individual is no longer employed at OPM.

I want to thank the Committee for their time and I would be happy to answer any questions that you may have.

Chairman COLLINS. Thank you.

Secretary Stroup, in your written testimony, you distinguish between consumers who are unsuspecting victims of diploma mills and those who are well aware that they are obtaining false academic credentials. We found from our investigation that many of those individuals who are the true victims of diploma mills feel that they don't have an easy way to check on whether an institution like Columbia State University or Kennedy-Western is a legitimate academic institution. You have told our staff that the Department of Education receives many questions from the public, including potential employers who are trying to figure out whether various institutions are legitimate.

I am very pleased, that the Department is going to compile what you refer to as a positive list of accredited institutions, but shouldn't the Department be doing more to alert people to the signs of a diploma mill? I am happy to hear that you have a link on your website to the Oregon list, but do you have a section that is entitled, "Diploma Mills" where you could put warning signs that would help consumers?

Ms. STROUP. Actually, I looked this up myself and said, I am not that happy with the way the website looks. We actually have it out there, the warning signs of diploma mills, on our student aid website. I just don't think it is very prominent. So we need to go back and fix that internally and try to do something about it. I am not sure—I used to think it was much more prominent, but when I am looking at it today, I went, well, this isn't all that prominent after all.

But we do have on our own website a whole listing of things about diploma mills. Again, it is on the student aid portal for students to look at when they are thinking about colleges, and it links to the FTC. It references contacting the Better Business Bureau, all the places we could think of that people should go to if an institution is not accredited and it doesn't show up on this positive list that we will eventually create.

Chairman COLLINS. That is helpful, but the problem is that a lot of individuals who are furthering their education at their employer's expense aren't going to look at a student aid site because they are not dependent on student aid. They are getting either reimbursed or their employer is paying directly.

Ms. STROUP. And that is true and I am not sure how we are going to be able to help solve that if people don't use our website. I mean, we can put it on, obviously, on all of the government websites and get everybody doing the same thing so that we all have a prominent section that deals with the issue of diploma mills government-wide. It might be the best way to reach the people you are talking about, because you are right. They will not necessarily be looking at our website to figure out—you are right. Ours is mainly for kids who are thinking about going to college, not for the people who are out there.

I mean, there are other things we can do, though. I don't want to just say that there is nothing can do because we are in touch with lots of people. I mean, we use the statistic all the time that one in six people, one in six working Americans have student loans insured or guaranteed or paid for by the government. So we communicate with people every day who are part of the system, and certainly making sure that information is included in mailings we do and information we put out would actually get into the hands of even the people you are talking about, who are out working and are thinking about getting another degree, and yet they are probably paying a student loan back to us already.

So it is more about how we make the public more aware and how we get more information out, and that is something we can do.

Chairman COLLINS. I think that would be very helpful. That is another reason I wanted to hold these hearings. I think it will help educate the public and to make those distinctions and also put on notice not only Federal employees but other people that we are looking at these phony degrees for those who are unethical and deliberately paying for a degree of no value.

We focused heavily on the problem of taxpayer dollars reimbursing Federal education tuition at diploma mills, but in the course of our investigation, we uncovered another issue. The Committee discovered three checks from Federal Head Start program grantees in three different States made out to one diploma mill.[1] What more can the Department of Education do to inform program grant managers and other agencies which institutions are legitimate and which are diploma mills?

We didn't expect to find this. We were looking for Federal checks going directly from Federal agencies to diploma mills. In the course of our looking at checks of one particular diploma mill, we came

[1] The chart appears as Exhibit No. 5 in the Appendix on page 165.

across these three Head Start grant checks. So I think—and that is why I am convinced this is just the tip of the iceberg.

Ms. STROUP. Yes. We clearly have more work to do. Again, to me, I look at this and think this is a government-wide issue for everybody to look at. I mean, we can give information to every government agency and make sure they know what information we already have available. We wouldn't necessarily know who the Head Start grantees are. Obviously, we are the Department of Education. They are HHS. But certainly our colleagues in other agencies need to be telling their grantees, just like we would tell ours, that they can't be using any money they get from the government to pay for these kinds of things.

And again, for the most part, Senator Collins, I think your having these hearings and all the news coverage that you have gotten for this is probably the best thing that anybody has done on the issue in years because nobody has really been talking a whole lot about diploma mills or thinking about the fact that we are spending taxpayer money on these kinds of programs and nobody is doing anything about it.

Again, I will go back to the Department and we certainly will do everything we can to get information out to our colleagues at all the other agencies and encourage them to do the same thing that we are going to do.

Chairman COLLINS. Thank you. Mr. Benowitz, I have lots of questions for you, but I am going to yield to my colleague, Senator Akaka, at this point.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Madam Chairman. Yesterday, we learned from GAO's investigation that several Federal managers with degrees from diploma mills had high-level security clearances, including Q clearances. This is one of the highest security clearances possible and allows access to nuclear weapons technology. It is my understanding that a Q clearance requires a full background investigation.

I also understand that you are the point person at OPM, Mr. Benowitz, for the probable merger of the OPM and Department of Defense units that conduct security clearance reviews. Your testimony details OPM's current role in the background investigation process and its responsibility in referring information to the requesting agency.

Although I was pleased to learn from your testimony that OPM is increasing its oversight of personnel background investigations, given the exceptional demand for security clearances, it seems to me that greater diligence is needed. My question to you is, is OPM considering other changes to the current process?

Mr. BENOWITZ. Senator, I would agree with you that with respect to the use of diploma mills, and I don't know the specifics of the Department of Energy cases other than from the GAO testimony yesterday, that agencies across government have to be much more alert to this issue and have to ensure that they understand the laws and regulations and government-wide policies and apply them properly.

OPM conducts background investigations and, if we identify a situation where an individual has claimed a bogus degree, we tell the agency. It is the agency itself, in this case the Department of Energy, that grants a security clearance, and, more fundamentally, decides if an individual is suitable for Federal employment.

As I said, I don't know the specifics of those cases at Department of Energy. Until recently, the Department of Energy did not have authority to ask OPM to conduct those background investigations for it. They were done by the FBI. But basically, there is an issue you have to resolve, in my view, of whether somebody is trustworthy if they are citing that kind of degree, whatever their position is in government, whether it is the lowest or the highest level of clearance.

Senator AKAKA. Mr. Benowitz, you testified that there are four categories of colleges and universities. One of these categories, called non-accredited, covers institutions that have traditional curriculum but have chosen not to seek accreditation. This category also includes foreign institutions that may be accredited in their own country, but not in the United States. You further testified that OPM and Federal human resources offices cannot evaluate the programs of schools in this category and are working with interested parties to address the problem.

My concern is that, according to Director James of OPM, much of the training purchased by Federal agencies is from private non-accredited vendors which, I believe, falls in this category. My question is, why do Federal agencies rely so heavily on these vendors to train employees given that these providers cannot be evaluated?

Mr. BENOWITZ. Let me perhaps clarify my statement for you, Senator. We don't have the expertise to evaluate these schools. Secretary Stroup's statement addressed briefly what the accreditation process is.

When I say we can't evaluate them for purposes of whether the academic training is sufficient to be used for job qualifications and determine whether you have, for example, 24 credit hours to be an accountant or whether you are eligible for an entry-level professional position if you have a Bachelor's degree at Grade 5 and a Master's at Grade 7.

But I do want to say that there are many of these organizations, including private companies, that provide absolutely superb training to the government, to individuals that meet the government's needs, and it is perfectly appropriate in our mind to send employees to these schools for training in particular courses, for example if an employee needs a course in learning a new computer language or a course in statistics or something like this. It is an inherent part of the Federal manager's responsibility to ensure that the training provided is what it says it is, that the government and the taxpayers are getting their money's worth and that the individuals are getting the training that they require. This is applicable to the kind of training that we send people to courses for on a case-by-case basis.

Senator AKAKA. As you allude, OPM seems to lack the expertise to evaluate whether training is sufficient. My follow-up question to that is, who should be charged with doing that?

Mr. BENOWITZ. Excellent question, sir. We are not sure that we know the answer yet and we are consulting with other agencies on that issue. We have considered for purposes of Federal employment purposes, which the Office of Personnel Management is responsible for, whether it would be useful to have an advisory group to the Director of OPM that might advise her on particular schools' capabilities. The advisory committee might include members who are familiar with the accreditation process, that have a full understanding and appreciation both of the Federal Government and the needs of their employees and the taxpayers, and also representatives of the views of these schools, whether they are colleges and universities who choose not to seek accreditation or private companies that provide training.

Senator AKAKA. Thank you. Madam Chairman, my time has expired, but I have one more question.

Chairman COLLINS. Please proceed. Take as much time as you need.

Senator AKAKA. Ms. Stroup, I am interested in learning more about the differences between diploma mills and non-accredited institutions, especially since a significant portion of Federal workforce training is provided by non-accredited institutions. Why would an institution choose to be non-accredited?

Ms. STROUP. You get different answers depending who you ask. The ones that we are most familiar with and certainly that I think a lot of people would say, we, hands down, offer a quality education, have made the decision based on religious grounds, where they really don't want to have a relationship with the Federal Government. We certainly know several of those.

There are others that are very small institutions in a local community that might enroll 75 students, for example, something that is very small, that don't want to go through the expense of the accreditation process because it is not cheap. It does consider quite a financial investment on the part of institutions who think they are already doing a good job and they don't want money from the Department of Education or the other Federal programs that require accreditation, so they don't need to invest that kind of resource into the accreditation process.

Those are the two clear-cut ones we know about. Some of the kinds of institutions we have talked about today would never get through the accreditation process and they know it, so they won't ever bother to apply. They would never meet the faculty requirements and the curriculum requirements that are part of the normal accreditation process.

But for most institutions, it is really the question of are they interested in getting Federal aid from the Department of Education or not, and if the answer is no, they don't need to invest in the accreditation process, they don't bother to do it.

And again, don't forget, we have 6,500, give or take, institutions that are accredited that are part of our system nationwide, ranging from 4-year doctoral institutions like UC-Berkeley down to short-term training programs. They are all eligible to get in if they choose to participate in the program.

Senator AKAKA. Thank you for your responses.

I also want to note, Madam Chairman, that the development of a database of accredited institutions by the Department of Education is very important to States like Hawaii, which had the reputation as being a haven for diploma mills. I stress this because my State is home to many fine accredited schools.

In order to make that point, the May/June issue of *Consumer's Digest* unveiled its top 75 best values in public and private colleges and universities. I am especially proud that Brigham Young University-Hawaii was rated as the top rated private university in the Nation and that my alma mater, the University of Hawaii at Manoa, was ranked fifth highest among public institutions. We must do everything we can to ensure that Federal agencies and their employees are never confused as to which schools are legitimate.

Again, Madam Chairman, I want to thank you for holding these hearings which will certainly help our Nation know more about diploma mills. I want to ask that my full statement be placed in the record.

Chairman COLLINS. Thank you, Senator, for your insights, and your full statement will be placed in the hearing record.

[The prepared statement of Senator Akaka follows:]

PREPARED STATEMENT OF SENATOR AKAKA

Madam Chairman, although it is customary for us to thank you for holding a hearing, I want you to know how much I appreciate the work you and your staff have done to expose the use of diploma mills by Federal job applicants, current employees, and agencies.

As a teacher, I was disturbed that individuals who turn to diploma mills are cheated out of a real education. As a leading supporter of employee training, I was dismayed that the Federal Government is wasting taxpayer dollars on worthless programs. The use of taxpayer money to fund diploma mill programs is the very essence of government waste.

At yesterday's hearing, special investigators at the General Accounting Office detailed the extent to which Federal agencies and senior employees had used diploma mills. A number of questions were raised by the disturbing results of their investigation which I hope we can pursue today.

I was deeply troubled by GAO's revelation that three Federal managers with high level security clearances, holding sensitive positions, received degrees from diploma mills. At a time when our Nation depends on a strong and credible Federal workforce, we must do all we can to ensure that Federal employees have the right skills and educational background to carry out their responsibilities.

As such, I am particularly interested in learning from the Office of Personnel Management what steps OPM is taking to establish policies and procedures to address fraudulent academic credentials. I am also interested to know how OPM plans to ensure that Federal funds are not spent on training at diploma mills. We cannot allow these limited funds to be diverted from Federal employees pursuing legitimate degrees to those receiving questionable ones. Neglecting to establish personnel policies that counter the impact of diploma mills threatens the effectiveness of the Federal Government and affects the safety of Americans.

In addition, the absence of a reliable accreditation verification process threatens the credibility of the government. I am pleased that the Department of Education has agreed to develop a database for agencies and managers to use when approving training programs and verifying academic credentials.

Without this information and firm policies and procedures in place, the government is ill-equipped to verify whether an applicant or employee has a degree from an accredited institution. We cannot let such policy and information gaps undermine our Nation's security or the integrity of Federal programs.

Once again, I wish to commend our Chairman for highlighting the problems posed by diploma mills. I also want to thank the GAO, OPM, and DOE for collaborating on how to best attack the proliferation of diploma mills. With this partnership, I believe we are moving in the right direction to alleviate the use of diploma mills by Federal employees and their agencies.

Chairman COLLINS. Secretary Stroup, just to follow up on a question that Senator Akaka just asked you, it is certainly true that some schools choose not to become accredited because of religious or other legitimate reasons. But I suspect that the vast majority of diploma mills don't seek accreditation because they wouldn't get accreditation. They couldn't possibly qualify. Do you agree with that?

Ms. STROUP. Absolutely. There is no way. They would never meet the standards. I mean, the tests of accreditation these days are very stringent, and we have gotten more stringent, I believe, as years have gone on about outcomes and measurements, making sure we have good measurements related to jobs and degrees and passing tests and licensing and stuff, and a lot of them would never, ever make it through the system to even get there—there is just no way they could do it.

Chairman COLLINS. I just wanted to make that clear for the record.

I would note, also, I was interested to hear of your assistant getting the computer notice from a diploma mill, because that is exactly how we got involved. Three years ago, one of my staffers received E-mails promising degrees virtually overnight and that is what opened our eyes to the world of diploma mills. Of course, with the Internet, the reach of diploma mills has been expanded exponentially. They can reach so many more students than they ever would have prior to the Internet, so that is a challenge, as well.

Mr. Benowitz, it seems to me that one of the factors contributing to the use of diploma mills in the executive branch is that some employees simply may not understand that these degrees are not acceptable, that they do not meet the qualifications for educational experience that is listed for specific jobs. Shouldn't OPM consider revising its application and background investigation forms so it would be crystal clear to employees and prospective employees that diploma mill degrees are simply unacceptable?

Mr. BENOWITZ. Absolutely. We have reviewed all of those forms as part of our internal review on this topic. We have identified every form where that is an issue, starting with Federal job application forms through background investigation forms. Each of these forms also has accompanying it information on how to fill out the form. So our proposal will be to include information both in the instructions to these forms and on the forms themselves, and we will propose that these forms distinguish education from accredited schools from those that are not accredited and instruct individuals never to list education received at diploma mills or through counterfeit diploma companies.

We will be working with our colleagues at the Department of Education and throughout the government. There is a notification process when one changes a government-wide form and we will be going through that, as well. But I think this is a very important point. It is the point where individuals in the public first perhaps see this issue presented to them.

In addition, as I said in the testimony, we have information on our website, OPM.gov, or USAJOBS, for example, where we will include this so that individuals who are looking at the website, will also understand this, as well.

Chairman COLLINS. I think that would be very helpful.

As you know, since January 2003, Federal agencies have been restricted to paying for education for their employees only if it is from accredited colleges or universities. However, there is still a loophole in the law that can allow an agency to pay on a course-by-course basis for education from unaccredited institutions, including diploma mills, and the result of that, as we have seen from our investigation, is that Federal tax dollars are going to diploma mills. I clearly don't think that was what was intended by Congress in passing the restriction limiting payment to those colleges and universities that are accredited only.

Last July, I sent a letter to OPM calling the loophole to the agency's attention and urging you to issue new regulations. In August, OPM acknowledged the loophole and noted that much of the training that the Federal Government purchases is from non-accredited vendors, and that makes it more difficult.

The fact is, though, we know that loophole has been exploited. Our investigation showed that we were able to identify payments that had occurred after January 2003 to diploma mills. We found them from the Department of Labor, for example.

In your testimony, you expressed confidence that no law changes or regulation changes are needed to address the problems that diploma mills pose. How are you going to close this loophole if you are not going to revise the underlying, or call for a revision of the underlying law or rules?

Mr. BENOWITZ. The law you reference, Madam Chairman, refers to sending Federal employees for degrees rather than just a course, and the law itself is very clear. The school must be accredited by an organization recognized by the Department of Education. Our interim regulations implementing this parrot the law.

The issue, as you point out and as you found in the investigation, is that at certain points in time, Federal employees, perhaps in collusion with diploma mills, perhaps not, submitted bills for a course at a time, and I think there was, in the Lieutenant Commander's testimony today, a copy of an invoice that she could have submitted for reimbursement that really spoke to this issue.

In August 2003, Director James sent a memo to heads of executive departments and agencies informing them that they had to be particularly aware of this issue and that they could not, if you will, do business with diploma mills. As a result of our internal review, we are also positioned to send a memo, another memo to agency heads parroting what I said today, that there is absolutely no circumstance under which Federal agencies should accept credentials from or do business with diploma mills. We believe that is sufficient to ensure that agencies are put on notice. We also have authority in our oversight process at OPM to examine these issues when we conduct our reviews of agencies' human resources programs.

Chairman COLLINS. Will that guidance leave in place the old rules that govern training and thus allow agencies to pay for courses at diploma mills?

Mr. BENOWITZ. No. We do intend to change that as part of our review and changes of our policies that we have identified. I am sorry if I didn't include that.

Chairman COLLINS. That is helpful to know.

Finally, I note that you have testified that you don't think a law change is needed. We think that a law change may well be needed to clarify this and I am hoping that you will pledge today to work with the Committee, and I would ask Secretary Stroup also to see if legislation would be desirable to eliminate any confusion. It is just unacceptable at a time when we have high deficits that a single dollar is going to diploma mills, much less the hundreds of thousands of dollars that we believe are going from the Federal Treasury to these phony schools.

Mr. BENOWITZ. You have our absolute commitment to work with you on that.

Chairman COLLINS. Secretary Stroup.

Ms. STROUP. We make the same commitment from the Department of Education.

Chairman COLLINS. Thank you. Senator Akaka, do you have anything else?

Senator AKAKA. Madam Chairman, if you would permit me two questions, and these are questions of curiosity. Ms. Stroup, yesterday, we heard testimony detailing that many diploma mills offer academic credit for so-called life experience. In your opinion, is life experience a sound basis for academic credit, and if so, how should life experience be evaluated?

Ms. STROUP. Probably the way the diploma mills are doing it, that is not the way to do it. I think we know that. The accrediting agencies that the Secretary recognizes as part of our process have standards within their own rules that they use to evaluate life experience for institutions that want to give people credit for that as part of their institutional process. It is normally, though, very limited. You don't see a lot of it. It is likely less than ten credits that anybody would ever get that I have ever seen, in a legitimate setting that would go through one of the accrediting agencies that we recognize.

It is not banned or anything, and certainly there are times when they do it in certain instances. But it is under a very rigorous review process that is in part of the accreditation structure that is already in place that our agencies use.

Chairman COLLINS. Senator, I would hope that we could get credit for a course in Congress, for example. [Laughter.]

That might be legitimate.

Senator AKAKA. We should work on that.

Mr. Benowitz, you were Director of Human Resources at the National Institutes of Health, which I consider to be the world's premier biomedical research organization. Given the stature of NIH, what policies and procedures are used to verify the credentials of its workforce and what are the best practices used by NIH that could be implemented government-wide?

Mr. BENOWITZ. I was there for 14 years or so and was Director of Human Resources for probably almost 13 of those years, sir. For scientific positions, which were the core of that organization, whether these were bench scientists conducting research in NIH laboratories or scientists who were reviewing grant applications from the universities around the country, we required that they provided us a copy of their degree, a certified copy from the univer-

sity. We relied, for example, for physicians' degrees on publications that listed accredited medical schools.

And in order to hold a position as a physician in the Federal Government, you have to be licensed by a State if you are going to be practicing with patients and interacting with patients, and NIH has the world's largest research-based hospital on the campus in Bethesda.

It is a practice, I think, that is emulated in some agencies, but in perhaps not all agencies. I don't know that I can answer that for you. It is a distinction I would make between positions which require academic degrees to qualify for them and those that don't. The position I held, quite frankly, didn't require an academic degree. I qualified for that job based on having a Bachelor's degree and a Master's, and I have some additional education, but I am a historian by training. I don't have a degree in human resources. So you can evaluate people's qualifications for jobs based on experience, as well.

During the background investigation process, depending on the level of the person's clearance and the level of the background investigation, for the higher-level ones, OPM actually sends field investigators to colleges and universities, their registrars' office and obtains copies of documents and separately confirms the education. For lower-level clearances, which are often done in a very automated way, we send letters to the college or university where the highest degree was obtained to get confirmation of that. And these are procedures which typically apply to all Federal employees.

Senator AKAKA. Thank you very much, Madam Chairman.

Chairman COLLINS. Thank you, Senator, and thank you for your participation in these hearings.

I would like to thank each of our witnesses today, as well as the witnesses that we heard from yesterday. I hope that these hearings will not only cause the payment of tax dollars to diploma mills to be ceased immediately, but it will also help to educate both potential students and employers to the dangers of dealing with diploma mills.

We also will be pursuing, by working with the GAO, the referral of information to the Inspectors General of the various agencies who appear to be employing high-level individuals with diploma mill degrees. In some cases, as Senator Akaka mentioned, these individuals have very high-level security clearances, which raises questions about their trustworthiness as well as their qualifications for the post that they hold.

We very much appreciate the insights of all of our witnesses. The record for these hearings will be kept open for an additional 15 days.

I want to thank all of the Committee staff, which worked very hard on these hearings. This is a hearing investigation that has stretched over 3 years, and I believe these hearings have been very valuable.

This hearing is now adjourned.

[Whereupon, at 12:13 p.m., the Committee was adjourned.]

APPENDIX

Statement of Chairman Tom Davis
Before the Senate Governmental Affairs Committee
May 11, 2004

First, let me thank Senator Susan Collins for inviting me to join this hearing today and for her groundbreaking work on this very important issue. In a world where citizens increasingly need reassurance that they can trust their Federal government to competently do the job of protecting and securing this nation and its families, it is more important than ever that we ensure that we are hiring, properly training, and appropriately rewarding and advancing the Federal workforce.

Last year, the Department of Homeland Security launched an investigation of allegations that Laura Callahan, a senior official in the Chief Information Officer's office, had used in connection with her federal employment a bogus degree from Hamilton University in Wyoming. Any claim that such a degree represents legitimate educational achievement is at a minimum fundamentally dishonest and cannot be tolerated within the Federal service. In some cases, such a claim may also be a prosecutable crime.

As the internet and new methods of communication make it easier and easier to create and market bogus diplomas along with legitimate education, the time has come for Congress and the Administration to develop coherent policy to permit Federal managers to know whether a degree represents completion of a legitimate course of study.

Summary of Our Oversight Activities

The Committee on Government Reform has focused its efforts on studying the use of diploma mills in the Federal civil service to help develop a coherent, government-wide policy that will enable Federal employers to more easily identify and discourage the use of these degrees. Last summer we joined with the Senate Committee on Government Affairs in commencing a GAO study into the purchase and use of degrees from diploma mills by federal employees in selected federal agencies. At the same time, we asked the DHS IG's office to keep us apprised of its progress in looking at the Laura Callahan matter. We also asked the Office of Personnel Management (OPM) to provide us with any policies that instruct agencies on how to address the use of diploma mill degrees by federal officials.

At that time, OPM responded that there were no specific policies that required all agencies to screen current employees to discover whether the degrees claimed came from legitimate institutions. As a result, last fall, I opened a dialogue with the Department of Education seeking to discover whether it had any resources that OPM could use for this screening process. My staff also participated in a meeting with the Department of Education, OPM, the FBI, the FTC, and several states to discuss methods of identifying diploma mills and making that information widely available within the federal government and among the general public. Most recently, we have exchanged letters with OPM regarding the definitions of legitimate educational achievement that can be used for federal employment purposes.

Some Progress

To date, the Department of Education and OPM have been very responsive to our concerns, and we have worked well together to begin developing a solution. OPM has recently announced that it will hire additional staff to verify educational backgrounds. OPM is also reviewing government-wide forms to ensure that responses to questions about academic backgrounds will enable federal managers to root out phony degrees more easily. Finally, OPM will also hold a second seminar, to educate federal human capital officers, especially with respect to the rules for reimbursement.

The Problem

Essentially, Congress and the Administration must define a diploma mill for the purposes of federal employment. The quintessential diploma mill presents itself as a valid institution of higher learning that offers advanced degrees for a fee while requiring no legitimate academic work. The problem is that in the commercial world, institutions are not so kind as to group themselves according to neat paradigms -- some diploma mills require an exhaustive listing of all job training activity; some require testing; and some have limited writing requirements.

Moreover, the purchasers of these degrees are often willing participants in the fraud. They want the degree, and are not going to report that it is not legitimate. Federal criminal prosecutions of diploma mill operators usually involve mail and wire fraud charges, arising from false representations that a school was accredited or "approved" in some way by a state. Ronald Pellar, the operator of Columbia State University, was recently sentenced to eight months in jail for just such a scheme.

As an example of how complex it can be to categorize a school, one of today's witnesses, Alan Contreras of the Oregon Office of Degree Authorization (ODA), refers in his written statement to the Berne University "fiasco." Yet, on the ODA website, Berne University is not listed as either substandard or a diploma mill. ODA classifies Berne as simply an unaccredited institution that appears to supply degrees but cannot be classified by ODA owing to insufficient information. That official categorization clearly does not justify the term "fiasco."

Solutions

I believe the solution to the use of bogus degrees involves fundamentally changing government classification of institutions of higher education. Currently, the Department of Education only makes determinations regarding eligibility for certain government aid or reimbursement, such as federally guaranteed student loans. This determination relies on whether an institution has been accredited by a recognized accrediting agency.

But other schools provide legitimate education as well. We have many excellent community colleges and many more excellent commercial and vocational training schools that may not be accredited. There are also foreign universities and legitimate

distance learning institutions that are not accredited but may provide legitimate educational opportunities. We must be sure not to confuse these forms of education with diploma mills.

We need to look at how we track accreditation over time. Occasionally, a college may lose accreditation for one program while retaining overall accreditation, and some schools simply go out of business altogether. At this time, no one organization tracks and organizes this information into a usable format.

Who Is Responsible

Congress, the Department of Education, and OPM all have important roles to play in preventing the use of diploma mills in federal employment. I understand that the Department of Education is studying the feasibility of developing and publishing a list of accredited schools, but that list should also include any school which is offering a legitimate course of study towards a degree.

OPM must use this resource to establish an effective policy for human capital officers to use in enforcing a zero tolerance policy on the use of diploma mill degrees in Federal service. Reformatting government-wide forms and holding seminars will also help to suppress the use of these degrees.

But OPM needs to do at least two more things – it must provide regular training and provide the resources to allow agency verification of educational achievements, even when a job does not specifically require a degree for employment. OPM has stated that the knowing use of a bogus degree can give cause for removal since the employee has attempted to violate the merit system.[1] It is therefore logical that OPM should actively encourage agencies to verify all employee records and provide the resources agencies need to complete this job.

Finally, Congress may need to consider granting additional authority to both the Department of Education and OPM to insure that this sort of work can be effectively conducted. Congress may also need to consider whether new criminal laws are needed to allow Federal law enforcement to investigate and prosecute diploma mill activity. Or perhaps the Federal Trade Commission should do more to stop false claims by diploma mills.

Not Just a Problem with Federal Employment

Diploma mills are not merely a problem for the federal government. State and local governments are also struggling with how to handle this problem. Recently, one of the top DMV officials in California resigned after it was discovered that he used degrees from a school considered by some to be a diploma mill. In Georgia, it was recently discovered that 11 educators were found to have degrees from a foreign school in Liberia that may be a diploma mill. And in northern Virginia an elementary school principal has

[1] OPM Suitability Processing Handbook, Appendix H. Page 4. March 2002.

been found to hold a bogus degree. Clearly this nationwide problem merits a Federal response.

The Federal government also needs to set the tone for the corporate community. It is unthinkable that while the government is sending people to jail for other forms of corporate dishonesty, we would allow this practice to fester in our own ranks.

Conclusion

This problem can be solved. Congress's job is to provide the oversight and, if necessary, the authority to solve it. Diploma mills will not go away. It is time to make an unequivocal statement that fake degrees have no place or value in the Federal workplace.

United States General Accounting Office

GAO

Testimony

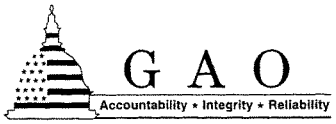
Before the Committee on Governmental Affairs, U.S. Senate

For Release on Delivery
Expected at 10:00a.m. EDT
Tuesday, May 11, 2004

DIPLOMA MILLS

Federal Employees Have Obtained Degrees from Diploma Mills and Other Unaccredited Schools, Some at Government Expense

Statement of Robert J. Cramer,
Managing Director Office of Special Investigations



GAO-04-771T

Madam Chairman and Members of the Committee:

I am pleased to be here today to discuss issues related to degrees from "diploma mills" and other unaccredited postsecondary schools. As you requested, we conducted an investigation to determine whether the federal government has paid for degrees from diploma mills and other unaccredited postsecondary schools. Section 4107 of title 5, U. S. Code, only permits the federal government to pay for the cost of academic degree training provided by a college or university that is accredited by a nationally recognized accrediting body. You also asked us to determine whether federal employees who hold senior-level positions have degrees from diploma mills and other unaccredited schools. My testimony today summarizes our investigative findings.

We conducted our investigation from July 2003 through February 2004, in accordance with quality standards for investigations as set forth by the President's Council on Integrity and Efficiency. We searched the Internet for nontraditional, unaccredited, postsecondary schools that offer degrees for a relatively low flat fee, promote the award of academic credits based on life experience, and do not require any classroom instruction. We requested that four such schools provide information on the number of current and former students identified in their records as federal employees and payment of fees for such federal employees by the federal government. In addition, posing as a prospective student who is employed by a federal agency, our investigator contacted three unaccredited schools to obtain information on how he might have a federal agency pay for a degree.

Additionally, we requested that eight federal agencies—the Departments of Education (ED), Energy (DOE), Health and Human Services (HHS), Homeland Security (DHS), Transportation (DOT), and Veterans Affairs (VA); the Small Business Administration (SBA), and the Office of Personnel Management (OPM)—provide us with a list of senior employees, level GS-15 (or equivalent) or higher, and the names of any postsecondary institutions from which such employees had reported receiving degrees. We compared the names of the schools on the lists provided by these agencies with those that are accredited by accrediting bodies recognized by the Department of Education. We also requested that the agencies examine their financial records to determine if they had paid for degrees from unaccredited schools, and we interviewed six federal employees who have obtained degrees from unaccredited schools.

Summary

In summary, 3 of the 4 unaccredited schools responded to our requests for information and provided records that identified 463 students employed by the federal government. Two of the four schools provided records that federal agencies paid them $150,387.80 for the fees of federal employee students. In addition, DOE and DOT advised us of separate payments totaling $19,082.94 for expenses associated with degrees from these two schools, for total federal payments of $169,470.74 to them. However, for the reasons explained below, the records provided by the schools and agencies likely understate the extent of federal payments for degrees at diploma mills and other unaccredited schools.

Data provided by 8 agencies indicated that 28 senior-level employees have degrees from diploma mills and other unaccredited schools. In our follow-up interviews with six of these employees and their managers, we were told that experience, rather than educational credentials, was considered in hiring and promotion decisions concerning these employees. Again, however, for reasons set forth below, this number is believed to be an understatement of the actual number of employees at these 8 agencies who have degrees from diploma mills and other unaccredited schools.

Background

The Homeland Security Act amended section 4107 of title 5, U. S. Code, by allowing federal reimbursement for degrees only from accredited institutions. Specifically, section 4107 states that an agency may "pay or reimburse the costs of academic degree training ... if such training ... is *accredited* and is provided by a college or university that is *accredited* by a nationally recognized body." (Emphasis supplied). For purposes of this provision, a "nationally recognized body" is a regional, national, or international accrediting organization recognized by the Department of Education.[1] Because the law governs only academic degree training, it does not preclude an agency from paying for the costs of individual training courses offered by unaccredited institutions. Prior to the enactment of the Homeland Security Act, federal agencies were not authorized to pay for employee academic degree training unless the head of the agency determined that it was necessary to assist in recruitment or retention of

[1] 5 C.F.R. § 410.308(b)

employees in occupations in which the government had a shortage of qualified personnel.[2]

Accreditation of degree-granting institutions in the United States is a voluntary process. Unaccredited schools, and the quality of education they offer, vary significantly. At one end of the spectrum are schools that offer standard curricula traditionally found at accredited universities. Other schools, commonly referred to as diploma mills, sell academic degrees based upon life experience or substandard or negligible academic work. Some diploma mills require no academic work at all and merely sell degrees for a fee, such as those we discussed in our November 2002 report.[3]

Records Produced by Agencies and Schools Understate Federal Payments for Degrees from Unaccredited Schools

Several factors make it extremely difficult, if not impossible, to determine the extent of unauthorized federal payments for degrees issued by unaccredited schools. First, the data we received from both schools and federal agencies understate the extent to which the federal government has made such payments. Additionally, the way in which some agencies maintain records of payments for employee education makes such information inaccessible. For example, HHS responded to our request for records of employee education payments by informing us that it could not produce them because it maintains a large volume of such records in five different accounting systems, has no way to differentiate academic degree training from other training, and does not know whether payments for training made through credit cards are captured in its training payment records.

Moreover, diploma mills and other unaccredited schools modify their billing practices so students can obtain payments for degrees by the federal government. Purporting to be a prospective student, our investigator placed telephone calls to three schools that award academic credits based on life experience and require no classroom instruction: Barrington University (Mobile, Alabama); Lacrosse University (Bay St. Louis, Mississippi); and Pacific Western University (Los Angeles, California). These schools each charge a flat fee for a degree. For example, fees for

[2]5 U.S.C. 4107(a) and (b).

[3]U.S. General Accounting Office, *Purchases of Degrees from Diploma Mills*, GAO-03-269R (Washington, D.C.: Nov. 21, 2002).

degrees for domestic students at Pacific Western University are as follows: Bachelor of Science ($2,295); Master's Degree in Business Administration ($2,395); and PhD ($2,595). School representatives emphasized to our undercover investigator that they are not in the business of providing, and do not permit students to enroll for, individual courses or training. Instead, the schools market and require payment for degrees on a flat-fee basis.

However, representatives of each school told our undercover investigator that they would structure their charges in order to facilitate payment by the federal government. Each agreed to divide the degree fee by the number of courses a student was required to take, thereby creating a series of payments as if a per course fee were charged. All of the school representatives stated that students at their respective schools had secured payment for their degrees by the federal government.

Information we obtained from two unaccredited schools confirms that the federal government has paid for degrees at those schools. We asked four such schools that charge a flat fee for degrees to provide records of federal payments for student fees: California Coast University (Santa Ana, California); Hamilton University (Evanston, Wyoming); Pacific Western University (Los Angeles, California); and Kennedy-Western University (Thousand Oaks, California). Hamilton University failed to respond to our request. Pacific Western University reported that it could not locate any records indicating that federal payments were made, although this claim directly contradicts representations made to our undercover investigator by a school representative that federal agencies had paid for degrees obtained by Pacific Western University students.

Pacific Western University, California Coast University, and Kennedy-Western University provided data indicating that 463 of their students were federal employees. California Coast University and Kennedy-Western University provided records indicating that they had received $150,387.80 from federal agencies for 14 California Coast University students and 50 Kennedy-Western University students. The information is summarized in table 1.

Table 1: Federal Employees and Payments Associated with Unaccredited Schools

Department or agency	Number of students identified as federal employees[a]	Number of federal employees for whom tuition payments were made[b]	Total tuition payments made by federal agencies[b]
Energy	35	3	$13,505.00
Transportation	17		
Homeland Security	12		
Health and Human Services	11	4	$8,175.00
Veterans Affairs	13	5	$12,535.00
Office of Personnel Management	1		
Education	2		
Defense	257	28	$68,248.05
US Postal Service	29	8	$24,970.00
Agriculture	5	1	$1,500.00
US Courts	2		
US Agency for Int'l. Development	1		
Treasury	8	1	$2,050.00
State	3		
Peace Corps	1		
National Aeronautics & Space Admin.	9	2	$2,131.25
General Services Admin.	3	1	$600.00
Federal Reserve Bank	1		
Federal Deposit Insurance Corp.	2		
Federal Communications Commission	1		
Environmental Protection Agency	9	2	$5,538.00
Labor	1	1	$2,437.50
Justice	13	5	$5,458.00
Interior	6		
Commerce	4		
Unspecified	17	3	$3,240.00
Total	**463**	**64**	**$150,387.80**

Source: GAO analysis of data received from Kennedy-Western University, California Coast University, and Pacific Western University.

[a]These numbers represent information provided by three schools—Kennedy-Western University, California Coast University, and Pacific Western University.

[3]These payments represent limited information provided from two schools—Kennedy-Western University and California Coast University.

After identifying federal agencies that made payments to Kennedy-Western and California Coast, we requested that DOE, HHS, and DOT provide records of their education-related payments to schools for employees during the last 5 years. As previously discussed, HHS advised us that it could not provide the data. DOE and DOT provided data that identified payments of $19,082.94, which were in addition to those reflected in table 1, for expenses associated with Kennedy-Western. Thus, we found a total of $169,470.74 in federal payments to these two unaccredited schools.

However, a comparison of the data received from the schools with the information provided by DOE and DOT shows that the schools and the agencies have likely understated federal payments. For example, Kennedy-Western reported total payments of $13,505 from DOE for three students, while DOE reported total payments of $14,532 to Kennedy-Western for three different students. Thus, DOE made payments of at least $28,037 to Kennedy-Western. Additionally, DOT reported payments of $4,550 to Kennedy-Western for one student, but Kennedy-Western did not report receiving any money from DOT for that student.[4]

Senior-Level Federal Employees Have Degrees from Unaccredited Schools

On the basis of the information we obtained from eight agencies, we determined that some senior-level employees obtained degrees from diploma mills and other unaccredited schools. Specifically, we requested that eight agencies review the personnel folders of GS-15 (or equivalent) and above employees and provide us with the names of the postsecondary institutions from which such employees reported receiving academic degrees. The eight agencies were: ED, DOE, HHS, DHS, DOT, VA, SBA, and OPM. The agencies informed us that their examination of personnel records revealed that 28 employees listed degrees from unaccredited schools; and 1 employee received tuition reimbursement of $1,787.44 in connection with a degree from such a school.

However, we believe that this number understates the number of federal employees at these agencies who have such degrees. The agencies' ability to identify degrees from unaccredited schools is limited by a number of

[4]Our investigation was limited to direct federal payments to schools and did not include federal reimbursements of school fees to employees.

factors. First, diploma mills frequently use names similar to those used by accredited schools, which often allows the diploma mills to be mistaken for accredited schools. For example, Hamilton University of Evanston, Wyoming, which is not accredited by an accrediting body recognized by ED, has a name similar to Hamilton College, a fully accredited school in Clinton, New York. Moreover, federal agencies told us that employee records may contain incomplete or misspelled school names without addresses. Thus, an employee's records may reflect a bachelor's degree from Hamilton, but the records do not indicate whether the degree is from Hamilton University, the unaccredited school, or Hamilton College, the accredited institution. Further, we learned that there are no uniform verification practices throughout the government whereby agencies can obtain information and conduct effective queries on schools and their accreditation status. Additionally, some agencies provided information about only the most recent degrees that employees reported receiving.

We interviewed several federal employees who had reported receiving degrees from unaccredited schools. These employees included three management-level DOE employees who have emergency operations responsibilities at the National Nuclear Security Administration (NNSA) and security clearances. We also found one employee in the Senior Executive Service at DOT and another at DHS who received degrees from unaccredited schools for negligible work. Additional details of their interviews are provided below.

Employees #1, #2, and #3 are managers in the Office of Emergency Operations at NNSA and have "Q" level security clearances. Employee #1, who was hired at NNSA in 2002, paid $5,000 for a masters degree in 1996 from LaSalle University, an unaccredited school that has been found to have made false claims of accreditation.[5] This individual obtained the degree in 1996 while in the Air Force in order to advance his career. He informed us that while serving as a Lieutenant Colonel in the Air Force, he was told that he would need a master's degree in order to be considered for promotion to colonel. He contacted LaSalle University and obtained a degree based on life experience, courses he had taken previously in the military, and courses for which he read books and wrote papers. Employee #1 told us that he did not attend classes or take any tests, his master's

[5]Four individuals were convicted in the Eastern District of Louisiana for mail fraud, wire fraud, and money laundering in connection with their operation of LaSalle University.

degree from LaSalle was a "joke," and he received it after paying approximately $5,000.

Employee #2, hired at NNSA in 2000, received a bachelor's degree in 1992 from Chadwick University, an unaccredited school. Employee #2 never attended classes but obtained the degree based on 30 credits for life experience, several college level examination program tests, and nine correspondence courses. The employee reported reading a book, writing a paper, and taking a final exam for each of the nine courses. This is the only postsecondary education this employee has obtained. Although agency personnel records indicate that this individual is a candidate for a master's degree program at an unaccredited foreign school, Employee #2 has never completed any courses for such a degree.

Employee #3, hired at NNSA in 2000, received a PhD in engineering administration in 1985 from Columbia Pacific University, an unaccredited school. He performed course work required for a PhD at George Washington University, a fully accredited school, but did not complete a dissertation. Employee #3 claims to have completed a dissertation for Columbia Pacific but did not attend classes or complete any coursework at that school. In December 1999, the Marin County Superior Court ordered Columbia Pacific University to cease operations within California. The court determined that Columbia Pacific failed to meet various requirements for issuing PhD degrees, awarded excessive credit based on life experience, and failed to employ duly qualified staff.

Employee #4 is a Senior Executive Service official at DOT. Employee #4 received a Bachelor of Science degree within 6 to 8 months from Kent College, an unaccredited school. Kent waived some credits while Employee #4 completed three research papers and paid $3,500 for the degree. In 1992, Employee #4 listed the degree from Kent College on his application for a master's degree program at an accredited school. Officials at the school to which he applied did not identify Kent as an unaccredited school with a history of awarding degrees based on negligible work. The accredited school accepted Employee #4 into its master's program, and he completed it.

Employee #5 was an employee in the Senior Executive Service at DHS at the time of our interview but has since resigned. This employee received a series of degrees based on negligible work from unaccredited Hamilton University while working at the Department of Labor (DOL) in various senior capacities. Between March and June 2000, this individual received a

bachelor's and a master's degree based on prior training and other life and work experience. Subsequently, in March 2001, Employee #5 received a PhD in computer information systems from Hamilton. This individual left DOL and began working at DHS in a Senior Executive Service position in April 2003. A security clearance update, initiated while the employee was still at DOL but completed after the employee joined DHS, led to the discovery of the degrees from Hamilton.

Concluding Remarks

In conclusion, the records that we obtained from schools and agencies likely understate the extent to which the federal government has paid for degrees from diploma mills and other unaccredited schools. Many agencies have difficulty in providing reliable data because they do not have systems in place to properly verify academic degrees or to detect fees for degrees that are masked as fees for training courses. Additionally, the agency data we obtained likely do not reflect the true extent to which senior-level federal employees have diploma mill degrees. This is because the agencies do not sufficiently verify the degrees that employees claim to have or the schools that issued the degrees, which is necessary to avoid confusion caused by the similarity between the names of accredited schools and the names assumed by diploma mills. Finally, we found that there are no uniform verification practices throughout the government whereby agencies can obtain information and conduct effective queries on schools and their accreditation status.

Madam Chairman, this concludes my prepared statement. I would be happy to respond to any questions that you or Members of the Committee may have.

Contacts and Staff Acknowledgments

For further information about this testimony, please contact Robert J. Cramer at (202) 512-7227; Andrew O'Connell at (202) 512-7449; or Paul Desaulniers at (202) 512-7435.

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Federal Employees and Payments Associated With Unaccredited Schools

Department or agency	Number of students identified as federal employees[a]	Number of federal employees for whom tuition payments were made[b]	Total tuition payments made by federal agencies[b]
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Health and Human Services	11	4	8,175.00
Veterans Affairs	13	5	12,535.00
Office of Personnel Management	1		
Education	2		
Defense	257	28	68,248.05
US Postal Service	29	8	24,970.00
Agriculture	5	1	1,500.00
US Courts	2		
US Agency for Int'l. Development	1		
Treasury	8	1	2,050.00
State	3		
Peace Corps	1		
National Aeronautics & Space Admin.	9	2	2,131.25
General Services Admin.	3	1	600.00
Federal Reserve Bank	1		
Federal Deposit Insurance Corp.	2		
Federal Communications Commission	1		
Environmental Protection Agency	9	2	5,538.00
Labor	1	1	2,437.50
Justice	13	5	5,458.00
Interior	6		
Commerce	4		
Unspecified	17	3	3,240.00
Total	463	64	$150,387.80

Source: GAO analyses of data received from Kennedy-Western University, California Coast University, and Pacific Western University.

[a]These numbers represent information provided by three schools. (Kennedy Western University, California Coast University & Pacific Western University)
[b]These payments represent limited information provided from two schools. (Kennedy Western University & California Coast University)

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Office of Special Investigations

Information Received from Both Federal Agencies and Unaccredited Schools Is Unreliable

	Data Received From Federal Agencies	*Data Received From Unaccredited Schools*
1	DOE reported tuition payments of $14,532 to Kennedy Western University (KWU) for 3 students	KWU reported tuition payments of $13,505 from DOE for 3 different students
2	Our review of senior level employees at 8 agencies revealed 4 employees with degrees from KWU and 4 with degrees from California Coast University (CCU)	KWU and CCU only listed one of these students in the data provided to investigators
3	HHS could not provide data with respect to tuition payments to unaccredited schools	KWU reported $8,175 in tuition payments from HHS
4	DOT reported a tuition payment of $4,550 to KWU for one student	KWU reported no federal tuition payments from DOT

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Office of Special Investigations

Federal Payments for Degrees From Unaccredited Schools

#1

BARRINGTON UNIVERSITY : Now, something else to keep in mind is that we are a flat-fee university. That means we don't have semesters. We don't have credit hours. We don't charge by the course or class.

#2

AGENT DESAULNIERS: Well. The other thing I'm interested in finding out is if I can get reimbursed for some of this.

BARRINGTON UNIVERSITY: Mmmm?

AGENT DESAULNIERS: You know?

BARRINGTON UNIVERSITY : Well, I can tell you from our experience in working with the federal government, I know that the VA reimburses. I know the Postal Service reimburses. I know military tuition assistance reimburses.

#3

BARRINGTON UNIVERSITY : In other instances what they'll do, even though we don't charge by the course—Let's say for the sake of argument you need 10 courses to complete your degree.

MR. DESAULNIERS: Uh-huh.

BARRINGTON UNIVERSITY : And our total tuition and fee is going to be $4450, $4000 in tuition and $450 in registration. You divide that by 10, you get $445 per course. What we will do, if necessary, is as you pass each course, we'll provide you with a paid invoice showing that amount so you can get reimbursed.

#4

LACROSSE UNIVERSITY: So when I first give you a breakdown like I said, it depends on how you want that breakdown. If you want the entire tuition course program divided up amongst all courses that you have to take—

AGENT DESAULNIERS: Uh-huh.

LACROSSE UNIVERSITY : --- and just like if you want to take the graduation fee and all of the extra fees and add everything up into one program cost, and then divide it up between the nine, ten—nine or ten courses that you would have to take—

#5

AGENT DESAULNIERS: Well, I'm initially looking for a bachelor in business administration.

PACIFIC WESTERN UNIVERSITY: Okay. For Pacific Western University of Hawaii, the bachelor's degree would be $2,295. For Pacific Western University of California, you're looking at $8,600 for the bachelor's.

AGENT DESAULNIERS: Oh. No kidding. Why such a difference?

PACIFIC WESTERN UNIVERSITY : The state laws and requirements for the programs are different.

#6

PACIFIC WESTERN UNIVERSITY : You can have it billed for courses, if you want, for a company or for a government agency, if they request it. You'd put the request in writing saying, my agency or employer wishes the breakdown to pay by course credits. And then they'll issue them by course credits. They'll issue you a breakdown, a financial billing broken down by courses.

#7

AGENT DESAULNIERS: I mean, do you know other people that have done that, has people paid through the government before?

PACIFIC WESTERN UNIVERSITY : Yeah. A lot of them pay through the government. You can look online, and you can see a list of all the government agencies, state, federal and city, that have people working there, the degree, and some of them paid.

AGENT DESAULNIERS: No kidding? I mean, in particular, I mean, I work for the federal government, so they—

PACIFIC WESTERN UNIVERSITY Yeah, the federal government has quite a few people in different agencies.

#8

AGENT DESAULNIERS: Anybody from the Transportation—Department of Transportation?

PACIFIC WESTERN UNIVERSITY : I'd have to look, but hang on a minute and let me just take a quick look and see.

National Government Services, U.S. Air Force, U.S. Department of Agriculture, U.S. Coast Guard, U.S. Customs, U.S. Environmental Protection Agency, U.S. Department of Health, Education and Welfare, Department of Interior, these are all—have some—Department of Justice, Department of Labor, National Park Service, Nuclear Regulatory Commission, U.S. Postal Service, U.S. Small Business, U.S. Trade Commission. Yeah, here's one from U.S. Department of Transportation.

Testimony

Laurie Gerald

Madam Chairman, members of the Committee, my name is Laurie Gerald. I recently plead guilty in the United States District Court for the Central District of California to one count of Mail Fraud in connection with my involvement in Columbia State University. Together with Ronald Pellar, I am charged with executing a scheme to defraud individuals through the operation of a "diploma mill." I am currently awaiting sentence.

In its charging documents the government defines the term 'diploma mill' to mean "a business that pretends to be a university or other educational institution with qualified faculty, curriculum, classes, educational facilities, academic accreditation, and that solicits money from various individuals in the form of enrollment and tuition fees in return for the issuance of degrees with purported career advancement value, but which, in truth hires no qualified faculty, has no established curriculum, classes, campus, or educational facilities, and has no legitimate academic accreditation, and merely distributes purported 'degrees' that do not have legitimate career advancement value."

According to this definition, Columbia State University was a diploma mill, before it was shut down by the authorities in 1998.

Columbia State University had no faculty, qualified or otherwise, no curriculum, no classes, no courses, no tests, no one to grade tests, no educational facilities, no library, and no academic accreditation. In short, Columbia State University was a business, conceived and set up by Ron Pellar not to educate students, but to make money. And it made plenty.

I think it might be helpful if I give you a little background on Ron Pellar. He was a professional hypnotist by trade, and his career literally spanned five decades. The two boards on display depict the front and back of a glossy poster Ron put together to promote his act. The poster shows Ron photographed with the likes of Johnny Carson, the Beatles, and Bob Hope. It says that Ron was listed in the *Guinness Book of World Records* as the "highest paid hypnotist," and indicates that he played before two United States Presidents and the Queen of England. I don't know whether all of this is true, though I strongly suspect some of it is not. But what you need to know about Ron Pellar, is that he is charismatic, well-read, fascinating to talk to, and a world-class self-promoter. He was also narcissistic, egotistical, and a user of people. And he was motivated by one thing – money.

In fact, money and material wealth were so important to Ron Pellar, he had to keep them close at hand. He wore expensive clothes and bought a fancy car with gold inlay called a "Zimmer." I have a picture of one on the board. He regularly carried around a briefcase often containing over $100,000 in cash. He even buried gold coins in his back yard.

I came to know Ron Pellar because he was married to my cousin. In 1992, I took a leave from my job as a program manager at Bell South and moved to California to live with Ron and my cousin and to work for Ron. At the time, Columbia State University was already in existence, and had been since the mid-1980s. It was being run along with two other of Ron's education-related ventures by maybe five or six people out of a small office. I worked in that office until some time in 1996 for one of the other education ventures. Though, from time to time, I did work for Columbia State University.

The three schools made money, but none of them made enough to satisfy Ron. Each

school had its own scam. One was a school for paralegals. Ron took out advertisements – one depicting him in a wheelchair with an open book in his lap – that featured false testimonials indicating that graduates of his school could make hundreds of thousands of dollars per year as a paralegal. Another school was called American Nursing Tutorial. It charged $1,000 or $1,500 for study materials that Ron plagiarized in their entirety from a legitimate company named Moore Educational Services. Columbia State University, for its part, offered bachelors, masters, and doctorate programs in a variety of fields, all requiring little work – but a lot of money – to complete.

In 1996, Ron moved offices and charted a new course for Columbia State University; a course that caused the school to take off financially. Ron hit upon a formula that worked; a formula that was deceptively simple, and remarkably effective. It was basically a marketing strategy that targeted people who never finished college or graduate school but who could be led to believe that, through their life, work, and academic experience, they had more or less earned a bachelor's, or master's, or doctorate degree. All they had to do was complete a minimal amount of work, pay the tuition, and Columbia State University would award them the degree that they deserved.

The cornerstone of the new marketing effort was the promise that a student could obtain a degree in just 27 days. Ron called this "Columbia State University's short cut, internationally known and respected Adult Degree Program." He claimed that the school had "the same government approval" as Harvard, Yale, the University of Illinois, and other accredited, respected schools. I'm not certain what he meant by that, but I recall Ron telling me that, at one time, he managed to license Columbia State University as a corporation with the State of

Louisiana and it may have been granted tax exempt status by the IRS.

Columbia State was never actually accredited, though Ron falsely claimed that it was. This board shows a page from the Columbia State University's catalog. It depicts a bogus accreditation certificate that Ron simply made up. Ron often disparaged accreditation in general, but he was smart enough to know that tricking people into thinking that Columbia State University was properly accredited would be a great help to business.

Ron took a number of other steps to make it seem like Columbia State University was a legitimate school. For example, he made up the school logo and letterhead, which falsely stated that the school had been around since 1953. The board shows a blown up version of a form acceptance letter Ron put together. As you can see, the stationery shows a ten member Board of Advisors all with advanced degrees. In fact there was no Board of Advisors – Ron Pellar was Columbia State University – he simply made up the names and titles for the so-called "board." The stationery also lists honorary Ph.D. recipients. You will note that the man who discovered the polio vaccine, Jonas Salk, is listed among them. When Dr. Salk discovered that his name was being used on Columbia State University letterhead, he wrote to Ron demanding that he remove it, which Ron did.

As I mentioned earlier, Ron sought to prey upon people who could be convinced that they deserved a college or graduate degree. This acceptance letter is a good example of Ron's technique. It reads: "[M]any individuals with superior talent, ability and training are being denied raises, promotions, new jobs or the prestige they deserve, just because they have not obtained the appropriate degree. Your intelligent decision, however, won't permit this travesty to happen to you."

At the same time, Ron would criticize traditional, accredited schools in the hopes of making Columbia State's methods look more sensible, and therefore more legitimate, by comparison. For example, another piece of promotional material read as follows: "How insulting can it be to anyone's intelligence to have your tax money pay for students taking subjects like Wine Tasting, Wind Sailing, How to Make Love, Western Line Dancing, etc. as an elective, to add to their credits for any degree. . . . [This is] all for greed to keep you in school longer."

Ron also liked to advertise through testimonials, and he used this technique to promote Columbia State University. The problem was, the testimonials weren't real. Ron obtained stock photos of random people and simply made up success stories. The board shows one example, of a Thomas Rothchild. Mr. Rothchild notes that he was a computer programmer for 13 years, got a Ph.D. from Columbia State University, and, one year later, became president of the company, pulling down a salary of $484,000 per year. Ron made it up. All of it.

Were people taken in by Ron's scheme? Yes they were. Lots of them. And they each paid roughly $1,500 to $3,600 for a degree. I say they paid for the degrees because, in truth, they had to do little else. Generally, a student would be sent a book and told to read it and prepare a summary. I am not talking about one book per class, but one book *per degree*. One of the workers at the Columbia State University office would give the summary a cursory review and that's it; a bachelor's degree, complete with a made-up transcript, would be awarded. If a student wanted a master's degree, he would have to do the book summary and a six-page paper; a doctorate meant a book summary and a twelve-page paper. I think you get the idea. There was nothing that could pass for "academic rigor" at Columbia State University. Ron saw the school as a cash cow, and it was. During its two year heyday, from 1996 to 1998, I understand the

Columbia State University grossed roughly $20 million. I personally saw it pull in over $6 million in a six-month period in 1998.

I understand from my deposition with staff of this committee that some federal government employees went to Columbia State University at least in part at taxpayer expense. Your staff showed me checks from the Department of Justice/Bureau of Prisons to Columbia State University, which are now on display. They also showed me a graduate survey that Ron put together indicating that a long list of Fortune 500 companies and federal agencies had paid for their employees' schooling at Columbia State University. I was not personally aware that federal agencies were paying for their employees to attend Columbia State, but it doesn't surprise me. Ron advertised Columbia State University aggressively. And, as I recall, at one point he ran ads designed to attract potential students from the U.S. Army.

I learned a lot from my association with Ron Pellar and Columbia State University. But I deeply regret that I had a role in running a school based on lies and deception.

That is the end of my prepared testimony. I'll be happy to answer any questions the committee members may have at this time.

Oregon
Theodore R. Kulongoski, Governor

Student Assistance Commission
Office of Degree Authorization
1500 Valley River Dr., Suite 100, Eugene, OR 97401
Phone (541) 687-7452; Fax (541) 687-7419:
Website: www

Administrator
Alan Contreras

Program Reviewer

To: Committee on Governmental Affairs, United States Senate
Hon. Susan Collins, Chair
Hon. Joseph Lieberman, Ranking Member

Fr: Alan Contreras
Oregon Office of Degree Authorization

Date: May 4, 2004

Re: Diploma mills

I appreciate the opportunity to share some thoughts with the Committee regarding the problem of diploma mill degrees and the Oregon legislature's innovative and nationally known response to the problem.

What is a diploma mill?

There is no universal legal definition of what a diploma mill is. A dictionary definition is a good place to start:

> **Diploma mill**: An institution of higher education operating without supervision of a state or professional agency and granting diplomas which are either fraudulent or because of the lack of proper standards worthless. — *Webster's Third New International Dictionary*

In essence, diploma mills (or degree mills) are substandard or fraudulent "colleges" that offer potential students degrees with little or no serious work. Some are simple frauds: a mailbox to which people send money in exchange for paper that purports to be a college degree. Others require some nominal work from the student but do not require sufficient college-level course work that is normally required for a degree.

It is important to remember that a diploma mill is a type of *degree supplier*, not a type of *educational delivery system*. Many legitimate schools use distance learning, which is what most diploma mills claim to do. Likewise *diploma mill* and *proprietary institution* are not the same thing: many for-profit institutions are legitimate accredited schools.

The major driving force in the proliferation of diploma mills has been the advent of web-based suppliers and bulk e-mail "spam" advertising of "easy" degrees. This allows the actual owners of the scams to remain largely invisible or operate from offshore while bilking and defrauding U.S. citizens.

Why does anyone care that diploma mill degrees get used?

"Mail drop" degree mills are simply fraud, a way for unscrupulous hucksters to make money while providing no service. More substantive degree mills devalue college degrees by making them available without college-level work. This makes all degrees suspect and confuses employers and professional licensing boards that need to know whether a person has an appropriate educational background. We care about the use of these degrees for the following principal reasons.

- *Public safety*. Society relies on degrees as a proxy for a certain level of training in sensitive occupations. Police, other public safety workers, engineers and other professionals are hired and promoted partly because of college degrees.

- *National security*. When a person working in national security (e.g., border patrol, military, coast guard) is using a fake degree, that person is not only operating with less than the expected credential but is subject to blackmail, since use of bogus degrees is illegal in some states and a professional embarrassment in most cases.

- *Quality of service*. Do we really want our children taught by people with degrees bought online from a diploma mill, as recently exposed in Georgia?

- *Waste of resources*. When the government helps an employee get a degree or gives that person a raise based on the degree, taxpayers deserve something in the way of improved or superior performance in exchange for their investment.

- *Devaluation of education*. If people can simply buy degrees over the internet, then what is education worth? The actual value of education becomes diluted and distance education gets a bad name. This reputational damage is mainly to legitimate nontraditional schools (e.g., University of Phoenix, Thomas Edison, Capella, Charter Oak), not to traditional colleges.

- *Equity*. If one federal employee worked long and hard for a masters degree and another gets the same pay and promotion for one they bought last week over the internet, there is a fundamental fairness issue.

Are all unaccredited colleges degree mills?

Not all unaccredited colleges are necessarily degree mills in the traditional sense of the term. Some unaccredited colleges provide legitimate academic work. However, unless these colleges are approved by ODA, degrees from them cannot be used in Oregon. The reason is that state laws under which such institutions are approved vary markedly from

state to state. Some states have high standards, some states have lax standards, no standards or no enforcement capability.

Commonest professions in which diploma mill degrees are used

- K-12 education (teachers and administrators)
- Police, corrections, fire and emergency employees
- Counselors
- Public administrators of many kinds
- Medical administrators
- Alternative medicine providers
- Persons whose income comes in significant part from serving as expert witnesses
- Midlevel managers in business

(My colleagues in Connecticut, Texas, Vermont, New Mexico, New Jersey, North Dakota and California contributed their thoughts to this list of commonest professions.)

Oregon's response

Most of the language in the current statute was established in 1997, with some revisions in 2001 and 2003. Oregon law states that in order to be legal for use in Oregon, a degree must be from a school that has:

- Accreditation recognized by the United States Department of Education, or
- The foreign equivalent of such accreditation as determined by our office, or
- Direct approval by our office using our own standards

Oregon law is designed to protect Oregon citizens, consumers and employers by ensuring that people who use degrees as credentials actually have them from schools that have recognizable academic standards. The law allows us to require users of fake or substandard degrees to cease using them. Examples of recent cases in which we have required users to stop include:

- College professors
- A senior police captain
- A finalist for a senior state regulatory position related to public health
- A prison psychologist
- A county tax official
- A nursing instructor
- K-12 teachers

All employment is covered, but the law is not limited to employment. It covers any "academic or professional" use of a degree (stated in rule). For example, the Oregon Secretary of State sometimes asks ODA to evaluate claims of educational credentials made by candidates for public office.

Also, the law covers any such use within Oregon. The employer could be an out-of-state entity. For example, if a federal employee based in another state or an employee of Boeing in Seattle were to do work within Oregon (for example on a government contract or in a training), that employee could not refer to herself as "Dr." with an unaccredited doctorate without violating the law. The location of the employer is not relevant, the location of the claim as a credential by the user matters. Therefore in theory an Oregon resident who only claims such a degree while working on site in Idaho is not in violation.

What the federal government should do

The U.S. government should develop and impose standards for the *use as credentials* of degrees by federal employees (and the related issue of which degrees, if any, the federal government should *help pay for*). The U.S. Department of Education or OPM should establish standards for use of degrees as credentials for employment or promotion that require degrees to be from schools that meet one of the following three standards:

1. Are from a U.S. institution accredited by a federally recognized accreditor.

2. Are from a U.S. institution found by the U.S. Department of Education to have *academic standards* comparable to those at an accredited U.S. institution, using *published standards* developed through an open rulemaking process, with all application and evaluative documents being *public records*.

3. Are from a foreign institution found by the U.S. Department of Education to have *academic standards* comparable to those at an accredited U.S. institution, using *published standards* developed through an open rulemaking process, with all application and evaluative documents being *public records*.

In addition the federal government should revise and improve the standards used to allow foreign schools to qualify for Title IV programs, in order to avoid fiascos such as the Berne University situation or the "Susan Collins, PhD, MD, JD, WCTU, SPCA, Admiral of the Fleet" situation. Current standards and procedures are obviously insufficient.

Standards for the evaluation of unaccredited degree suppliers

Oregon applies five standards to unaccredited degree suppliers in the U.S. whose graduates want their degrees validated for use in Oregon. In condensed form, these are the standards that we consider key to a determination of degree legitimacy:

1. Faculty qualifications. Do the faculty teaching in the program have degrees (generally graduate degrees) in the field in which they are teaching?

2. Program length. Does the program contain sufficient student work to be comparable to similar degree programs at accredited colleges? The main issue here is to avoid programs that issue degrees based on a few weeks' work (or non-work).

3. Content of curriculum. Does the program contain college-level work in subjects appropriate for the degree in question?

4. Requirements for the award of credit. Does the program require sufficient student effort for the award of credit using U.S. norms for credit? The Oregon norm, similar to others, is that a credit hour should be awarded for at least 30 semester hours (45 quarter hours) of student effort, including in-class, lab, homework and other forms of research and preparation.

5. Admissions standards. Does the program admit students who are qualified to enter it in terms or prior preparation? This is of concern mainly for graduate programs, for which a bachelor's degree is the norm and alternatives need to be carefully reviewed.

In the case of foreign suppliers, these additional standards should be used:

6. Does the provider have demonstrable approval from the host nation's education approval body? A business license or mere statement of approval from a government official is not sufficient to meet this standard, owing to problems with fraud. It is necessary to examine the actual documentation showing how, by whom, and against what standards the entity was evaluated.

7. Does the approval body use standards that are reasonably comparable to those that a U.S. accreditor would use? Standards need not be identical but should cover the same general subjects listed above in 1-5 in a comprehensible way.

8. Are degrees from the supplier legal for general and professional use within the host country? This is a key issue. If a host country does not allow degrees from the supplier to be used within the host country, the supplier is probably a diploma mill and its degrees should be treated as substandard unless proven otherwise.

Thank you for the opportunity to discuss some of these issues with the committee. Please do not hesitate to ask if you would like further information.

Attachments: CHEA fact sheet on diploma mills
Phi Delta Kappan reprint on diploma mills

cc: Oregon congressional delegation
Gov. Ted Kulongoski
Oregon Student Assistance Commission

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

FACT SHEET #6

Important Questions about "Diploma Mills" and "Accreditation Mills"

May 2003

In their quest for higher education and training, students and the public in the United States sometimes encounter "diploma mills"—dubious providers of educational offerings or operations that offer certificates and degrees that are considered bogus. They may also encounter "accreditation mills"—dubious providers of accreditation and quality assurance or operations that offer a certification of quality of institutions that is considered bogus.

Diploma mills and accreditation mills mislead and harm. In the U.S., degrees and certificates from mills may not be acknowledged by other institutions when students seek to transfer or go to graduate school. Employers may not acknowledge degrees and certificates from diploma mills when providing tuition assistance for continuing education. "Accreditation" from an accreditation mill can mislead students and the public about the quality of an institution. In the presence of diploma mills and accreditation mills, students may spend a good deal of money and receive neither an education nor a useable credential.

Internationally, diploma mills and accreditation mills are a disservice to the public in several ways. U.S. diploma mills and accreditation mills that have become items for export cast doubt on the reliability of legitimate degrees and accreditation. Students from outside the U.S. can be vulnerable because they have limited information and experience by which to judge whether or not a U.S. operation is a "mill." Governments outside the U.S. seeking to learn about accredited status of U.S. operations can be vulnerable as well. Unsuspecting students and governments of other countries may know only that a provider is "American" and not be aware that it is a mill.

There is no single definition of "diploma mill" or of "accreditation mill" in higher education. While a few states have laws or regulations regarding these operations, most do not. Some agencies of the federal government may scrutinize diploma mills or accreditation mills, but this is quite limited to date. In general, diploma mills would not pass the initial screening of accrediting organizations (review for eligibility, candidacy, or initial accreditation) and thus fall outside the purview of these bodies. Similarly, accreditation mills would struggle with the pre-screening for recognition and thus escape this scrutiny as well.*

Identifying diploma mills and accreditation mills is not easy. A number of the features of diploma mills are similar to familiar higher education institutions. A number of the features of accreditation mills are similar to well-known accrediting organizations. Nonetheless, prospective students and the public can look for several indicators that suggest an operation may be a diploma mill or an accreditation mill. *It is the presence of a number of these features taken together that should signal to students and the public that they may, indeed, be dealing with a "mill."*

(continued on next page)

* In the United States, an accrediting organization may seek a review for quality (or "recognition" review) from the federal government through the U.S. Department of Education or privately, through the Council for Higher Education Accreditation. "Recognized" accreditors are those organizations that have successfully undergone an external review of their quality based on the standards of these entities.

A series of questions follows to help determine whether a provider is a diploma mill or an accreditation mill. In each case, if, for example, the answers to a majority of the questions below are "yes," students and the public should take this as highly suggestive that they may be dealing with a mill. In this circumstance, students and the public may be best served by looking for alternatives for higher education and quality assurance.

DIPLOMA MILLS

If the answers to many of these questions are "yes," the operation under consideration may be a "mill":

- Can degrees be purchased?
- Is there a claim of accreditation when there is no evidence of this status?
- Is there a claim of accreditation from a questionable accrediting organization?
- Does the operation lack state or federal licensure or authority to operate?
- Is little if any attendance required of students?
- Are few assignments required for students to earn credits?
- Is a very short period of time required to earn a degree?
- Are degrees available based solely on experience or resume review?
- Are there few requirements for graduation?
- Does the operation charge very high fees as compared with average fees charged by higher education institutions?
- Alternatively, is the fee so low that it does not appear to be related to the cost of providing legitimate education?
- Does the operation fail to provide any information about a campus or business location or address and relies, e.g., only on a post office box?
- Does the operation fail to provide a list of its faculty and their qualifications?
- Does the operation have a name similar to other well-known colleges and universities?
- Does the operation make claims in its publications for which there is no evidence?

ACCREDITATION MILLS

If the answers to many of these questions are "yes," the operation under consideration may be a "mill":

- Does the operation allow accredited status to be purchased?
- Does the operation publish lists of institutions or programs they claim to have accredited without institutions and programs knowing that they are listed or have been accredited?
- Are high fees for accreditation required as compared to average fees from accrediting organizations?
- Does the operation claim that it is recognized (by, e.g., USDE or CHEA) when it is not?
- Are few if any standards for quality published by the operation?
- Is a very short period of time required to achieve accredited status?
- Are accreditation reviews routinely confined to submitting documents and do not include site visits or interviews of key personnel by the accrediting organization?
- Is "permanent" accreditation granted without any requirement for subsequent periodic review?
- Does the operation use organizational names similar to recognized accrediting organizations?
- Does the operation make claims in its publications for which there is no evidence?

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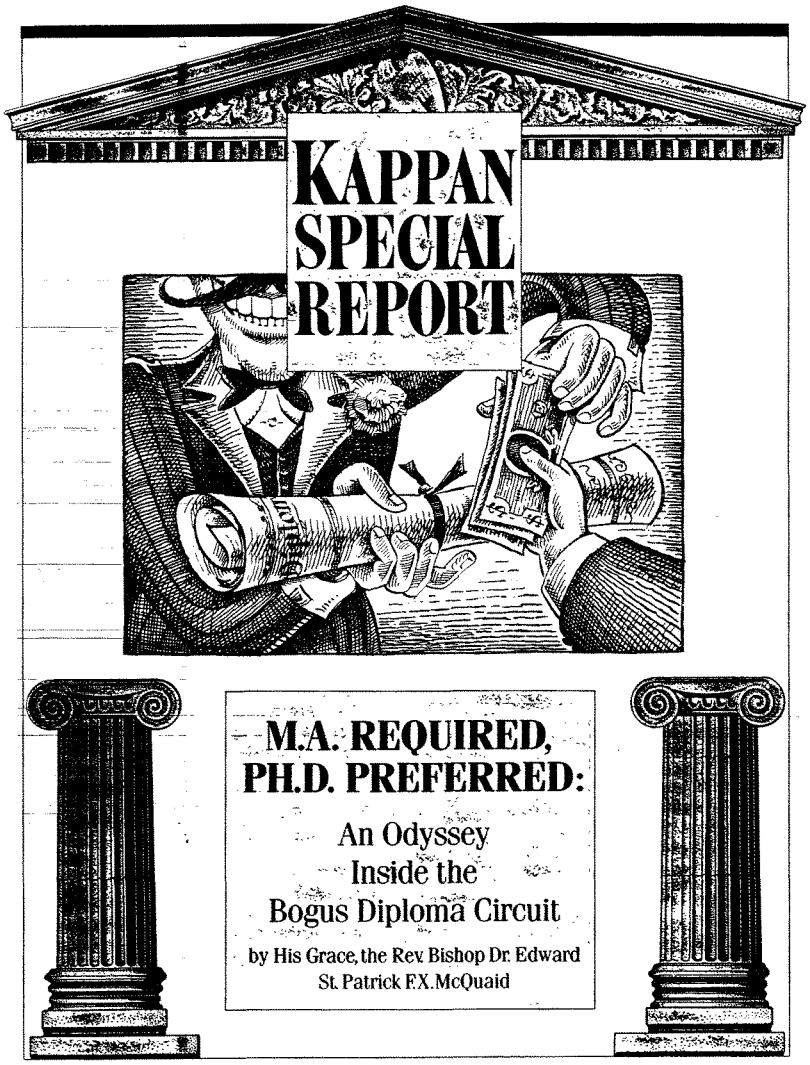


M.A. REQUIRED, PH.D. PREFERRED:

An Odyssey Inside the Bogus Diploma Circuit

by His Grace, the Rev. Bishop Dr. Edward St. Patrick F.X. McQuaid

Illustration by Marcus Hamilton

FROM MY USUAL perch, cafe-side on Harvard Square. My immediate neighbors were discussing cultural literacy. He was wearing herringbone tweeds with suede elbow patches. A regular country squire, right at home on the sidewalks of Cambridge. She was taking notes.

After a two-year hiatus I was back in the Athens of America to retrieve a bulging file box stashed in the closet of a sometimes graduate student. Assorted contents included a counterfeit Harvard doctorate made out to yours truly and several fill-in-the-blanks diplomas from such institutions as the University of Massachusetts-Boston, Central New England College, Babson College, the American University in Beirut, and the Universidad de la Habana. There were also degrees from a few fictitious alma maters, as well as a set of transcripts from the late Southwestern University, and a collection of sundry Justice Department memos, affidavits, indictments, and court orders.

Since my first foray inside the bogus credentials circuit, several new colleges had been founded and several more old ones had held their last commencement. I had promised the folks at the *Kappan* a fresh look into this heart of academic darkness.

I began my new research at the Out-of-Town news agent, where I picked up some of the best source literature in the field — a selection of pop science and new-age self-help magazines, as well as *Soldier of Fortune* and an assortment of such checkout-counter publications as *National Enquirer*. (I wondered how the editors would explain some of these items on the expense sheet.)

Results from "DipScam," the ongoing FBI sting operation, were evident in the scarcity of classifieds promising one-day diplomas, no questions asked. But in the Canadian tabloid, *Globe*, I found a new twist, a separate listing for degree mills and "diploma replacement services" under the heading "Certificates." Under this rubric alone I found seven listings for customized college degrees — "parchment w/gold seals" — and guaranteed authentic-looking transcripts. What with cutbacks in aid to higher education, I concluded that many a university press must have found it necessary to supplement revenues through the sale of genuine, state-issued drivers' licenses or alcohol ID cards. So much for truth in advertising.

Another five ads running in the standard "Instruction/Education" column offered inexpensive, nonresident doctorates for life experience, as well as "15,278 available" first-run term papers — for "research" only.

I could see that I had a full day's work ahead of me, and all this from only some quick browsing. In an earlier life I had been surprised to find these kinds of advertisements running not only alongside the astrographs, earn-money-at-home-stuffing-envelopes schemes, and consult-a-psychic ads in the weekly tabloids, but also alongside the investment opportunities in periodicals that catered to an upscale market. So I had also begun to thumb through the likes of *Connoisseur*, *Country Life*, and *The New Yorker*, when a heavyset kid jingling change inside the pouch of his apron reminded me, "This isn't a library."

"Now, how did I know he was going to say that?"

Settled in with a double espresso, I began reading a business survey on Thailand and an article called "America's Menu of Schools" in *The Economist*. In the back pages I found a full menu of ads, including this one: "Match your position with a legal degree and transcripts. As you know experience is still the best teacher. But Degrees open doors."

But it was this enticing little item in *The Atlantic* that set my saliva glands to running:

> Britain's largest non-residential independent university offers degree programmes including higher doctorates in a wide range of subjects. For a prospectus send $8.00 to Somerset University, Ilminster, Somerset TA19 0BQ England. Telephone (0460) 57255.

This one had all the trappings of a classic degree mill. With the straightedge of my cigar clipper, I removed the education column from the classifieds and stuffed it inside my breast pocket. Then I clipped the cap off a Hoyo de Monterrey Excalibur and struck a match off my thumbnail. It was everything the piece in *Connoisseur* had promised, a full-bodied smoke as close to a pre-Castro *habano* as you could find.

"Must you smoke that?"

How did I know to expect that? The statement had come from the woman. I noticed then she was decked out in safari chic, the latest in Gravy League apparel. The professor was pretending to look away, somewhere off toward the Left Bank of the Charles. It was Fletcher Knebel who first observed that smoking is the leading cause of statistics.

"Sorry," I said, rising from my seat. "The parole board says they help keep my nerves on an even keel."

I gathered up my notes and pulled the classifieds out of each paper before strolling over to the cab stand. I had a plane to catch and little more time to waste.

IT WAS THE Wizard of Oz, I think, who first observed that the only difference between a college dean and a scarecrow is a diploma. In recent years, thousands of Americans — and many more thousands of foreign nationals — have answered ads offering "free, revealing details" about "fast, inexpensive" college and university degrees "of your choice by return mail." Most customers know what they're paying for, and the government has found few satisfied clients willing to step forward to help with prosecutions. Meanwhile, the distinction between a legitimate evening school and a fly-by-night operation grows blurrier and blurrier.

On my way from that Cambridge cafe to Logan Airport, it was just my luck to meet up with a piece of living folklore on the landscape of American academia: the down-and-out Ph.D. driving a cab to make ends meet. He seemed intent on giving me a tour of the North End, where traffic was incredibly snarled by a film crew shooting a scene from "Spenser: For Hire." I made Logan with just minutes to spare.

Once back in Denver, I started laying a paper trail. I began by writing to companies that offered forged transcripts, di-

E. PATRICK McQUAID was a senior editor for the Education Commission of the States, Denver, when he began this project. He later moved back to Boston and is now living in Ireland.

Illustration by Marcus Hamilton

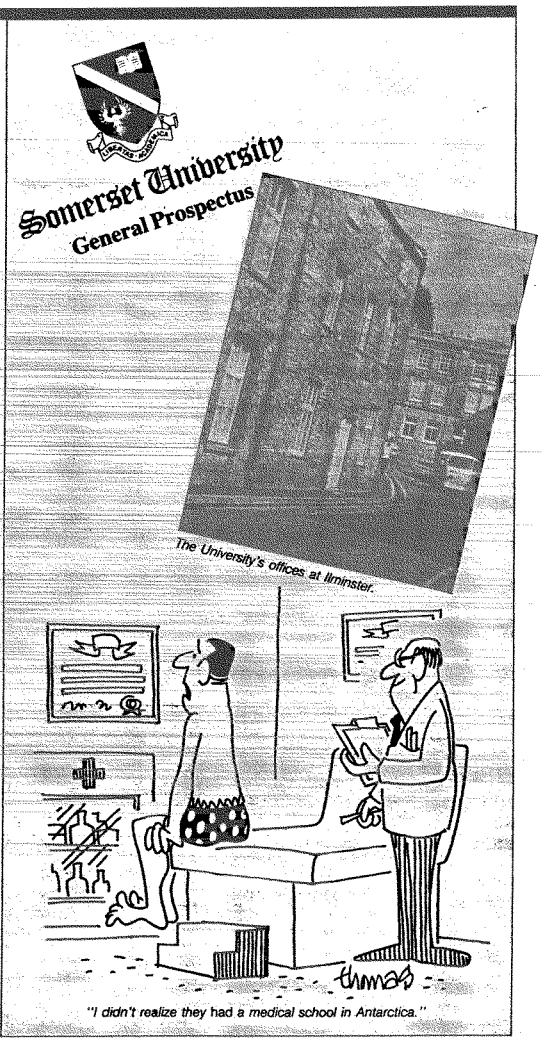
plomas, and certificates, explaining the unfortunate circumstances attending the loss of my Massachusetts teaching certificate, my Columbia University transcripts, and my master's degree from Teachers College — all casualties of a boating accident.

Next, I sifted through some of my old notes to nail down what kind of degree I might pursue for this update on the diploma mills. I thought, What university degree, in the wrong hands, could lead to the most mischief? Engineering and medicine had always been popular. My files brought back the story of the Canadian pharmacist who purchased an M.D. degree from an offshore broker and confessed that, had he not been caught, "I think I would have made a good doctor." Then, too, there was the quack cancer specialist who was running a Laetrile scam in southern California before he was caught. He now operates out of Tijuana.

Worst of all is the case of the inmate with a 12-year reservation at the federal pen in Otisville, New York, who can boast of a career he began by posing as a medical student in 1968. By 1976, with two forged overseas medical degrees, he had risen to the rank of Chief Medical Officer in the U.S. Army, where he was responsible for the training of cadet physicians. Two years later, he became a Medical Fellow with the National Institutes of Health and was assigned to the Baltimore Gerontological Center of the National Institute on Aging. Later, at Walson Army Hospital, Fort Dix, New Jersey, he acted as staff anesthesiologist in more than 70 operations until 25 August 1983, when he botched a routine minor surgery, leaving a 47-year-old patient in his care "in a persistent vegetative state," according to an Army neurologist.

The Justice Department has estimated that as many as 10,000 fakes — and an unknown quantity of cheats — are practicing medicine throughout North America. No one really knows what damage they may be up to. To add insult to injury, once caught, these characters generally find God first, then an agent, who digs up a ghostwriter and a publisher for them. One Caribbean expediter, who sang for the House Select Committee on Aging, is setting up shop as a consultant to help spot foreign medical credentials of questionable origin.

But what about the classroom teacher or the cop on the beat who needs a degree in order to qualify for a raise, which may be well-deserved? Or what possible harm could come from a pastor who hangs a mail-order master's degree on the priory wall?



"I didn't realize they had a medical school in Antarctica."

The priest who showed up on the tarmac in Detroit last August to comfort grieving relatives of those who died in the crash of a Northwest jetliner bought his collar from a mail-order ministry in Chula Vista, California. "Father John Irish" was described by one woman as "a very charming man who was persuasive and very, very nice." He also offered legal counsel, recommending a Fort Lauderdale attorney in the event that families might want to sue the airline. A paraprofessional ambulance chaser, Father John routinely roamed the intensive care wards of two Denver hospitals, and he has a habit of materializing at the scene of major disasters across the country. He put in an appearance on the runway at Denver's Stapleton International Airport following the crash of a Boise-bound Continental flight. Again he evaded capture.

So I decided to see just how much mileage I could get with a little religion. I wrote Father John's alma mater, the Ministry of Salvation. I also wrote to a more widely known Bible school, the Universal Life Church, Inc., of Modesto, California.

According to its December 1985 report, *Fraudulent Credentials*, the House Select Committee on Aging found that diploma mills fall into one of five categories, including:

- *official-looking* mills that use seals, crests, and other visual devices that ape those of legitimate institutions; frequently, they also include information about state approval or accreditation in order to lend credibility to the operation.
- *sound-alikes* — or schools with names very similar to those of well-known, often prestigious institutions. Among the imitations of Ivy League schools that I came across in an earlier investigation were Cormell University and Darthmouth College.
- *good-as-new* outfits that will replace diplomas "lost or damaged" by negligence, fire, or boating accidents. Confidentiality is always guaranteed.

An ad you may have seen for a concern called "Alumni Arts" falls into this last category. In 1984 I responded to that ad in a professional journal for mercenaries and hired killers — the jist of which was college diploma, one day, no questions. It offered "beautiful exacting reproductions including seals & colors." Nearly a year later, when the FBI raided the farmhouse headquarters of Alumni Arts, agents found 33,000 printed and 32,000 blank diplomas in the names of 330 real colleges and universities. In addition, a personal computer had stored the names of 2,300 graduates.

I decided to hit as many of these categories as possible. In addition to Somerset University, the Ministry of Salvation, and the Universal Life Church, I requested application papers from Bradford University of Pasadena, California; Life Science Institute of Austin, Texas; and Northern Utah University of Salt Lake City.

Next I wrote to Arthur Levine, president of Bradford College, a four-year liberal arts school just north of Boston. I thought he might appreciate knowing about his university's extension campus in Pasadena. Having set all these wheels in motion, I decided to contact the one individual I knew who had more bogus diplomas than I.

IN FEBRUARY 1985 the Justice Department, the Internal Revenue Service, and the postal authorities pulled the rug out from under a string of post-office-box colleges that used an umbrella charter called Disciples of Truth, Inc., a nonprofit organization with offices scattered throughout the Bible Belt. Among its 2,147 graduates is Otho Allen Ezell, Jr., of Matthews, North Carolina.

Between February and April 1981 Ezell had answered several ads peddling shortcut university degrees. In no time at all he was on the mailing list of American Western University, the Vocational Guidance Company, and Adult Career and Education Services. He started to receive unsolicited literature from Southwestern University. From Vocational Guidance he learned of expensive and demanding programs offered by some of the nation's leading universities. He also learned of inexpensive, pace-yourself programs from such schools as American Western.

Any high school dropout with $51 could pick up a bachelor's degree and a high school diploma.

When he learned from an operator with a telephone-answering service in Tulsa that the dean of American Western had taken a personal interest in his career, Ezell signed up for a program leading to a Master's of Business Administration (M.B.A.). The university sent him application forms, a life-experience questionnaire, and a tuition schedule: $485 for the M.B.A. and a one-time-only $25 transcripts-processing fee. He purchased a cashier's check for the full amount and diligently filled out his application and survey, neglecting to mention his life experiences as a special agent for the FBI.

A model student, Ezell eventually earned 17 advanced degrees, including two doctorates in medicine, from schools operated by Disciples of Truth. In May 1982 a mailing tube from American Western brought Ezell his first M.B.A., along with transcripts indicating that he had earned straight A's in the rigorous courses he had never taken. Also enclosed was an invitation to join the prestigious American Western University Alumni Association and a brochure from Joel Jewelry. He later sent Joel $97.50 and received his class ring by return mail.

Next, for $830, came a Master's of Business Management from Southwestern University, along with outstanding transcripts, an invitation to join the prestigious Southwestern University Alumni Association, and a brochure from Joel Jewelry. By September 1982 Ezell had been introduced to "Dr. Anthony J. Geruntino, Ph.D.," chairman of the Southwestern University Board of Trustees and director of the two Ohio-based guidance centers.

"We're always looking for adjunct faculty members, members to serve on committees and the Board of Directors,"

Illustration by Marcus Hamilton

Geruntino said in a telephone conversation that Ezell had tapped. He persuaded Ezell to pay him a visit at his office in Columbus, instructing him to "come in the door marked United Printing Company."

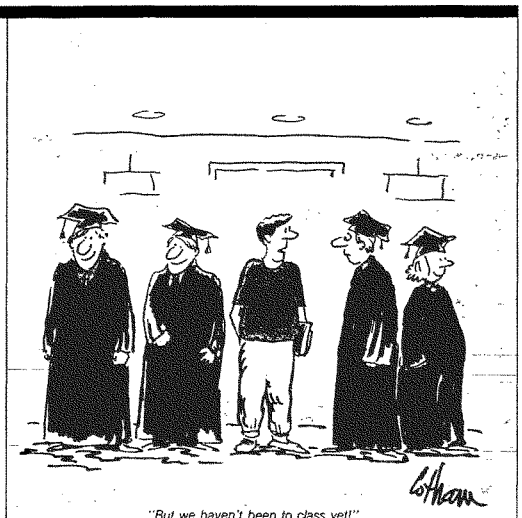
Ezell had no idea what he was getting into when he stepped through that door. It wasn't until after affidavits were filed and search warrants executed that he realized the magnitude of Geruntino's operation. He knew from earlier investigations of a common practice among diploma mills of swapping degrees and certificates and giving out information on clients and prospective pigeons for a commission or finder's fee. Working with postal and treasury agents, Ezell discovered that Geruntino was the mastermind behind seven different colleges and universities, two alumni associations, two university finance agencies, four higher education accrediting agencies, seven career guidance companies, and a jewelry firm — all operating out of his base in Ohio under the religious tax shelter, Disciples of Truth, Inc.

"This is not a job," Geruntino told him that day in Columbus. "This is a way of getting rich."

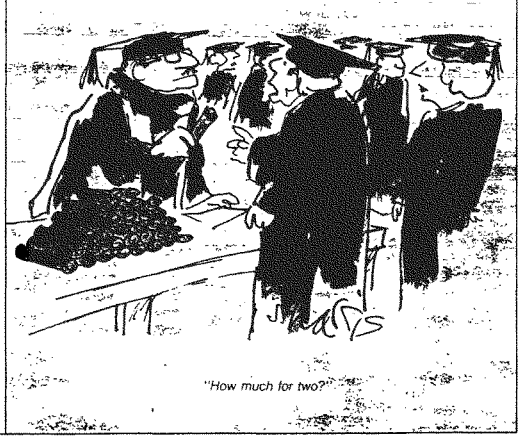
Open admissions takes on a new meaning when you consider that any high school dropout with $51 could pick up a bachelor's degree along with a high school diploma from a Disciples of Truth affiliate. For Southwestern graduates, though, the tab could run as high as $985. Alumni knew, however, that they might confuse prospective employers — the real Southwestern University is in Georgetown, Texas — so a bogus Southwestern doctorate could fetch as much as $1,450.

The resilience of diploma mills is evident in Geruntino's efforts to reorganize in Utah, months after his records had been impounded by the Justice Department When city officials in St. George, Utah, realized that operating papers for Geruntino had been granted in error, they asked him to appear before the city council to show cause why they should not revoke his license. At a city council hearing on 7 February 1985, Geruntino described his school as "a different kind of university." He asked to leave the council chambers while the city fathers deliberated on the case.

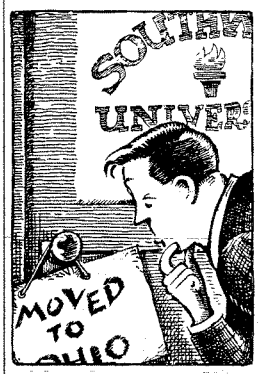
Inside chambers, officials considered the merits of his argument. Meanwhile, in the halls outside, Geruntino and his new director of admissions were taken into police custody. It was only then that Geruntino learned that earlier that day a federal grand jury in North Carolina had issued a



"But we haven't been to class yet!"



"How much for two?"



31-count indictment against him and his seven-member board of apostles.

Geruntino is now serving a five-year sentence.

JUDGE Robert Potter of the U.S. district court remarked during arraignments that "the people who bought these things ought to be prosecuted along with everybody else." Within a year, the FBI had uncovered 45 graduates of Southwestern who were working in what Ezell called sensitive positions in the federal government. Many were found in the Pentagon. One was a duty officer in the White House Situation Room when the FBI caught up with him. He said that he had enrolled at Southwestern because it could offer him academic credits for training programs he had taken at the Central Intelligence Agency and the State Department.

As the year passed, more frauds in high places were uncovered. The big fish got their share of national headlines; the school superintendent and the police chief got theirs in the hometown newspaper. I decided to track down a handful of small fry to ask the obvious question, "Why'd you do it?" I also wanted to see what dividends they were earning with their checkbook credentials. The entire graduating class had been introduced as evidence at Geruntino's arraignment, so the identities of graduates were a matter of public record.

In one city in the Southwest, I found six Southwestern graduates and, as a bonus, a seventh individual with a bogus degree from the University of Texas, Austin, manufactured by Alumni Arts. All I could ever learn about this last person was that the address to which his diploma was mailed was that of a drug-abuse clinic. I don't know whether he was a client or a counselor.

As for the six Southwestern alumni, I knew that, if I was to get any talk out of them at all, I would have to approach them as if they had been "victims" of a mail fraud. After the second interview, the responses fell into a predictable pattern. Most said that they were "shocked" to learn that their alma mater had been shut down. Most also said that they "suspected something" because Southwestern changed addresses far too often. All of them denied using their mail-order credentials to acquire employment or to land a promotion.

"Good grief, no," a high-ranking civilian official at a U.S. Army base, the holder of a bogus engineering degree, told me. "Besides, this is strictly a skills-level type job." He said he "felt a little uncomfortable" that the university would change its mailing address on a regular basis, but he continued with the program anyway. "I had already turned in the money — $380."

Similarly, a respiratory therapist who ran a home health care delivery company had obtained a bachelor's degree in biological sciences, based, he claimed, on 15 years "in the hospital business." He was a little uneasy when he called Southwestern's Tucson campus one day and was told "the university has moved to Ohio."

The most professional response came from a psychologist, who, shortly after receiving a master's degree from Southwestern, received a promotion at the Texas Employment Commission. "That pisses me off. I worked hard to obtain that piece of paper and to think, all I had to do was ask for it."

The most memorable of these interviews, though, took place in the living room of an automobile parts dealer who had a Southwestern bachelor's degree in business administration and another in education. Our interview was punctuated with such remarks as, "Can I fix you something to drink?" — and, when I told him about the federal convictions, "No kidding?"

"It was a joke, an expensive joke," he assured me. "I always told my kids I was going to get my college degree before they did. What the hell? It was a fast way to do it. It was a lark."

He wouldn't tell me how expensive a joke it had been. When I asked to see the diplomas and transcripts, he rummaged through a bedroom dresser, mumbling, "Now what did I do with those diplomas? I must have thrown them out. Can I fix you something to drink?"

I said no thanks. But I didn't have an answer for the respiratory therapist when he asked, "What's going to happen to me?"

A THICK BROWN haze again obscured my view of the mountains. From my office window, Denver looked like a toy city built entirely of Lego blocks. Characterless — and yet, according to some Chamber of Commerce literature, Mile High was home to the highest concentration of degree holders in America. You'd never know it from the conversations I overheard every day on the Mall. So little brainpower to show for all those diplomas.

It had not been a promising day from the start. According to the *Denver Post*, it was the first official "pollution alert" day of the season. I also read that a new Perry Mason movie was being shot across town. At least I didn't have a plane to catch or traffic to worry about.

Things looked a lot brighter when I got home and opened my mail. In the six days since sending off my "free-will offering," I had apparently earned five certificates from the Universal Life Church, Inc., as well as a wallet-size minister's ID and a "clergy" parking sticker. According to the diplomas, I had been granted the "honorary Doctor of Divinity Degree — for meritorious recognition upon completion of a course of instruction." Later in the morning, presumably, I was ordained a minister and, in the early afternoon, promoted to bishop. By the close of the business day, I had been canonized. I was now a certified *saint*.

On each document, my name had been typed in, using what appeared to be standard IBM issue. Each diploma and certificate carried the printed signature of President Kirby J. Hensley, D.D. To the left is a flat, dull-gold-colored emblem with the word "SEAL" printed across it in capital letters. To the right is a list of the board of directors, though not all the names are the same on each certificate. But I must say that, in the many years I have been associated with higher education, I have never before seen a university with its telephone number printed on its diplomas.

The package included an extra, blank ordination certificate, just in case, and a booklet on how to beat the IRS — with a

Illustration by Marcus Hamilton

question-and-answer section in the event of an IRS audit. There was also a pitch from the Universal Life University School of Law: "the time you take to complete the program is up to you." To enroll, one has only to send an initial donation of $45. "The total free-will offering is $540.00, if paid at the rate of $45 per two courses. If paid in advance, the minimum offering drops to $495.00, a savings of $45." The pitch continues, "Earn your degree of Doctor at the Common Law and become a member of the prestigious Universal Bar Association — an association dedicated to the restoration of law and justice."

Elsewhere in the booklet, there were suggestions on how, as a member of the clergy, I might obtain commercial discounts at department stores, supermarkets, "amusement parks, and the list goes on. . . . Check around. You might be surprised at what you will find."

MY FIRST encounter with the College of Life Science came in 1985 when the Coordinating Board of the Texas College and University System asked me to enroll. The Travis County attorney's office had already challenged the owner, T.C. Fry, for granting academic degrees and using the word *college* on his letterhead without holding a state certificate. Without authorization from the Coordinating Board, the college would be acting unlawfully, were it doing business with Texas residents.

Fry had said that his company had stopped calling itself a college in 1983. So I wrote for application papers, using an address in El Paso.

I received a letter and an enrollment package from T.C. Fry, promising "opportunities galore" in "the booming health field." The letter began, "Dear Friend of Personal Excellence," and it said that big bucks could be made curing diabetes, herpes, cancer, headaches, schizophrenia, insomnia, and constipation. What took other health professionals four to 10 years of full-time training, I could learn in a matter "of a few weeks." The catalog was only $3; the Ph.D. ran $1,340.

Included in the enrollment package was "A Frank Statement," in which Fry asserted, "Truth needs no certification." He went on to say that certificates and diplomas offered by Life Science "are mere window dressing" designed "to inspire customer confidence" and help his graduates secure "professional employment."

I had written to an address in Austin, but the return address on his catalog read

Mankato, Minnesota. Oddly enough, the telephone number in Mankato was an Austin exchange.

Students were required to maintain a C average, according to Fry's literature. A "Certificate of Proficiency in Nutritional Science" and a certificate of membership in the American Society of Nutritional and Dietary Consultants would come with completion of 36 courses. Completion of 115 lessons would earn the "Doctor of Philosophy in Health Science" and membership in the American Association of Professional Hygienists.

Impressive as that may sound, the American Association of Nutritional and Dietary Consultants can claim one 6-year-old child, two dogs, and a cat among its members, according to a new book on diploma mill activity from the American Council on Education. In *Diploma Mills: Degrees of Fraud*, scheduled by Macmillan for release this spring, authors David Stewart and Henry Spille identify business, counseling and therapy, medicine and health, nutrition, education, and religion — in that order — as the "hot spots" for credential mills today.

Many nutrition schools, they write, are actually fronts for "holistic" drug peddlers. Sure enough. No sooner was my name in the Life Science files than the piranha showed up at my door. Miracles offered by mail included aloe vera cure-alls, pills to stop baldness, and even a method to turn back the aging process. The discoverer of this drug of eternal youth said that he would not reveal the formula until 50 years after his death. That logic strains credibility, for, according to his own literature, he should never have to reveal his secret at all. But mail fraud operators aren't banking on logic.

According to the Life Science catalog, the Ph.D. is not actually awarded by the College of Life Science. Instead, it is awarded by the City University of Los Angeles — that's CULA, not to be confused with UCLA — "upon application and a transcript of your grades."

In Los Angeles, I contacted CULA Chancellor Henry Anderson, who said that he had long ago asked Fry to retract that statement. CULA, Anderson said, would accept credits earned at Life Science only as transfer credits toward a degree program at CULA. Tuition credits would also apply. Thus, an individual paying Life Science $1,340 would have that amount credited toward a $3,600 program at CULA.

Life Science can claim at least one notable graduate, best-selling author Harvey (*Fit for Life*) Diamond. In April 1986 Diamond and his wife Marilyn defended their alma mater on ABC's "Nightline." From the sound of things, neither the Diamonds nor host Ted Koppel knew that the "college" had been put out of business at 9 that same morning.

The agreement between Fry and the Travis County attorney's office stipulated that Life Science — also known as the American College of Health Science — would no longer use the term *college* or *university* and would cease offering academic degrees. Using my wife's maiden name, I wrote to say I had heard about their "innovative program" during a lecture last year in Boulder, and I requested application papers.

The "Life Science Institute — A Nonprofit, Educational Organization" replied with the salutation, "Dear Friend of Human Excellence," and told of opportunities galore "in the booming health field." There was no mention of a Ph.D., however, or of any affiliation with CULA. The same certificates and association memberships as before were included. The total cost of the program was $1,375 — $1,250 if paid in full, in advance. "The total cost of the materials alone for this course would be $1,499.45 if purchased separately," the literature told me.

The application form asked candidates to list "skills possessed" and whether they had ever worked "as a salesperson." Once again using my wife's name, I replied directly to T.C. Fry, requesting additional information:

> Is there a diploma I will get at the end? Is there a picture of what it will look like that you can send me? Can I transfer my Life Science credits to another college if I need to? Will you take credit for what I already know? I am also worried because someone told me you were on the Ted Koppel show, maybe last year, and had to change the name of the school. Also, the application form says I need a sponsor. Does that mean I have to get a note from a doctor that I can take the course? I know you must be very busy and must get many, many letters every day.

The grandfatherly response, signed by T.C. Fry, gave me a whole new insight into consumer protection:

> At the moment, we have no picture of the diploma, however I assure you that it has a quality appearance as do the rest of the course materials.
>
> With regard to the transfer of credits, we are in the process of obtaining accreditation with an association for non-traditional studies, which would probably allow credit transfer to at least those other participating institutions. Last of all, a sponser [sic] is simply one who introduced you to the course. If there was none in your case, just indicate so, and how you actually learned about the course. Hope to hear from you soon, and good luck!

THE NEXT MAIL brought even better game. An envelope marked "Pal Mar Enterprises" — with a handwritten post office box number replacing a typed one in the return address — brought me the most brazen pitch I'd seen:

> Thank you for your interest in our program. Our Diplomas are without ques-

tion the finest available. Comparable quality sell for $160 to $325. They are 9½ x 13 inches and are printed on the finest Diploma Parchment, and enhanced with a Gold embossed seal and colored ribbons.

These diplomas are for your personal use and should be used at your own discretion.

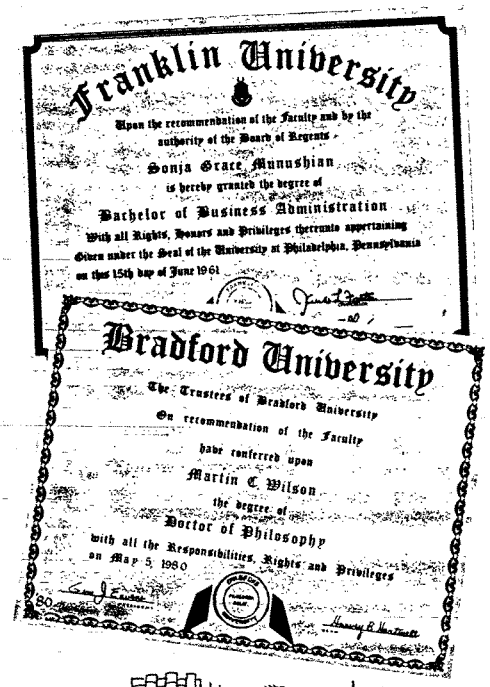
At the bottom of the same page, I was given the following advice in capital letters: "NOTE: NO MEDICAL OR DENTISTRY DIPLOMAS." Near the very end of the combination letter and application form, I was admonished (in capitals and boldface type) to send "NO PERSONAL CHECKS." Instead, I was to "Make All Money Orders and Certified Checks Payable To: J.M. Martin, P.O. Box 6606, Altadena, CA 91001-6606."

Diplomas were offered in the names of Franklin Prep School and Franklin University, both of Philadelphia, and Bradford University of Pasadena, California. Prices ranged from $75 for a prep-school diploma to $110 for a doctorate. Transcripts were $25 each, and another $10 got "your name in gold."

That same day, my prospectus arrived from Somerset University. My first instincts had been right. Somerset had the slickest catalog I had ever seen. A handsome, glossy black cover bore a red crest with a white bend-sinister above the university motto, "*libertas academica*." Page after page, all 60 of them were filled with the same information: all work "commences with the assessment of the candidate's background learning and experience." Nearly every degree was "classified as a special honours degree." Awards came upon the completion of "a special course of study" or "the conduct of independent research."

The inside front cover read, "This prospectus supersedes all previous editions and represents the present intentions of the University." On the page facing the back cover was information about university governance and the role of the faculty senate. Dispersed throughout the prospectus were photographs of various university officers, as well as "some former graduates of the University," all clutching their diplomas. David Rogers, director of studies, appears very academic as he prepares to sign a pile of important-looking papers. Registrar Denise Gunnell is the picture of efficiency as she looks over what appears to be the same pile.

I wanted to give Somerset the benefit of every doubt. But I think the following exchange of correspondence will clear up any questions as to "the present intentions of the University."


Franklin University

Upon the recommendation of the Faculty and by the authority of the Board of Regents

Sonja Grace Munushian

is hereby granted the degree of

Bachelor of Business Administration

With all Rights, Honors and Privileges thereunto appertaining

Given under the Seal of the University at Philadelphia, Pennsylvania on this 15th day of June 1961

Bradford University

The Trustees of Bradford University

On recommendation of the Faculty

have conferred upon

Martin C. Wilson

the degree of

Doctor of Philosophy

with all the Responsibilities, Rights and Privileges

on May 5, 1980

"I'm afraid I have some bad news about your transcript, Johnson."

October 14, 1987
Dr David Rogers,
Director of Studies,
Somerset University,
Ilminster, Somerset TA19 0BQ

Dear Dr Rogers,

Thank you for your prompt reply to my request for the university prospectus. It was certainly worth the $8 — I feel like I got a good jump on my education all ready! I have written to several non-residence universities and your's is the best catelog I've seen yet. I am especially impressed with your list of officers and academic advisors. There is a good chance that I will be in England next spring, and I would sure like to meet that registrar. Meanwhile, before I invest $100 Lbs. for registration, I want to make sure that my application will be accepted by the faculty. Attached is a brief résumé and I would appreciate your review. Also, I am wondering what your diplomas look like. Is there a picture of one you can send me? I would like to apply for the highest degree that you think I can earn.

I know you must be very busy and have to answer several letters every day. Thank you in advance.

Respectfully,
Edward St. Patrick McQuaid

PS: Please send any information on financial aid, scholarships, etc.

At any other school I am certain that my letter and the "Currilum Vitae" I attached would have been passed around the admissions office to brighten up an otherwise uneventful Monday morning. (The errors in the correspondence between me and the university are reproduced faithfully.) I claimed to have a high school diploma from Franklin Prep and an associate's degree from Franklin University, with "transcripts available."

According to my résumé, my bachelor's degree was earned at Bradford University in Pasadena, California — "transcripts and diploma available." Under the heading of employment history, I decided that a three-month stint with the Atlantic City Police Department, followed by five months wildcatting in Louisiana, would make for good color. Next to painless dentistry, I had found the bail-bond trade to be the principal industry along the Texas-Mexico border, and I thought that it would sound more reasonable than "repossession agent" on my résumé. So I listed six years as a bail bondsman, followed by a career as a "freelance security agent — references available, will relocate." But I received a prompt reply to my letter of inquiry, and the following correspondence ensued:

5 November 1987

Dear Mr McQuaid

Thank you for your letter of 14 October and the accompanying curriculum vitae which has been noted carefully.

On behalf of the University, I am pleased to confirm that you are eligible for entry at postgraduate level and therefore you may care to consider applying for entry to one of the Master's programmes offered.

We shall be pleased to receive your completed application form with supporting papers and registration fee, should you decide to make a formal application for entry.

Yours sincerely,
Diane G Faulconbridge BA
Assistant Registrar

* * *

November 25, 1987

BA Faulconbridge,
Assistant Registrar
Somerset University
Ilminster, Somerset

Dear Miss Faulconbridge,

Thank you for your letter replying to my résumé and application review. I am sorry for the delay in getting back to you. It has been one of those weeks. Just today the police put a boot on my car and my landlord changed the locks on my apartment because of some problems with my deposit. Maybe you have had days like this and can understand why I have been so preoccupied.

However, I think we can do business very soon if you can clear up one or two matters for me. First, about tuition discounts. I will be able to pay the entire tuition and registration fee with a cashier's check, in full, before the start of classes. I am wondering about two things: First, will I get a discount on a doctorate programme if I pay for the masters? I will probably like to continue along for as high a degree as I can get. Second, I have showed the prospectus to several other people who would also be interested in a degree. I am wondering if I can earn a discount for the number of new students I can recruit to the university? If you think so, you should send some more prospectus books so I can pass them out.

In a perverse way, they are doing a public service, drawing attention to issues of comparable worth.

I am also wondering what the diplomas look like. I asked Dr. Rogers about this in my earlier letter. What I would really like to know is this. My mother is in very poor health and I would like to be able to show her my diploma as soon as possible. I would like to know if I pay my full tuition (with discounts) in full, in sterling, if I can get the diploma first and take the courses after. I realize this is unusual but I hope you understand the circumstances.

Thank you for your consideration.
Edward St. PAtrick McQuaid

* * *

4 February 1988

Dear Mr McQuaid

I am pleased to confirm that should you enrol for a Master's degree and then go on to undertake a doctorate programme at a later date, a bursary award towards the second programme would be considered. Indeed I am pleased to inform you that the Bursar has authorised a discount of £295-00 for a Master's programme if you register before the end of February 1988.

With regards to receiving a diploma before completing a course, this would not be possible.

We look forward to receiving your completed application form and registration fee by return.

Yours sincerely
Diane G Faulconbridge, BA
Assistant Registrar
Enc

Illustration by Marcus Hamilton

. . .

12 February 1988

BA Faulconbridge
Assistant Registrar
Somerset University
Ditton St., Somerset

Dear Ms Faulconbridge,

We have an expression over here: My patients is wearing thin! Translated, it means "How many times have I written to you (and sent you $8 US) to ask to see what a copy of your diploma looks like?" And every time I get the same reply: Thank you for your letter, send us money and fill out the application form, Yours sincerely. Please tell me this, how do I know this isn't a rip-off if I don't see what the diploma looks like?

I have explained the reason to you why I at least need to see a sample diploma from Somerset. I've already told my father that I have been accepted and would soon have a Somerset diploma. What do I tell him if he has another stroke and I haven't even taken my first class? Here's what I am prepared to do as soon as you or Denise Gunnell write back to say its O.K. I will go ahead and sign up for a higher doctorate programme and pay the full amount — $2,695-pounds — and I will take all of the classes and do all of the work that is assigned, IF you will send me a Master's diploma as soon as my check has cleared your bank. I think that is a fair compromise.

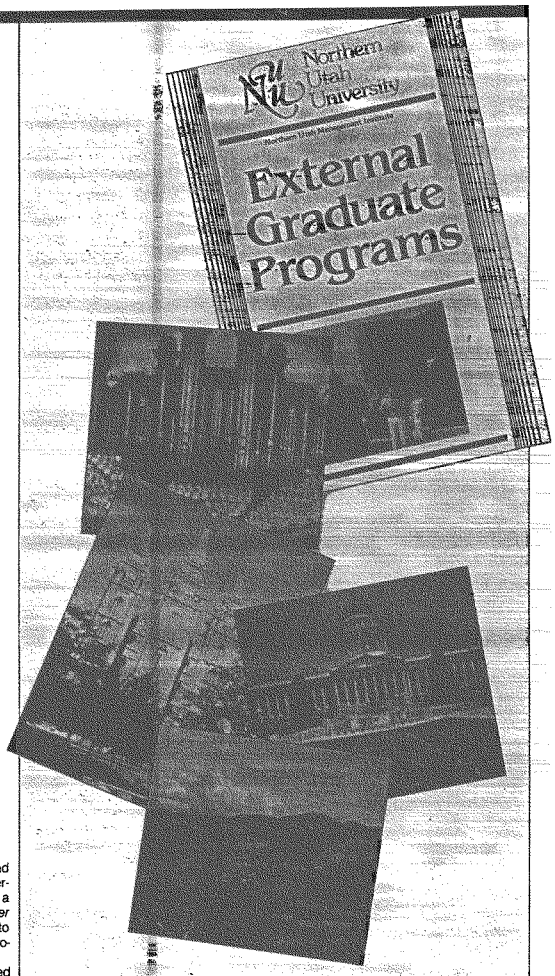
I also wrote you with a proposal about discounts based on how many new students I can recruit. Now I've loaned out my only copy of the prospectus to a friend in Boston. I was assuming you would pay me for my time and effort, but you haven't even mentioned it in your letters. Can you at least send me the new 1988 prospectus, or is that going to cost me another $8 US, if the price hasn't gone up?

I hope you are not upset by my questions or my attitude. Its just that I'm having my doubts. Do you think if I wrote to his Grace the Duke I would get better satisfaction? I don't want to go over your head about any of this.

Sincerely,
Edward St. Patrick McQuaid

I can only conclude that "patients" had worn thin at Somerset as well. After several weeks with no reply, I came across a dispatch item in the *Chronicle of Higher Education*, dateline London, "Britain to Crack Down on Institutions Offering Bogus Degrees."

Among 150 suspect colleges targeted for action were the International College of Natural Health Sciences and "Somerset University in Ilminster, which has been investigated by the government's Office



These photos of Utah landmarks are taken from the Northern Utah University catalog. There are no photos of the campus.

I counted no fewer than 10 places in which he had backed up and erased spelling and typographical errors.

of Fair Trading for alleged violations of consumer-protection laws," according to the report.

"They're not allowed to fleece their own," FBI agent Ezell told me. And, up until now, "it's been open season on Americans and other foreigners."

MY FIRST MEETING with Bradford College president Arthur Levine was several years ago in the buffet line at a function sponsored by the Carnegie Foundation for the Advancement of Teaching, held at its headquarters in Princeton, New Jersey. Levine told me that the trick to being invited back to these sorts of affairs was to take small portions. He was on sabbatical from Bradford College when I caught up with him again at Harvard's Gutman Library.

"This whole business is a sham for consumers who are misled into thinking that they are earning a qualified college or university degree," he said in a brief telephone interview. "I am assuming that a steady stream of graduates is pouring out of Bradford University of Pasadena. For an institution such as Bradford College, the effect is to diminish the worth and importance of our own degree. For a state to allow diploma mills to exist and multiply only adds to the rationale for questioning the quality of higher education in general. Clearly, this activity hurts all of higher education."

After an earlier run-in with diploma mills, Levine had suggested in a commentary for the *Chronicle of Higher Education* that "a national registry" of suspect colleges ought to be compiled and updated periodically. A major Washington-based professional association had planned to issue just such a roster this year, but it backed off on the advice of its attorneys.

"This angers me very much," said Levine, adding that he has instructed legal counsel for Bradford College to investigate the possibility of taking legal action against Bradford University.

JUST WHEN I thought the dust had settled, a personal letter from the president of Northern Utah University materialized. "This will acknowledge, with appreciation, your letter of October 23, which somehow did not reach us until November 6," wrote Warren H. Green, Ph.D.

I figured out that problem pretty quickly. The return address on Dr. Green's letter read "5 Triad Center, Salt Lake City," but the envelope carried a St. Louis postmark. I telephoned the Triad Center and a receptionist told me that the office building was home to the Utah board of regents for higher education but not to Northern Utah University. "Never heard of it," she said.

Dr. Green's letter is an extraordinary piece of correspondence, especially since its author is a university president. I counted no fewer than 10 places in which he had backed up and erased spelling and typographical errors. In one instance, he simply crossed out an extra "o" from the sentence, "You would not loose time from work or have to go to the expense of campus study." His letter also offers these two gems (reproduced exactly) in response to my request for information on financial aid:

> Since the governments cut-back in funding, we can offer no financial aid or scholarships.
>
> In the Government cut-back, they removed all assistance to non-traditional schools and only allow it to your larger University for on-campus studies.

The catalogs of diploma mills generally exhibit a similar editorial pattern. As a rule, program offerings are described in extravagant terms. The text, laced with pompous academic jargon, is often rife with spelling and grammatical errors. Principal officers usually hold an arm's length of impressive degrees, often awarded by the mill itself.

In the catalog there are lots of pictures of northern Utah — but no pictures of Northern Utah University. "Since Northern's external division specializes in external study, there is no large physical plant (cafeterias, dormitories, libraries, athletic facilities, etc.) but rather, adequate administrative facilities are maintained with access to offices, conference rooms and living accommodations on a leased basis when needed. Library facilities in the area are superb."

The cover sports a photo of two young people "enjoying a summer day at the Triad Center." Inside are photos of the Utah state capitol and the Mormon Tabernacle Choir.

It was late in the afternoon. I was shaved, showered, and aspirined. The face of Warren H. Green smiling up from an open page in his catalog reminded me that I had a deadline to meet.

I have to admit admiring these characters. In a perverse way, they are doing a public service, drawing attention to issues of comparable worth. In a credential-hungry world, too many people are roaming the streets with hard-earned, overpriced diplomas of questionable value. Too many more earned theirs warming a seat for four years and staying ahead of tuition payments. It had long been my dream to rent a post office box over on Mount Auburn Street and open the likes of Harvard Square University, just to see what the mail would bring. But that's another story.

Directory assistance confirmed a Warren H. Green resident in St. Louis. There was no answer, so I tried the number listed on the Northern Utah University letterhead.

"Yeah, Northern," answered a casual, male voice.

"Is this the university or the answering service?" I asked, leaning back in my oak swivel chair. I struck a light off the corner of my desk.

"This is the *university's* answering service," he replied, still casual, but with a little more certainty.

"I'm trying to get through to Warren H. Green, Ph.D.," I said, watching a thin stream of blue smoke curl toward the ceiling. "Can I reach him there?"

"You can, but not today. Can I give him a message and have him call you?"

I leaned over and flipped on the overhead fan.

"Now, how did I know you were going to say that?" K

REPRINTS

You may wish to order reprints of this Special Report for classroom use or for distribution to state legislators and other groups. You can purchase 50 copies of this report for $15.00 and 100 copies for $25. Call Order Department, 812/339-1156 or write Special Reports/Reprints, Phi Delta KAPPAN, P.O. Box 789, Bloomington, IN 47402.

PREPARED STATEMENT
OF

LIEUTENANT COMMANDER CLAUDIA GELZER
BEFORE THE SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS
MAY 12, 2004

Good morning, Madam Chairman, members of the Committee,

My name is Claudia Gelzer. I'm a Lieutenant Commander in the United States Coast Guard. I joined the staff of the Committee on Governmental Affairs a year ago as a detailee. As part of the Committee's team investigating diploma mills, I enrolled at a non-accredited school and took classes. Our goal in this endeavor was to conduct a first-hand evaluation of the quality of education provided by an institution in this category.

The school that I attended, Kennedy-Western University, is successfully attracting thousands of students each year. The school earned almost $25 million in 2003. It has nearly 10,000 students currently enrolled.

I would like to point out that Kennedy-Western is just one of many like institutions operating in the nation today. It is not the Committee's intention to single them out as the only example of an unaccredited institution. The reason the school became a focus of our investigation is because of claims in its catalog that some twenty federal agencies and entities have paid for employees to get degrees from the school. It has been operating for 20 years. It has a professional-looking website and a glossy brochure, and offers 19 areas of study, including business, engineering, and health administration.

The school operates strictly online and through the mail. There is no physical campus, but rather office buildings in California and Wyoming. Kennedy-Western offers bachelor's, master's and doctorate degrees. The school is not currently, nor has it ever been, accredited.

I first called Kennedy-Western in July of 2003. I introduced myself as a Coast Guard officer looking to earn a master's degree in environmental engineering. I was connected to an admissions counselor who told me I was in good company. The engineering programs were among the schools most

popular. Given my military background, she said I was probably well on my way to earning a master's degree already. She told me Kennedy-Western believes students should get credit for what they've already learned. An admissions board would evaluate my experiences and determine how much credit I should receive, and how many classes I would actually have to take to get my master's degree.

In the weeks following my initial contact with the school, I received and submitted an application to Kennedy-Western, which asked about my life and work experience. I provided a current resume, deleting only the reference to my master's degree in environmental public policy. My resume listed my bachelor's degree in journalism and my 12 years of work experience in the Coast Guard. They also asked for any seminars, workshops or on-the-job training I had completed. I listed six seminars and four training courses I had attended related to oil spill response and boat accident investigation. This information was accepted at face value by Kennedy-Western. They asked for no proof or documentation. As a note, I have no formal engineering training.

Not long after, I was admitted into the program. My counselor was effusive about how well my qualifications had rated with the school admissions board. In fact, she said, my rating was one of the highest she had ever seen. As a result, the school was immediately prepared to grant me credit for 43 percent of the degree requirements. To drive this point home, my counselor paused and said, "Claudia, you're only five classes away from your master's." I would also have to write a final paper worth 12 credits. In other words, Kennedy-Western was prepared to waive six master's level classes in engineering based solely on my claims of professional training.

As part of the investigation, the Governmental Affairs staff wanted to compare Kennedy-Western's procedure for granting life experience with those of accredited schools. Committee staff surveyed 20 accredited schools that offer a master's degree in environmental engineering. None of the 20 schools offer credit for life experience. A more expansive survey of 1,100 accredited institutions and their life experience policy, conducted by the Council for Adult and Experiential

Learning, revealed that only 6 percent of the schools offer credit for life experience at the master's level.

In response to a formal query from the Committee, Kennedy-Western told us they admit only students who can "demonstrate applicable work experience." We were told that every student in the master's program is given between 33 and 60 percent credit toward a degree for their life and work experience. In fact, documents produced by Kennedy-Western indicated that nearly half of all students in its master's programs have received more than 55 percent credit for their experience. Again, I received roughly 43 percent toward an engineering master's degree.

After discussing the results of my evaluation, my admissions counselor told me she had good news about my tuition. My degree would fall at the lower end of the school's tuition scale because of all my experience, she said. That amount was $6,525 payable all at once or in installments with no less than 25 percent down. I asked why the school charged for its degrees in a lump sum. As you know, the federal government can only reimburse employees for courses, not a degree. So I told her, the Coast Guard would only reimburse me by the class. She said not to worry. Kennedy-Western could make it look like they were charging me per class by drawing up a bill reflecting a course-by-course breakdown. She said they had just done this for a student from NASA. This chart shows what the school devised for me to accommodate the Coast Guard's requirement. In our interviews with former Kennedy-Western employees, we were told that it was common practice for the school to alter the bill to satisfy private and federal employers for reimbursement purposes.

My counselor wanted to get me started right away. I needed only to select a payment option. I told her before I could sign up, I needed to confirm that the Coast Guard would pay for a Kennedy-Western degree. She asked if it would help to see some cancelled checks the school had received from other federal agencies that I could show to my boss to prove to him that other agencies had paid for the program.

The next day, she faxed three cancelled U. S. Treasury checks payable to Kennedy-Western University. They were tuition payments for employees of the Air Force, the Army, and the Defense Finance Accounting Service in amounts ranging from $3,400 to $4,800. Upon receipt of the checks, I paid my first installment of 25 percent of my degree costs with a GAO credit card used for undercover work.

I chose two classes – Hazardous Waste Management and Environmental Law & Regulatory Compliance – from the environmental engineering curriculum. I got the textbooks for about $100 each from a book distributor affiliated with Kennedy-Western. The course guidelines arrived by email, and contained no actual syllabus. Instead, the guidelines included three basic instructions: read your textbook cover-to-cover at least twice; take the enclosed sample exam; and take the final exam. No papers, homework assignments, on-line discussions, or interaction with the professor was required.

Kennedy-Western courses are not what most of us have experienced at the University level. Instead of structured interaction between professors and fellow students in a classroom – including homework, papers and a series of exams – Kennedy-Western requires students to pass one open-book, multiple-choice test for each class. A student may retake this exam if they do not pass the first time.

Once enrolled in my classes, I was assigned a student advisor. I called her to ask how long I had to wait before requesting my final exams. There was no time restriction, she said. If I felt prepared to take the tests the day after tomorrow, that would be fine. I ordered the Hazardous Waste Management test first. I had neither read nor reviewed the textbook. My objective was to determine whether the test was in fact legitimate. If so, having not prepared, I assumed I would not be able to pass it.

I had three hours to complete 100 questions. I was able to answer most of them by simply looking up a key word in the index, turning to that section of the text, and finding the answer. However, I got stuck on several questions, some that were worded unclearly and several for which there appeared to be no correct answer in the choices provided. Ultimately, I ran out of time.

After submitting the test, the school notified me that I had not passed. In that same letter, I was offered a make-up exam for $50. I began to think perhaps Kennedy-Western's program might be more rigorous than we had heard. But then I took a closer look at my test. While reviewing my answers, I noticed that a number of questions had been graded incorrectly. I had given the right answer, but the questions were still marked wrong. I also confirmed that several questions had no possible correct answer provided in the choices.

The school has an active online chat room for students called "The Pub." I had seen a lot of complaints from other students about the quality of Kennedy-Western exams. In this chart, you can see that one student said, and I quote, "I do not know about yours, but some of my exams were terrible. One referred to a diagram that was not on the test, and others you can barely read because of very poor English." Another student said, quote, "My advice to those who are studying hard is to recheck their exam results and challenge the score if you believe you have the right answers. I was surprised to find out that all my exams contained some errors, which I had to challenge and correct! I guess a lot of us are experiencing similar issues across different majors."

So, I filed a grade challenge. Ultimately, the school declared the test invalid acknowledging, quote, "significant errors." I received several calls from the class instructor. She apologized for the poor quality of the test and acknowledged that in addition to making administrative corrections, she would also reword several of the questions to make them clear. The school also sent a letter of apology, and I was told that my grade would be expunged. I could order a retake exam at no charge. Before ordering a new test, I reviewed the textbook layout and took the practice exam. I spent just under eight hours on these activities.

I assumed the school would send a different version of the exam the second time. The retake, however, was identical to the first, with the exception of the corrections the instructor had made. I had no trouble passing it.

I then focused on my second course, Environmental Law & Regulatory Compliance. The textbook for the course was not a textbook at all, but rather a lawyers' desk reference entitled, Environmental Law Deskbook, which presented a

problem. This is a 988-page reference guide containing 22 environmental statutes written in 10-point typeface. It contains no legal summaries, annotations, or any type of statutory analysis of environmental law - in short, no context whatsoever. Again, the course guidelines recommended that students read the entire book twice and review questions at the end of each chapter. But this book had no study questions. It consisted of nothing more than the text of each statute. I wasn't sure how to study a book like this. To prepare for the exam, I found on my own an environmental law treatise and studied it for about eight hours.

Again, the test was open book, multiple-choice, 100 questions. Largely with the help of the alternative text I had found, I was able to pass it without a problem. Nevertheless, the class was a profound disappointment. The textbook prescribed by Kennedy-Western was essentially useless as a tool to increase a student's understanding of environmental law or to analyze environmental statutes and their genesis. After passing the test, I emailed the professor through my student advisor asking why he had selected such an ineffective book for the class. I never heard back.

Not long after, I withdrew from the school, as by then we had a good sense of Kennedy-Western's academic program. With just 16 hours of study, I had completed 40 percent of the course requirements for a master's degree.

In reviewing student dialogue in the school's online chat room, I found numerous postings about the quality of Kennedy-Western's program and its lack of accreditation. I sensed genuine disappointment and even desperation from students questioning whether they had made a mistake. Many admitted they had not understood the importance of accreditation when they enrolled. Some students spoke of feeling "duped" by the school. Several questioned why it seemed like so many students at Kennedy-Western had to take only four or five classes.

On the other hand, there were students who seemed completely at ease with the lack of program demands. The chat room included regular exchanges about how to prepare for Kennedy-Western exams. It was openly acknowledged that test answers could often be found directly in the textbook glossaries. This

chart shows some actual quotes from the chat room. One student wrote, "I'd like to share general advice that helped me score [an] A on 4 of my courses! I highly recommend that you be familiar with the Glossary and the Index of the textbook. Some of the questions were copied from the glossary!" Another student echoed that sentiment, "I took the test this morning, an[d] got a 91%. I [was] surprised myself on how many answers were straight from the glossary." There were multiple postings like this.

As for my first-hand experience with Kennedy-Western courses and passing the tests, I found that basic familiarity with the textbook was all I needed. I was able to find exam answers without having read a single chapter of the text. As for what I learned, the answer is very little. The coursework provided only a cursory insight into management of hazardous waste or environmental regulations and law. Certainly not at the level one would expect from an environmental engineer.

Aside from a multiple-choice exam and someone to grade it, based on my experience, a student at Kennedy-Western receives little value for their roughly $6,000 in tuition. I think that's why I found so many who expressed disillusionment on the school's chat room. Having stood in their shoes for a few months, I can understand why they feel betrayed.

I can also understand the feelings of a number of former Kennedy-Western employees interviewed in our investigation. A former admissions manager stated that there was no value to a Kennedy-Western education, and that he was "embarrassed" to have ever been a part of the school. A former faculty member said Kennedy-Western's curriculum development system is broken. A former employee of the student services department said the work at Kennedy-Western simply does not qualify a student for a bachelor's degree. This concludes my written testimony. I'd be happy to answer any questions that members may have.

STATEMENT OF ANDREW COULOMBE

Madame Chairman, thank you for inviting me to testify about my experiences as an admissions counselor at Kennedy-Western University. I worked at Kennedy-Western for three months before quitting in February 2003.

First, let me provide my personal background. I received a bachelor's degree from the University of California-Berkeley in 1997 in historical archaeology and geology. After graduating from college, I was looking to work in the field of higher education, and I saw a listing on the employment website Monster.com for a position as an admissions counselor at Kennedy-Western University. I had not heard of Kennedy-Western, but was eager to work in academia and to advise students, therefore, I applied for the job.

Shortly after being hired, I started training at Kennedy-Western. I soon discovered this was like no school I had ever seen. I saw immediately that I had been misled by Kennedy-Western's recruiter. I was not going to be counseling anyone. I had been hired to be a telemarketer, using a script to sell Kennedy-Western just like any other product.

As an admissions counselor, I was required to call between 100 and 125 prospective students per day, trying to convince them they should apply to Kennedy-Western. If I convinced a student to apply, he was then handed over to a "senior admissions specialist" who tried to get the student to enroll and to pay for his degree. These senior admissions specialists were generally regarded as the experienced, hard-core "closers" who would close the sale and bring in the money. Once the student paid, he was turned over to the student services department to select his classes.

I generally called between 400 and 500 potential students per week, and of these, only a small number would usually submit an application. Admissions counselors like me were taught to use a "negative sell" approach with prospective students. Generally, we would tell them that they were not very qualified, that they did not have a strong academic background, and did not have a good chance of getting into a prestigious school like Kennedy-Western. We told the prospective student that we would do him a favor, and submit his name to the admissions board, and see what the board decided. Then once he was accepted, we would call him with the "unbelievable news" that he had been accepted.

The problem is, much of our sales pitch was not true. There was no admissions board. Applications were reviewed by one person. Of course, the applicant had excellent chances of getting in – in fact, I never heard of an applicant being rejected. We were also instructed to tell applicants that at Kennedy-Western, they would be taking the same classes that students took at real schools like Harvard and Princeton. I went to a real school. Kennedy-Western is not a real school.

Admissions counselors worked in a boiler room atmosphere, where we were under significant pressure to meet lofty sales goals. We were paid a low base salary, and made over half of our pay in commissions. We were paid a commission of $15 per head on every application we brought in. If a student actually enrolled, we would get roughly $100 per student. Admissions counselors' names were all listed on a large white board in our sales room, indicating how many sales we had made, and whether we had met our sales goals. There was enormous turnover in the Kennedy-Western sales force. Many counselors quit once they discovered they were going to be telemarketers, not admissions counselors. Others could not meet the sales goals set by Kennedy-Western. Others simply could not stomach what they were being asked to do. Once people gave their two weeks' notice, they were usually fired on the spot, and locked out of the building's controlled access. These conditions alone sent up numerous red flags in my mind. No real school I had ever heard of operated like Kennedy-Western. At Kennedy-Western, everything was about the pursuit of cash.

I don't know where Kennedy-Western got all of the names that I was calling on a daily basis. The school's management told us that everyone we called had requested information on Kennedy-Western. However, my experiences suggest that this was not true. Once, I called a name provided to me by Kennedy-Western, and the person I called said that he worked for what he called the "lead company," and that his name had been included as a "test lead." He explained that his company sold names to Kennedy-Western. Because I had been told that everyone we called had expressed interest in Kennedy-Western and requested information, I was alarmed to hear that a company was selling names to the school. When I asked the school's management what was going on, they denied that they has us cold-calling applicants, but did not explain what had happened.

However, it did not require great detective work to figure out that we were cold-calling people to ask them to apply to Kennedy-Western. Most of the people we called had never heard of Kennedy-Western. I often joked with my fellow admissions counselors that the people we called kept referring to the school as "Kennedy Who," and "Kennedy What?" I know that the management denies they cold call potential students, but that simply is not my experience.

Many of the people I called were down on their luck. Many lacked a college education, and held dead-end jobs. Many had families and full-time jobs, and did not want to take a lot of time to get a degree from an accredited school. And those were the buttons we pushed when trying to get them to apply to Kennedy-Western. We used negative sell tactics to convince them that they did not have many options in life, and that Kennedy-Western was their best chance to improve their lot. The problem is, the school did not deliver what it advertised, and I believe that these students could have done much better than to spend their money on Kennedy-Western. In the end, I felt that what I was being asked to do as an admissions counselor was unethical.

One issue I understand is of particular interest to the Committee is whether the federal government made payments for federal employees to obtain degrees from

Kennedy-Western. I know that prospective Kennedy-Western students were usually interested in trying to get their employer, whether a private company or the federal government, to cover the costs of the degree. Kennedy-Western did everything it could to help students get reimbursed. We would provide employers with letters explaining that other large companies and government agencies had paid for Kennedy-Western degrees in the past. Sometimes we were successful, sometimes we were not. Having worked at Kennedy-Western, I can say that as a federal taxpayer, I am upset that tax dollars have been spent there.

I would like to make a couple of additional observations about the severe shortcomings of a Kennedy-Western education. Part of my job was to have applicants fill out applications and list their prior work experiences. I know that Kennedy-Western made no efforts to verify the work experience claimed by an applicant. I also know that Kennedy-Western gives applicants a substantial amount of credit for their prior work experiences, even if they are inconsequential. I saw this happen numerous times.

Second, based on my observations during the time I worked at Kennedy-Western, I can tell you that there is no value to a Kennedy-Western education. Anything you learn there can be learned by buying a book and reading it on your own.

Madame Chairman, thank you for inviting me to discuss my experiences at Kennedy-Western. That concludes my prepared statement, I am happy to answer any questions that you may have.

DEPARTMENT OF EDUCATION

Statement by
Sally L. Stroup, Assistant Secretary for Postsecondary Education
before the Senate Committee on Governmental Affairs
on
Institutional Accreditation by Recognized Accrediting Agencies and the Problem of Diploma Mills

May 12, 2004

Madam Chairman and Members of the Committee:

I am pleased to appear before you today to describe what the Department of Education is doing to help ensure the quality of education in our nation's institutions of higher education and to discuss the growing problem of diploma mills.

Our decentralized system of higher education is widely admired around the world for its quality and diversity. This quality is largely a tribute to the efforts made by the many different types of postsecondary institutions that ensure a valuable education is provided to their students. Others also contribute to the success, including state governments that play a direct role through the licensure of postsecondary institutions; the Federal government through its oversight of the accreditation process as set forth in the Higher Education Act; and accrediting agencies that establish and apply standards to institutions of higher education. The combined efforts of all of these parties make an important contribution to maintaining and improving the quality of those institutions.

On the other hand, diploma mills operate outside of stringent and appropriate supervision. They grant diplomas or degrees that are fake and usually worthless because of a lack of proper standards.

The problem posed by diploma mills must be seen in the context of how important postsecondary education is to our information economy. The value of a quality postsecondary education has never been greater. The new century demands a different type of worker: one who is more highly educated, is better trained, and has a broader set of skills in a variety of areas. There are significant differences in employment and earnings between those who have earned a degree in higher education and those who have not. Research consistently shows that the unemployment rate for adults aged 25 years old and over who have received at least a bachelor's degree (recently at 3.1 percent) is significantly lower than adults who have not completed high school (8.8 percent) or only completed high school (5.5 percent). At the same time, the Bureau of Labor Statistics projects that between 2002 and 2012, 70 percent of the fastest-growing occupations will be in occupations that generally require some sort of education beyond a high school diploma.

The annual and lifetime earnings of bachelor's degree recipients are also significantly greater than the earnings of those with only a high school diploma. For 2002, the U.S. Census Bureau reports that the average household income of a college graduate is more than 80 percent greater than that of someone who has only a high-school diploma. Now, more than ever, our country and economy place a premium on higher education. As a result, most individuals are motivated to earn legitimate degrees from postsecondary institutions. However, there are others who do not want to invest the time and effort required to obtain a legitimate degree. For this group of people, diploma mills provide a means for obtaining a "degree" that purports to represent the completion of a postsecondary education.

Although we tend to focus on the consumers who are unsuspecting victims of diploma mills, we need to recognize that some consumers are well aware that they are obtaining fake credentials. Just last week, my assistant received an email at the Department of Education and the subject line said "get your highly credited diploma now." The message went on to say, "get your diploma within 30 days! No classes to attend. No books to read. Simply pay and receive your diploma. Only a name and 2 telephone numbers are required." People who respond to such ads would have a difficult time convincing most of us that they are victims of diploma mills.

In response to the problem of diploma mills, it is important to recognize that this is not the first time this issue has surfaced in the United States. The federal government's concern about diploma mill activity arose in 1952 during the Korean conflict. The concern then was that diploma mills were rapidly opening to take advantage of federal funding in the form of "GI Bill benefits" for veterans of the Armed Forces. State approving agencies were required by statute to visit all non-accredited educational institutions that wished to have courses approved for GI Bill education assistance benefits. They were required to apply a stringent list of approval criteria to those courses. That basic approach is still being used effectively by Veterans Affairs to ensure that the substantial Federal investment in student aid is made to students who are attending institutions of higher education that provide a sound education.

For the most part, diploma mills do not endanger the integrity of the Federal student aid programs because of the accreditation process and the oversight conducted by the Department's Federal Student Aid office. However, they do threaten to devalue the legitimate education credentials of millions of Americans. Senator Collins, you raised

your concerns to Secretary Paige which prompted a series of events. First, Secretary Paige asked me to convene a meeting to explore the problem of diploma mills. That meeting was held on January 15 of this year, and a wide range of representatives from state and federal agencies attended. Those at the meeting included officials from Oregon, North Dakota, New Jersey, Illinois, the Office of Personnel Management (OPM), the Federal Bureau of Investigation (FBI), the Federal Trade Commission (FTC), the General Accounting Office (GAO), the Department of Education and staff from the Senate Governmental Affairs and the House Government Reform Committees.

The purpose of the meeting was to share information and create awareness about on-going State and Federal efforts to address the problem of diploma mills and to lay the groundwork for greater coordination in the future. Representatives from Oregon, North Dakota, Illinois and New Jersey described the laws that have been enacted in their respective states to restrict the operation of diploma mills and the use of fake educational credentials. Representatives from OPM discussed current efforts to identify fake degrees in the Federal workforce, while the FBI and the FTC shared their experiences in handling investigations of diploma mills domestically and internationally.

One of the strategies discussed for combating the problem involved developing a comprehensive list of diploma mills. If a national list of diploma mills could be developed, it would be available to the public and employers wishing to ascertain the legitimacy of an education credential issued by a postsecondary institution. Students seeking a postsecondary education could avoid those institutions. Employers concerned about the knowledge and skills of potential employees could identify those institutions providing fake credentials.

However, I think most of the attendees at the meeting agreed that maintaining a comprehensive national list of diploma mills would be an overwhelming challenge. The majority of diploma mills are now Internet-based and their ability to rapidly appear, disappear, and morph into other forms is unlimited. An alternative proposed at the meeting is the creation of a "positive list" of postsecondary institutions. That list would consist of all postsecondary institutions accredited by agencies recognized by the Secretary of Education. From our discussions, it was clear that such a master list of accredited postsecondary institutions would greatly assist people who are verifying credentials as part of the hiring process.

After discussing this matter with Secretary Paige, he instructed the Office of Postsecondary Education to begin compiling such a list of postsecondary institutions. The burden of collecting the names of accredited institutions is relatively small as recognized accrediting agencies are already required to periodically provide this information to the Department. The majority of accrediting agencies maintain a list, in electronic format, of the institutions they accredit, so we will collect the names of these institutions and compile this information into an easily accessible database. This first phase, to be completed this year, is to identify institutions currently accredited by recognized agencies. People interested in attending an institution in the near future or employers interested in recent credentials of job applicants will find this initial list of immediate assistance. A second phase will involve compiling historical information with respect to institutions that had previously been accredited. A historical list will be needed to verify credentials in a number of situations. For example, a previously accredited institution may no longer be accredited, an institution may no longer exist or

an institution may have merged or changed its name. In those situations, an institution will have awarded a perfectly valid credential during a specified period.

I think it is important to point out that the list that will be compiled and maintained by the Department will in no way be a perfect list. In the United States, there are many postsecondary institutions providing a quality education that have chosen to not participate in the Federal student aid programs, and may not have sought accreditation which is required for Federal student aid purposes. Those institutions will not appear on the Department's list. Therefore, in making a "positive" list available, the Department will exercise great care in explaining what the list represents, as well as what it does not represent. Postsecondary institutions that do not appear on the list should not be presumed to be a diploma mill. We expect that persons using our list will consider it a first source of information and would hope that further investigation takes place whenever an institution does not appear on the list.

In closing, I think many of us who attended the January meeting concluded that the challenge of effectively confronting the diploma mill problem cannot be solved by states or Federal agencies working independently. The dialogue initiated at the conference must continue with action, coordination, and cooperation so that the manufacturing and use of fake degrees is controlled, if not eliminated. The Department of Education is pleased to be able to help in this process by creating a list of institutions accredited by recognized agencies and by offering its continuing support in this important effort.

Thank you for your time and the opportunity to testify before you today. I would be happy to answer any questions you might have.

Statement of
Stephen C. Benowitz
Associate Director for Human Resources Products and Services
Office of Personnel Management

before the

Committee on Governmental Affairs
United States Senate

on

"Bogus Degrees and Unmet Expectations: Are Taxpayers Subsidizing Diploma Mills?"

May 12, 2004

Madam Chairman and Members of the Committee,

I am pleased to testify today on behalf of the Office of Personnel Management (OPM). OPM has been engaged in addressing the issue of bogus degrees and diploma mills since the mid-1980s, when we teamed with the Federal Bureau of Investigation to combat the fraudulent use of these so-called degrees by individuals under consideration for Federal employment.

OPM Director Kay Coles James has said that these degrees deceive the public, pose a potential threat to national security, constitute a fraud if Federal funds are used to pay for them, and can give the public the impression that Federal employees have expertise and credentials when they do not. It is vital that members of the Federal workforce be well-trained and qualified and that Federal employees in no way misrepresent the experience and education they bring to their positions. Every Federal employee must earn the utmost confidence of the

American people, no matter what job the employee fills. The way to maintain this confidence is by ensuring that the training and education of the Federal workforce are done by legitimate institutions that have a proven track record of providing high quality training and education.

OPM has significantly increased its vigilance surrounding this issue in the past year. Director James has written to the heads of Executive Branch Departments and Agencies on three occasions, informing them of the need for oversight of this issue within their respective agencies. She has also increased resources within OPM's Center for Federal Investigative Services, where we perform personnel background investigations that may identify diploma mill issues. We have also offered training to Federal agency human resources directors and personnel security directors on four occasions, twice in August 2003, and twice this month.

The use of fraudulent degrees in the Federal Government could substantially affect the national security and the health and safety of Americans. In conducting background investigations on applicants, employees and contractors, we have found examples where these degrees were cited by individuals in their applications or other official documents.

OPM's role is to conduct the background investigation and refer the developed information to the agency requesting the investigation. If issues are identified during the investigation process that are of significant interest, they are referred

to the requesting agency immediately. Issues involving degrees from diploma mills fall into this category. Agencies are responsible for reviewing the investigation report, and determining if the individual is suitable for Federal employment. If a security clearance is required, the investigation results form part of the basis for determining if a clearance is granted. The suitability review process is called adjudication.

Use of a bogus degree may disqualify an individual from Federal employment. First, the individual may not meet the qualification requirements of the position. That is, to qualify for the position an applicant may need a specific degree or required credit hours, and these must be from an institution accredited or in the process of being accredited by an organization recognized by the U.S. Department of Education.

In addition, especially in the view of Director James, the individual's deception in claiming a degree he or she knew to be invalid may constitute fraud in examination or appointment. In this case, the agency or OPM may determine that the individual is unsuitable for Federal employment because of the use of the bogus degree. The agency or OPM may find the person ineligible, and disqualify her or him from consideration. If the individual is already an employee, the agency or OPM may determine that the individual's deception warrants removal from Federal service. OPM's involvement in adjudicating cases of this type is limited to competitive service applicants and employees. When OPM has

jurisdiction, we may also bar the individual for up to three years from competing for or accepting appointment in the Competitive Service or Career Senior Executive Service. If OPM takes a suitability action, the individual who has referenced the bogus degree is entitled to due process, which includes the opportunity to respond to the charges and to appeal the decision to the Merit Systems Protection Board.

OPM has recently completed a review of all of its governing laws, regulations, policy statements, public information and forms to determine what changes might be necessary to clarify when and what education will satisfy requirements for qualifications and training. Our review included consultations with our teammates at the Department of Education.

We determined that there are four categories into which colleges and universities can fall. The first, "Conventional/Accredited," is the group of schools that are accredited by organizations recognized by the Department of Education. Education from these institutions is acceptable for meeting the requirements set forth in law, regulation and policy for all purposes—qualifications, academic degree training, student loan repayment, employee training, and tuition reimbursement.

The second group, which we are calling "Non-Accredited/Pending Accreditation," are not yet accredited by an organization recognized by the U.S. Department of

Education but offer a curriculum for advanced learning similar to a conventional/accredited institution which enhances an individual's knowledge, skills and abilities for a position, and are in the process of seeking accreditation from an organization recognized by the Department of Education, and have received "pre-accreditation" or "candidate for accreditation" status. Education from these schools is acceptable for all categories except academic degree training and student loan repayment, where statutes limit applicability to full accredited schools.

Schools in the third category, which we are calling "Non-Accredited/Other," generally have a traditional curriculum but have chosen not to seek accreditation and thus do not qualify under the first two categories. Foreign institutions may also fall in this group. These institutions may be accredited by appropriate organizations in their home country, but their accreditation is not subject to recognition by the Department of Education.

Because OPM and Federal agency human resources offices cannot evaluate the programs of "Non-Accredited/Other" schools, we cannot always determine whether training or education from these schools meets the requirements set forth in law, regulation and policy for job qualifications, training, or other purposes. We are working with interested parties to address this problem.

We refer to the fourth category as "Non-Qualifying" schools. These are non-traditional schools that are not accredited by accrediting institutions recognized by the Education Department and that may award degrees or certificates with little or no course work completed by the student. These institutions often award degrees based solely on an assessment of the student's life experience or cash payments and may translate those experiences into fraudulent academic transcripts, giving a false impression of a structured curriculum. Education is considered non-qualifying if it is not equivalent in content to conventional/accredited higher education programs. In addition, there are organizations that simply sell counterfeit degrees, which would also fall into this category. Schools determined to be non-qualifying may or may not operate legally depending on State or foreign laws and their founding charters. In some instances, legal action has been taken to force these institutions out of operation.

Course work or degrees from this last category of institutions is never acceptable for any purposes in the Federal Government. Any subject claiming a degree from this type of institution may be found unsuitable for employment.

To ensure that Executive Departments and Agencies, members of the public interested in Federal employment, and current Federal employees have a better understanding of what types of education are qualifying for purposes of employment, training, and tuition reimbursement, OPM has completed a thorough review of all of its regulations, policy documents, public information

sources, and forms as they relate to this issue. While no statutes or regulations will require revision, Director James has directed staff to revise many other documents, including those found on OPM's website and on our USAJOBS site, the online job information and application system for all Federal positions.

The changes will clarify for users what education is acceptable for qualifying for Federal positions and for purposes of other personnel policies, such as academic degree training, for student loan repayment, and for training and tuition reimbursement. By law, personnel policies involving academic degree training and student loan repayment must involve only colleges and universities accredited by an organization recognized by the Department of Education. With respect to qualifying for Federal positions for which education is a positive requirement, we currently accept, and will continue to accept, only educational credentials received at institutions that are fully accredited by an organization recognized by the Department of Education, or that meet all three criteria I previously mentioned for "Non-Accredited/Pending Accreditation" schools. As I noted previously, we will be consulting with interested parties as we develop clarifications, including those related to the Non-Accredited/Other category.

We believe that this effort, taken in conjunction with the Department of Education's efforts to develop and maintain a listing of accredited colleges and universities, will clarify for the public in general, for all Federal employees, and for the human resources and personnel security staffs of Federal agencies, the distinctions that must be made in evaluating education achievements of applicants and employees.

I would be happy to answer any questions that Members of the Committee may have.

Post-Hearing Questions for the Record
Submitted to Robert J. Cramer
From Senator Richard Durbin

"Bogus Degrees and Unmet Expectations: Are Taxpayer Dollars Subsidizing Diploma Mills?"

May 11 and 12, 2004

1. What legislative remedies ought to be pursued in light of what your investigation has revealed? Should we do more than close the loophole in 5 U.S.C. §4107, which creates a distinction between the types of training, for which the federal government may permissibly reimburse or compensate? What else is needed?

During the course of our investigation, we did not identify a need for additional legislative remedies or action. We do believe, however, that federal agencies should have systems in place to detect fees for degrees that are masked as fees for multiple training courses at the diploma mills or unaccredited schools.

2. Do you believe that your findings may suggest that the acquisition of bogus degrees and academic credentials by federal employees may be more widespread and symptomatic of a similar problem among federal contractors? Would further inquiry into this aspect be productive?

A comparison of the data we received from three schools with information provided by eight agencies indicated that the schools and the agencies likely understated federal payments for bogus degrees. Thus, we believe that the acquisition of bogus degrees and academic credentials by federal employees is more widespread than the data we obtained suggests. As discussed in our November 2002 report (*Purchase of Degrees from Diploma Mills*, GAO-03-269R), individuals disclosed to us that they purchased degrees to enhance their resume or to be considered for certain positions. We believe that federal contractors may share this motivation and, thus, might use bogus credentials in situations where the possession of a post-secondary degree might influence the decision to award a contract or the amount of compensation being paid for work.

3. To what extent are federal agencies checking on the accreditation status of the particular schools attended by the employees for which the student loan repayment perquisite has been allowed? What mechanisms are in place to provide assurance that a federal agency is only repaying student loan obligations of federal employees used to pay for academic work at accredited institutions?

Our investigation was limited to direct payments from the federal government to unaccredited schools and, thus, did not include student loan repayments. As a result, we do not know the extent to which the student loan repayment programs at federal agencies include verification of the accreditation status of schools. However, as recently as May 13, 2004, OPM put federal agencies on notice that they may not use their authority to repay student loans if the degree is from a diploma mill. (*See* May 13, 2004 Memorandum for Department and Agency Heads).

4. Based on your investigative findings, do you believe there should be mandatory, routine and centralized reporting of training and education pursuits by federal employees for which taxpayer funds have been used?

The federal government pays for a significant amount of training to a multitude of vendors. A centralized reporting of training and education may be a step in the right direction to ensure that fees for degrees are not masked. However, further study would have to be undertaken to determine whether centralized reporting would be practicable.

5. Are there any requirements under current federal policy that require that employees seeking to take training leading to an advanced degree obtain advance approval prior to commencing the study which would require a check of the particular institution's accreditation status? If so, what additions or revisions to improve the process would be worthwhile? If not, should there be such a requirement?

Section 4107 of Title 5 provides that agencies "may *select and assign* an employee to academic degree training and may pay or reimburse the costs of academic degree training... if such training... is *accredited* and is provided by a college or university that is accredited by a nationally recognized body," (Emphasis added).

6. What did you learn in your investigation about the U. S. Department of Education and OPM's resources for assisting federal agency officials with ascertaining the legitimacy of degree-granting institutions? Is there a searchable database of accredited schools? How complicated would it be to establish such a resource?

Currently, the Web sites of the Council on Higher Education and Accreditation and the Department of Education have databases that can be searched. However, these sites only include schools that are currently accredited. They do not have historical information such as name changes, school closures, and dates of accreditation. However, the Department of Education is currently working on a comprehensive database, which will service as a resource for ascertaining the legitimacy of degree-granting institutions.

In its May 13, 2004 memorandum, OPM put agencies on notice regarding four distinct categories of higher education: conventional institution accredited by accredited institutions recognized by the Department of Education; nonaccredited institutions with pending accreditation status; nonaccredited schools that offer tradition curricula that have chosen not to seek accreditation; and non-qualifying schools that are not accredited by institutions recognized by the Secretary of Education.

7. In your interviews with federal employees who possessed credentials from diploma mills, what did you learn about their motivation to seek such credentials? Were they unwittingly duped or did they knowingly pursue the "too-good-to-be-true" quick route based on competitive pressure to achieve or other factors?

As we discussed in our testimony on May 11, 2004 (*Diploma Mills: Federal Employees Have Obtained Degrees from Diploma Mills and Other Unaccredited Schools, Some at Government Expense,* GAO-04-771T) and our November 2002 report (*Purchase of Degrees from Diploma Mills*, GAO-03-269R), we determined that some employees were motivated by the potential for advancement, higher pay, or the prestige associated with an advanced degree. To the extent that some employees claimed to have been duped, we believe that employees who have not earned traditional degrees are more likely to be gullible about the alleged legitimacy of diploma mill degrees. However, it is unlikely that college graduates, who are familiar with the rigors of academic coursework, are unwittingly duped.

Post-Hearing Questions for the Record
Submitted to Robert J. Cramer
From Senator Frank Lautenberg

"Bogus Degrees and Unmet Expectations: Are Taxpayer Dollars Subsidizing Diploma Mills?"

May 11 and 12, 2004

1. I am interested in the issue of distance learning. I see huge potential, as everybody does, in this opportunity to learn via the Internet. But, how would a consumer be able to figure out if it is a legitimate program or a diploma mill?

Section 4107 of Title 5 encourages the use of on line degree training. A consumer would be able to determine legitimacy in a number of ways. For example, the consumer can check to see whether the school claims that it is accredited; verify claims of accreditation with information on the Department of Education's Web site; scrutinize the school's curricula for advanced learning to see whether it is similar to that offered in traditional school programs, resulting in the enhancement of that individual's skills, knowledge, and abilities; and research the school's faculty. Finally, the consumer can contact state education agencies to learn more about a particular school's distance learning program.

2. Would you recommend that the Federal Trade Commission (FTC) play a greater role in cracking down on diploma mills by exercising it's powers to regulate the word "accreditation".

Our investigation identified that diploma mills usually fall into the following three categories: those that claim accreditation from accrediting bodies that are not recognized by the Department of Education; others claiming accreditation from organizations they have established; and diploma mills that provide notice that they are not accredited. Perhaps FTC regulation of the word "accreditation" may have some positive effect on weeding out some schools; however, such regulation would have no affect on the schools that do not claim accreditation status.

Post-Hearing Questions for the Record
Submitted to Lauri Gerald
From Senator Frank Lautenberg

"Bogus Degrees and Unmet Expectations: Are Taxpayer Dollars Subsidizing Diploma Mills?"

May 11 and 12, 2004

1. Did you think many of the students who enrolled in the program understood that they were enrolled in a fake university?

Answer: Basically Yes! Anyone who has gone through the traditional prep schooling most of us have in this country know that traditional university schooling requires an average of 4 years to complete depending on the the degree program. However, there are those people with previously earned college credit that fall for the ads put out by these bogus diploma mills. They believe that their experience, accrued credits and a lump sum fee can get them through the systems that require a college education. Of course, there are those that simply want to by-pass any and all requirements with hopes of gaining an education (on paper) without the learning.

If the buyer is informed enough about what his/her potential employer requires in the way of education, they know accreditation is a must. They will search out ads that advertise their school is accredited. The problem is that most people do not understand accreditation....what is real and what is not.

Post-Hearing Questions for the Record
Submitted to Alan Contreras
From Senator Frank Lautenberg

"Bogus Degrees and Unmet Expectations: Are Taxpayer Dollars Subsidizing Diploma Mills?"

May 11 and 12, 2004

1. What are the difficulties of creating and maintaining a list of unaccredited and unapproved colleges? What legal actions has your state faced in administering its law?

Contreras (State of Oregon): It is impossible to maintain a *complete* list of unaccredited degree suppliers because they spawn faster than they can be listed, and can instantly change names, addresses, even nation of residence.
An endless supply of names is available when you are simply making them up out of thin air, especially when many, such as Washington International University, Rushmore University or Berne University, are incorporated on small Caribbean islands with no meaningful postsecondary education evaluation capacity. Only partial lists are possible. Oregon maintains a partial list under the theory that it provides some level of consumer protection and helps make consumers more aware of the issues.

Our agency has been sued once in the time I have been here, but it was not over the issue of accreditation per se. Under a former Oregon law no longer in existence, a degree holder objected on First Amendment grounds
(primarily) to the state's requirement that she append the word "unaccredited" to her Bob Jones University degree when she used it in Oregon. The state won most of the issues in the case, lost on a couple of issues and the plaintiff was awarded $1.00 in damages. Oregon no longer uses this "flagging" process. The court expressly found that the state could rely on accreditation as a screening device for the legitimacy of degrees.

Because Oregon's law essentially requires a school to be accredited or hold similar approval from our office (New Jersey has a similar law), there is really nothing for them to sue about. If they are not accredited, they can't claim to be accredited. If they have not applied to go through our process, they can't object to its fairness.

2. When a state passes legislation requiring accreditation, some diploma mills simply change zip codes. You have suggested Federal accreditation, but are you advocating mandatory regulations or simple guidelines?

Contreras (State of Oregon): We think that the federal government should require that federal employees who claim a college degree as a job credential for employment, promotion, pay or professional improvement hold that degree from a school that is either (a) accredited by a federally-recognized accreditor, or (b) can prove that its academic standards are equivalent to those of an accredited school.

We think this should be a mandate, not a guideline, for all federal employees. We think that the Department of Education should establish standards related to faculty qualifications, award of credit, admissions, length and content of curriculum that when complete would be adopted by reference via OPM as the "equivalency" standards for unaccredited schools.

We do not think there is a need for the federal government to adopt national requirements except for its own employees. Requirements for federal employees could be used as guidelines by other jurisdictions at the option of that jurisdiction.

Ideally, the Department of Education should become more involved in the determination of whether degrees from foreign schools are legitimate for use in the U.S., but this is a separate issue and far more complex.

Memorandum

Date: April 15, 2004
To: Michael Bopp & Pam Tate
From: Tom Flint
Re: Kennedy-Western University

Michael, this memo is in response to your request that CAEL comment on the 14 pages of information about Prior Learning Assessment (PLA) policies and practices submitted to your office by Kennedy-Western University (KWU).

First I must comment that CAEL has no specific prior knowledge about any aspect of KWU operations other than that which you have provided. If the reality of their procedures and practices is materially different than as described in the pages sent via fax to us, then our conclusions expressed below may misinterpret what is actually occurring. A check of our membership records today shows that no one from KWU is on our active list of dues-paying members, nor is the institution itself a member of CAEL.

From the information you provided, we can offer some observations about KWU PLA practices, vis-à-vis CAEL's standards for quality assurance for assessing prior experiential learning for credit. Our conclusions can address PLA practice only, not any other aspect of KWU's operations such as marketing, admission, teaching, tutoring, or other student services or administrative services. None of these comments below are intended to warrant whether or not KWU is, or should be investigated as, a 'diploma mill.'

CAEL's standards for quality assurance for PLA hold premier recognition throughout the US and the world. Most higher education accrediting bodies either refer directly to or imitate the CAEL standards when providing guidance to institutions. It is important to note that these standards are voluntary, and CAEL itself does not accredit PLA programs, policies or procedures at any college or university, whether accredited or not. CAEL's role is that of research, advocacy, professional development, and consultation to those who deliver PLA services to college students.

The first CAEL PLA standard for quality assurance states, "Credit should be awarded only for learning, not for experience." My reading of the KWU material that you forwarded to CAEL leads me to conclude that KWU does not observe this standard. KWU states it awards credit for "...professional experience assessed to be congruent with specific learning outcomes of the degree program." Further, "Credit is awarded for years of related occupational experience in excess [sic] minimum admission requirements" and "If the job responsibilities can be mapped to the degree program outcomes then the experience qualifies for the work experience credit."

Untested assumptions are in play when credit is awarded for experience, not for learning. First, job descriptions – statements of duties and responsibilities – do not always reflect the actual tasks assigned to incumbents. Second, an enormous range of difference in job

knowledge and skill – from simple to complex – might be legitimately portrayed in identical job descriptions or job titles, such that there is genuine uncertainty about the actual level of the abilities (or learning outcomes) required of the incumbents. Third, incumbents may (for various legitimate reasons) hold their jobs for years yet their performance in those jobs may be missing or unsatisfactory in one or more ability areas. Finally, any system that depends heavily upon the person being assessed to attest to the accuracy of past history and personal performance is open to intentional or unintentional distortion of the facts. These are among the reasons that the CAEL standard states that credit should be awarded only for the demonstrated achievement of the learning outcomes, not for the experience which may have been their origin.

Another CAEL standard states, "Credit should be awarded only for college-level learning." From the materials you forwarded on KWU's PLA policies and procedures, it is simply not possible for CAEL to conclude one way or another whether this standard is being observed by KWU. The document that you sent makes reference to KWU degree program learning outcomes, without stating what those outcomes are.

Yet another CAEL standard states, "The determination of competence levels and of credit awards must be made by appropriate subject matter and academic experts." From the material that you sent, one may doubt that this standard is being observed, for the following reasons. First, as just noted, the degree program learning outcomes are not stated, so it is not clear who the appropriate subject matter and academic experts must be, or their qualifications. On the matter of the capstone project, KWU notes, "Each student is assigned to a faculty mentor or team that is credentialed, qualified, and experienced in the field in which the research is being conducted. It is notable that four-fifths of the Kennedy-Western University faculty members hold doctoral degrees from regionally accredited universities." However, this statement apparently applies to the capstone project work but not to the PLA process.

Second, since the PLA process at KWU evaluates the level and length of work experience, not the learning outcomes directly, it brings into question whether subject matter or academic expertise is even necessary to do such evaluations. KWU states, "The registrar depends upon faculty leadership and content experts to consult and research specific issues or interpretations." At accredited colleges and universities that offer PLA based on the CAEL standards, the faculty is the decision-making body on PLA credit award policies and on individual student portfolio petitions for credit, from beginning to end – not just in a consultative or occasional capacity.

Finally, as indicated by KWU, because of the stated work experience requirement for admission, every student admitted is awarded a minimum level of PLA credit, from 15 to 21 credits depending upon degree level. Thus, the admission decision is simultaneously a PLA credit award decision, so credentials and qualifications of the staff at KWU who conduct admissions is key to deciding whether or not appropriate expertise is brought to bear on PLA credit. Several individuals on the list of team members supporting the admission process have no indication of their education or other expertise.

The admission process at KWU for doctoral students may exemplify doubts in connection with this last point. While in the case of the capstone project it is stated, "All faculty assigned to doctoral students have earned a doctorate or equivalent," no similar statement is made with respect to admitting students into the doctoral program. It thus appears that a range of a minimum of 21 to a maximum of 36 PLA credits (or 35% to 60% of the required program total of 60) are routinely awarded in the doctoral program by the registrar's and/or admissions team, none of whom is identified by KWU as having a doctoral degree. For all these reasons above, one may doubt that PLA credit awards at KWU are consistently decided by appropriate subject matter or academic experts.

CAEL has additional PLA standards, but from the material provided by KWU, I am unable to comment further about KWU policies and practices. I hope the information provided above is helpful to understanding the quality standards for PLA evaluations as advocated by CAEL.

Post-Hearing Questions for the Record
Submitted to Stephen C. Benowitz
From Senator Frank Lautenberg

"Bogus Degrees and Unmet Expectations: Are Taxpayer Dollars Subsidizing Diploma Mills?"

May 11 and 12, 2004

1. **Your testimony states, "OPM has completed a thorough review of all its regulations, policy documents, public information sources, and forms as they relate to this issue. While no statutes or regulations will require revision, Director James has directed staff to revise many other documents, including those found on OPM's website and on our USAJOBS site, the online job information and application system for all Federal positions."**

   (a) **What regulations and policy documents were reviewed by OPM?**

   We reviewed the following statutory and regulatory provisions:

   5 U.S.C. 4107;
   5 U.S.C. 4109;
   5 U.S.C. 5379;
   5 CFR, Part 302;
   5 CFR, Part 317 (Employment in the SES, Subpart D, Qualifications Standards);
   5 CFR, Part 410; and
   5 CFR, Part 731.

   (b) **What was the basis for OPM's determination that "no statutes or regulations will require revision?"**

   Except for 5 CFR 731, the regulations listed above relate to tuition reimbursement, repayment of student loans, employee training, education requirements for position qualification, and the use of advanced education in the applicant ranking process. From our review, OPM determined the regulations provided sufficient guidance for agencies to follow. For instance, pursuant to 5 U.S.C. 4107 and 5379, OPM's policy limits student loan repayment to colleges and universities that are accredited by nationally recognized bodies. Pursuant to 5 U.S.C. 4107, OPM's policy limits sending employees for degree training to colleges and universities that are accredited by nationally recognized bodies.

Under Part 410 of Title 5, Code of Federal Regulations, employee training is not specifically limited to conventional/accredited schools. Section 410.601 of 5 CFR states that the agency head shall evaluate training to determine how well it meets short-and long - range program needs by occupation, organization, or other appropriate groups. The agency head may conduct the evaluation in the manner and frequency he or she considers appropriate. Consequently, training may be obtained from non-accredited schools if the training content meets the agency program needs. The agency may reimburse employees for all or part of the costs of the training or education. We do not believe that those provisions need to be revised.

Part 731 of Title 5, Code of Federal Regulations, relates to suitability and the actions OPM can take when an individual makes false statements about his or her educational credentials. We do not believe those provisions need to be revised.

Which statutes and regulations currently address the problem of diploma mills or "non-qualifying schools?"

The regulations listed above do not specifically refer to or address "diploma mills" or "non-qualifying" schools. Rather, the requirements shown in the regulations do not allow diploma mills to be used in any situation, and only allow "non-qualifying" schools to be considered for employee training if they meet the agency program needs.

(c) What "other documents" are being revised by OPM to address this problem?

In addition to opm.gov and USAJOBS, OPM is revising, and will issue changes to, its handbooks, public information, and forms to clarify OPM's education policy. The list includes:

POLICY GUIDANCE;
Delegated Examining Operations Handbook;
OPM Operating Manual, "Qualification Standards for General Schedule Positions;"
Training Policy Handbook;
HR Flexibilities;
Enterprise Human Resources Integration (EHRI) Initiative Training; and
The informational booklet - INV-020 – Questions and Answers about Background Investigations;

OPM—CONTROLLED FORMS (subject to publication and notice periods)
OF 612 – Optional Application for Federal Employment;
OPM Form 1300 – Presidential Management Fellow Application;
Standard Forms (SF) 85, 85P, and 86 – Questionnaire for Non-Sensitive,

Public Trust, and National Security Position;
The informational booklet – IS-15 – Requesting OPM Personnel Investigations; and
The investigative inquiry - INV Form 43 – Investigation Request for Educational Registrar and Dean of Students Record Data.

2. **Your testimony states that you are working with interested parties to determine whether schools that OPM classifies as "Non-Accredited/Other" meet requirements set forth in law, regulation, and policy for job qualifications, training, or other purposes.**

   (a) **What is OPM's timeframe for addressing this matter?**

   OPM plans to complete the assessment of the feasibility of this approach by the end of this year in conjunction with the review of, and revisions to, all policies and guidance concerning diploma mills.

   (b) **How many schools/institutions fall into this category?**

   At this time, we do not know the number of schools/institutions that fall into this category.

   (c) **What has OPM done to make federal agencies aware of the specific schools/institutions that fall into the "Non-Qualifying" category?**

   OPM Director Kay Coles James has communicated with the heads of Executive Branch Departments and Agencies on this issue on four occasions in the past year. Most recently, on May 13, 2004, Director James issued a memorandum to Heads of Departments and Agencies on Strengthening the Oversight of the Use of Diploma Mill Credentials in Federal Employment. In this memorandum, she stated clearly and directly that so-called "degrees" from diploma mills may not be used to qualify for Federal employment or to qualify for a particular grade or salary. She also reiterated earlier directives that agencies may not reimburse employees for student loans incurred with these businesses, and may not use Federal dollars to send employees to these businesses. Director James' memo also explained the four distinct categories of higher education, including Conventional/Accredited, Non-Accredited/Pending Accreditation, Non-Accredited/Other, and Non-Qualifying. Additional guidance will be provided through OPM's website and the Federal Work Force Conference scheduled in September, 2004.

   OPM has also been active in training Federal agency personnel security and human resources management staff on this topic. Two seminars were offered in August 2003, and again on April 28 and 30, 2004. OPM experts addressed the full range of issues involving diploma mills and provided

attendees with information about non-qualifying schools/institutions.

3. **I have been told of a federal employee who makes blatant use of a "Ph.D." degree that he received from Kennedy-Western University, a diploma mill that was discussed extensively at the Committee's hearings. The employee reportedly refers to himself as "Dr." and puts the title "Ph.D." after his name in all his communications, including e-mail messages. The employee may have received financial assistance (direct payment to Kennedy-Western or reimbursement to the employee) from his agency in obtaining this degree.**

   (a) **Is this employee in violation of any statute or OPM regulation?**

   Because we are not familiar with the specific situation cited in the question, our answer will necessarily be general. Kennedy-Western is not accredited by an organization recognized by the U.S. Department of Education. Based on our most recent review, it is not a "candidate for accreditation." Therefore, the employee may not represent that he holds a degree that qualifies him for a particular position or grade in Federal employment, and he is not eligible for student loan repayment. If the employee has misrepresented his qualifications, the agency may consider appropriate disciplinary action. Because Kennedy-Western is neither accredited nor a candidate for accreditation, it would fall under one of the other two categories addressed at the hearing and in Director James' May 13 memo to Department and Agency Heads ("Non-Accredited/Other" or "Non-Qualifying"). At the hearing, I stated that OPM does not have the expertise to determine into which category a school or other organization properly fits. If the agency decides that a school or other organization meets the test of "Non-Accredited/Other," and if the agency believes that courses offered by such an entity are appropriate under the Government Employees Training Act, then the agency may approve work-related training, a single course at a time.

   (b) **What should his agency be doing to address this matter?**

   We believe the agency should review any case where the agency believes that an employee may have misrepresented their qualifications to determine if disciplinary action is necessary. The agency's Human Capital Officer in OPM's Division for Human Capital Leadership and Merit System Accountability should be contacted for advice, if necessary. If the agency determines that the degree is not legitimate, and if the employee did not commit any material misrepresentation or falsification concerning the degree, but the agency believes the employee is representing himself or herself in a way that the agency determines to be inappropriate, the agency should counsel the employee about how she or he may use a title or degree in the workplace. If the employee fails to follow the agency's counsel, the agency can consider a disciplinary action against the employee.

Post-Hearing Questions for the Record
Submitted to Stephen C. Benowitz
From Senator Richard Durbin

1. **In your prepared statement, you imply that because the law relating to payment of student loans allows reimbursement only if the institution attended is accredited, the problem of federal funds subsidizing diploma mills does not likely extend to the student loan program.**

   Can you provide a citation to the Departmental rules or policies that restrict student loan repayments for Federal employees to only those funds used to pay for academic programs at accredited institutions? What checks are in place in processing student loan repayment plans for Federal employees that provide assurance that a Federal agency is only repaying loans used to pay for academic work at accredited institutions?

   5 U.S.C. 5379 specifically lists the types of student loans that may be repaid under the Student Loan Repayment Program. Section 5379(a)(1)(B) states that the term "student loan" means (i) a loan made, insured, or guaranteed under part B of title IV of the Higher Education Act of 1965 (20 U.S.C. 1071 et seq.); (ii) a loan made under parts D or E of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq., 1087aa et seq.); and (iii) a health education assistance loan made or insured under part A of title VII of the Public Health Service Act (42 U.S.C. 292 et seq.) or under part E of title VIII of such Act (42 U.S.C. 297a et seq.). OPM's regulations in 5 CFR 537.102 list these same types of student loans in the definition of "student loan." In addition, in OPM's Questions and Answers on the Student Loan Repayment Program, we provide examples of the types of loans that qualify under the student loan repayment program. (See Question #18.) The Questions and Answers are available at http://www.opm.gov/oca/PAY/StudentLoan/HTML/QandAs.aspQ18.

   We note that, to participate in the title IV loan programs, an institution must be accredited (or, in some instances pre-accredited) by a nationally recognized accrediting agency or association. Each title IV loan program has mechanisms in place to ensure that no loans are made based on student enrollment in a school that is not currently participating in that program.

2. **How is the accreditation status of an institution actually checked by a Federal agency?**

   Under current policy, education used to meet Federal qualification requirements must be accredited by an accrediting body, recognized by the Secretary of Education. The institution must have "full accreditation," or "pre-accreditation," "candidacy" status, depending on the accrediting agency's scope

of recognition, to satisfy requirements for Federal employment. Accordingly, the Department of Education maintains such information and the agency could obtain information from the Department of Education.

Other ways agencies may check the accreditation status of an institution include, but are not limited to the following:

- **Calling OPM's suitability office;**
- **Researching the internet (i.e., *www.ed.gov; www.opm.gov)*; and**
- **Referring to available references, including but not limited to, Bears Guide to Earning Degrees by Distance Learning; the CHEA guide, etc.**

3. **If there is no centralized automated list of accredited schools, what is used?**

   The Department of Education is preparing a list of institutions and programs with accreditation or pre-accreditation/candidacy status from recognized accrediting agencies. The Secretary's recognition of some accrediting agencies includes their pre-accreditation or candidacy in the official scope of recognition, and the Department will include pre-accredited or candidate institutions from these agencies on the list. In the cases of some other accrediting agencies, the Secretary's recognition does not include pre-accreditation or candidacy in the official scope of recognition, and institutions in this status will not be included in the list.

4. **Could the process for determining "credentialed" status of a degree-granting institution for student loan repayment purposes serve as a model for establishing a more rigorous review of academic credentials generally - for new employment applicants, promotions, security clearance checks?**

   The requirement for accreditation by recognized accrediting bodies will certainly help identify diploma mills and lessen the opportunity for bogus degrees and education to slip through the Federal hiring process.

Lexington University

Know all men by these presents:
The Board of Trustees of Lexington University, upon the recommendation of the President and Faculty, have conferred upon

Susan M. Collins

the degree of

Bachelor of Science

Biology

with all the rights privileges and honors pertaining thereto.
In testimony thereof we have affixed our signatures and the seal of the University this thirteenth day of June, in the year of our Lord, one thousand nine hundred and seventy five.

President of the Board of Trustees

President of the University

Committee on Governmental Affairs
EXHIBIT #1

Lexington University

Know all men by these presents:
The Board of Trustees of Lexington University, upon the recommendation of the President and Faculty, have conferred upon

Susan M. Collins

the degree of

Master of Science

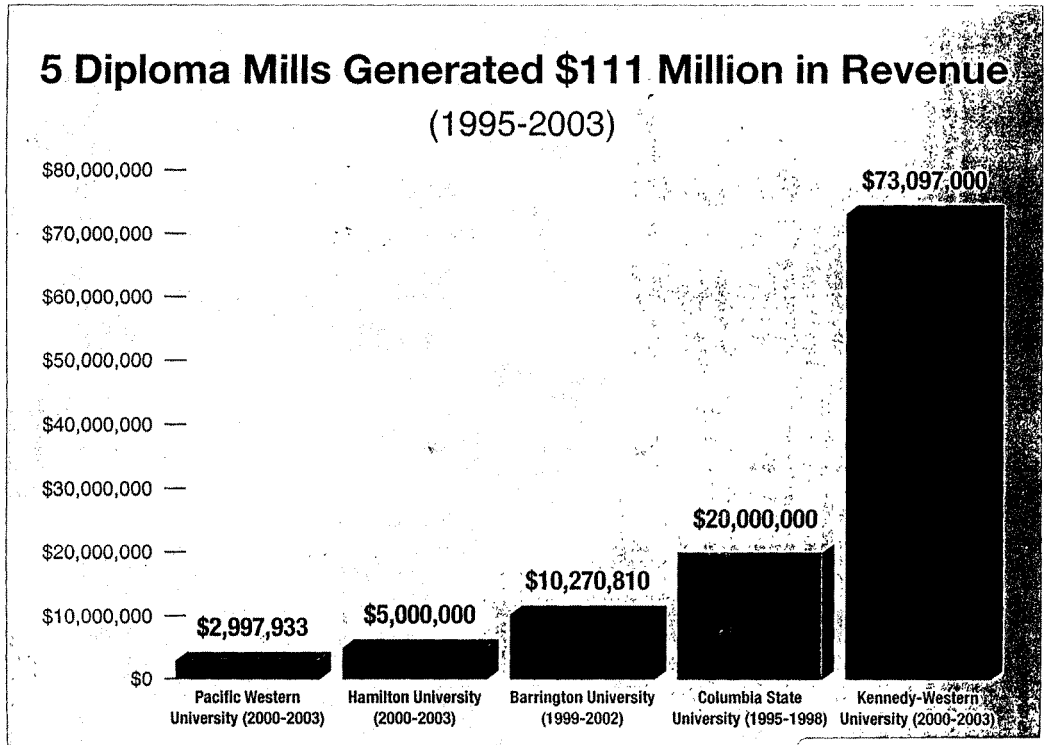
Medical Technology

with all the rights privileges and honors pertaining thereto.
In testimony thereof we have affixed our signatures and the seal of the University this tenth day of June, in the year of our Lord, one thousand nine hundred and eighty eight.

Miller Redding
President of the Board of Trustees

Joseph Carter
President of the University

Committee on Governmental Affairs
EXHIBIT #2



Committee on Governmental Affairs
EXHIBIT #3

Federal Government Checks

Committee on Governmental Affairs
EXHIBIT #4

Head Start Checks

CARBON COUNTY CHILD
DEVELOPMENT PROGRAMS
HEAD START
1801 EDINBURGH STREET
RAWLINS, WY 82301
307-324-9621

BANK OF COMMERCE
RAWLINS, WYOMING 82301
90-317-1023

7763

Feb 19, 2003 ***$4,800.00

Memo:
Pay Four Thousand Eight Hundred and 00/100 Dollars

DATE AMOUNT

TO THE ORDER OF
KENNEDY-WESTERN UNIVERSITY
501 MARICH ST.
THOUSAND OAKS, CA 91360

[redacted]

Student [redacted]

[redacted]

⑆000480000⑈

JEFFERSON COUNTY COMMITTEE
FOR ECONOMIC OPPORTUNITY
340 EIGHTH AVENUE WEST
BATON ROUGE, LA 70801

COMPASS BANK
BIRMINGHAM, ALABAMA
BATON ROUGE, LA 70801

174593

DATE

PAY ******1211 AND 25/100 DOLLARS

08/22/02 1211.25

AMOUNT

PAY TO THE ORDER OF
KENNEDY WESTERN UNIVERSITY
200 WEST 17TH STREET
CHEYENNE WYOMING 82001-4412

10# 38363

[redacted]

FOLK COUNTY
OPPORTUNITY COUNCIL
GEORGE CO
POST OFFICE BOX
BARTOW FLORIDA

CHECK NO.

FOUR THOUSAND [illegible]

DATE AMOUNT

PAY TO THE ORDER OF
KENNEDY-WESTERN UNIVERSITY
MARICH ST.
SUITE 200
THOUSAND OAKS, CA 91360

NON-NEGOTIABLE

AUTHORIZED SIGNATURE

[redacted]

Committee on Governmental Affairs
EXHIBIT #5

The Legendary Entertainer Dr. Dante

"MR. HYPNOTISM"

As Listed in the Guinness Book of Records 1984 to the Present: The World's Highest Paid Hypnotist!! Netted Over $3,250,000.00 in One Weekend During August 1984

"THE WORLD'S MOST FAMOUS AND IMITATED HYPNOTIST"

What the Critics Say

VARIETY
"Dante consistently plays to packed houses..."

NEW YORK TIMES
"The greatest hypnotist this country has ever seen..."

CHICAGO TRIBUNE
"Unbelievable wit and polish..."

MIAMI DAILY NEWS
"Stopped the show opening night..."

LOS ANGELES TIMES
"Unprecedented entertainer..."

LAS VEGAS REVIEW JOURNAL
"One of the finest acts in Vegas..."

LIFE MAGAZINE
"Subject and audience under his spell..."

LOOK MAGAZINE
"A hotbed in the News around today..."

BANGKOK PRESS
"Dante's presence is the magic..."

HONG KONG STANDARD
"Sold out two weeks..."

EL MEXICANO
"Needed the whole city..."

SINGAPORE
"Surpassed all our beliefs..."

ATHENIAN REVIEW
"The Greeks trust him like a God..."

ROMA EXPRESS
"His fourth time here – and more spectacular..."

What The Talent Buyers Say

Night Clubs

Tropicana, Vegas: There is no other hypnotist act that can compare

Waldorf Astoria Hotel, New York, N.Y.: For three years the elegant, class performer books at second!

Cowboy Club, Phoenix: Our attendance tripled his incredible shows for two years!

Thunderbird, Vegas: Dante's show would draw the gamblers from the casino until we put up special curtains, unbelievable!

Rama Hilton, Bangkok: The most successful act we've ever had. We've signed Dante for three more years!

Cruise Ships

S.S. Rotterdam: I request his spectacular performance on most of my cruises, most talked about act aboard!

Queen Elizabeth: Dante is truly marvelous and exciting

Fairs, Conventions & Theme Parks

Knott's Berry Farm: His third consecutive years an incredible crowd pleaser!

Six Flags Magic Mountain: Dante is welcomed back every ballroom. Sits in his 18th!

San Luis Obispo County Fair: Every show was S.R.O. to 100 land!

City of Hope, Los Angeles: A great fund raiser show!

Concert Dates

Cream, Dawson: First time we've ever permitted an act to join us – but he was super!

3 Dog Night, New York, N.Y.: One of the great show men of our time!

T.V.

HBO: Dress the output rating for dirty spot since we started. The summer hotel test!

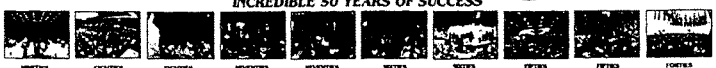
Places Where Dr. Dante Has Appeared

U.S. Professional Cruise Ship
S.S. QUEEN Cruise Ship
Magic Mountain – Los Angeles
San Luis Obispo – California
Cro's – Los Angeles
Ray Bogin's Apple Valley Inn – California
Tropicana – Las Vegas
Dunes – Las Vegas
Fontainebleau Hotel – Miami Beach
Sexton Hotel – Miami Beach
Bleustrude – Boston
Frolics – Boston
Playboy Club – Chicago
Mr. Kelly's – Chicago
Edgewater Beach – Chicago
Lovers – Dallas
Pirates Den – Tucson
Greenhagers – Catskills
Rosetsall – Detroit
Bimbos – San Francisco
On Broadway – San Francisco
Waldorf Astoria Hotel – New York
Rainbow Grill – New York
Oil Can Harry – Vancouver, Canada
Cave – Vancouver, Canada
El Patio – Mexico City
Kings Garden – Hong Kong
Goodwood – Singapore
King George – Athens
Rama Hilton – Bangkok
Park Hotel – Frankfort
Hotel Excelsior – Rome
Tokyo Hilton – Tokyo
Cafe De Paris – Paris
Kona Hawaii – Hawaii
Dan Hotel – Copenhagen
Chateau Commodore – Sidney
ETC.ETC.ETC.ETC.

CONCERT DATES WITH
The Cream, Fleetwood Mac, Beach Boys, Sly & The Family Stones, Led Zeppelin, Three Dog Night, Chicago, Cream, Ray Charles
SOLO CONCERT DATES
Civic Over 500 Auditoriums Throughout The World

AS HE LOOKS TODAY–

INCREDIBLE 50 YEARS OF SUCCESS



NINETIES
'95 Queen Elizabeth 2 Mediterranean

EIGHTIES
Knotts Berry Farm, CA
2,000 People

EIGHTIES
Cowboy, Dallas
1,800 People

SEVENTIES
Cafe De Paris
Paris

SEVENTIES
Tropicana, Las Vegas
Full House

SIXTIES
Hotel Excelsior
Rome

SIXTIES
Madison Square Garden
New York, New York
18,000 People

FIFTIES
Raffles
Singapore

FIFTIES
Minneapolis, Boston
1,900 People

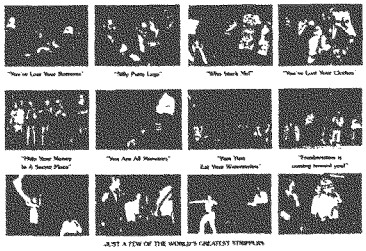
FORTIES
Gene Porter
Chicago

Committee on Governmental Affairs

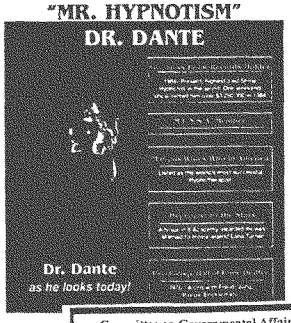
EXHIBIT #6

DR. DANTE AND FRIENDS...HYPNOTIST TO THE STARS

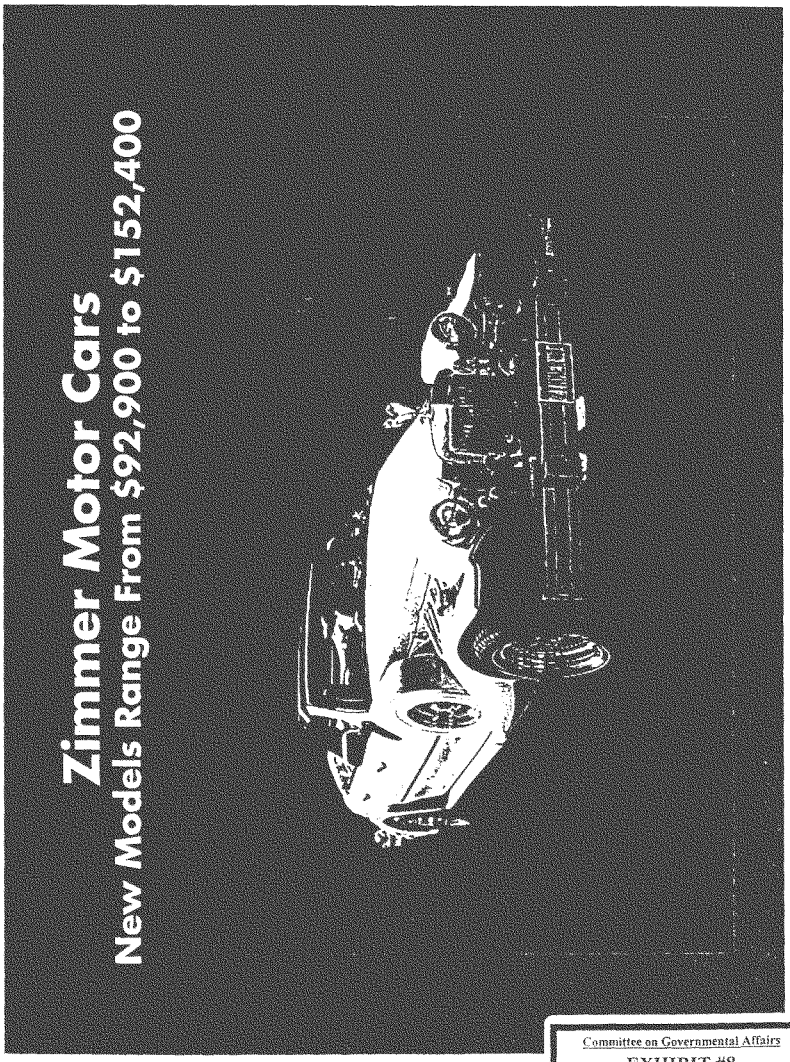
THE FUNNIEST SHOW ON EARTH



"MR. HYPNOTISM"



Committee on Governmental Affairs
EXHIBIT #7



Committee on Governmental Affairs
EXHIBIT #8

Columbia State University's Accreditation

Columbia State University Catalog, page 5

ACCREDITATION

FULL INSTITUTION APPROVAL

International Accreditation Association of Universities and Colleges

Certificate of Membership

To all those who read these letters be it known that

Columbia State University

is a member in good standing of the American Accreditation Association and has been awarded the status of

Full Accreditation

by the Post Secondary Accreditation Committee on higher education as acknowledged by our signatures and the association's official seal

Chairman

INTERNATIONAL ACCREDITATION ASSOCIATION — OFFICIAL GREAT SEAL

Secretary

Many of the great American educational institutions were founded as small independent colleges by one or more private citizens with the desire to improve the quality or availability of education. As these private educational institutions began to grow in size and scope, the need to establish standards and goals was discovered. They established private, non-governmental, accreditation associations to fulfill this need.

The Private Accreditation Association is unique to America and is the result of the great freedom in which American Education has flourished, and where there has been very little government control over private educational institutions.

Accreditation associations are divided into different categories that describe the geographical area in which they accredit institutions. The two most common are in regional accreditation association, whose authority is limited to a small portion of the country and institutions in that area. The second is the national accreditation, which is not restricted by regional boundaries, but have a nationwide sphere of influence.

This university is not limited or restricted to small regional, or Geographic boundaries, and is national and international in scope and influence, therefore, we have decided the university would be better served by becoming a member of a national accreditation association. For this reason, we have applied for and have been granted membership in the International Accreditation Association which is a National Accreditation Association, and have been awarded the status of full accreditation by this accrediting association.

Member of A.H.A. • Approved by American Association for Adult and Continuing Education, A.A.A.C.E. • Accredited by International Accreditation Association, I.A.A., N.A.A.

Columbia State University is an approved member of the A.A.A.C.E., the American Association for Adult and Continuing Education, which represents the standards of higher education to the highest degree of excellency, quality and integrity available in the nation, along with other such great institutions as California State University, University of Georgia, University of Idaho, Illinois State University, University of Kentucky, Loyola University, University of Maryland, University of Maine, University of Wisconsin, University of Texas, Brigham Young University, Indiana University, University of North Carolina, University of New Hampshire, Pennsylvania State University, United States Army West Point, Portland State University, just to name a few.

Committee on Governmental Affairs

EXHIBIT #9

Columbia State University's Acceptance Letter

Columbia State University
1700 Stumpf Blvd.
Administrative Office #603
Gretna, Louisiana 70056
(504) 455-1409 Bus. Hours
(504) 889-8831 After Bus. Hours
(800) 338-1334

ADMINISTRATION
AND
BOARD OF ADVISORS

Dr. R. Pillar, B.A., M.A., Ph.D.
Dr. James Rockas, B.A., M.A., Ph.D.
Dr. Kevin Clevenger, B.S., M.S., Ph.D.
Dr. Ralph Fleicher, B.S., J.D.
Dr. Douglas Ford, B.A., M.B.A., Ph.D.
Dr. Michael Holymath, B.S., M.S., Ed.D.
Dr. Richard Hardy, B.A., M.A., Ph.D.
Dr. K. Hildago, B.A., M.A., Ph.D.

HONORARY Ph.D.
AWARDED TO:

Kenneth G. Wilson, Ph.D.
Nobel Prize 1982

Jonas Salk, M.D.
Polio Vaccine
Discovery 1956

Sune Bolgstrom, M.D.
Nobel Prize, 1983

Elvin Weinberg, Ph.D.
Enrico Fermilnard
1980
Edward Smockler, M.D.
Professor USC Medicine 1986

CONGRATULATIONS!

Dear Graduate Candidate,

We are in receipt of your Application for Admissions and it has been reviewed and accepted. It has also been determined that with your past education, life and work experiences, the requirements for your approved desired program have been fulfilled, so you may be admitted directly into your chosen program.

Your next step is to fill out the enclosed payment plan, checking and signing the one you desire and sending it back to us as soon as possible. You will be then processed in our system and be sent the name of your study text/texts and other study materials needed for your course. Naturally, we will be assisting you throughout this exciting program.

The mature professional adult realizes that many individuals in a position of making judgements of their talents and abilities do so based on the level of formal academic training they have received, as demonstrated by the possession of a college or university degree. As a result, many individuals with superior talent, ability and training are being denied raises, promotions, new jobs or the prestige they deserve, just because they have not obtained the appropriate degree. Your intelligent decision, however, won't permit this travesty to happen to you by taking this wise trip to insure your future success and security. So once again . . . Dear Graduate Candidate, we congratulate you and welcome you aboard.

It is important that we receive your completed payment plan form, signed and with your first payment on your chosen plan within the next 21 days from your receipt of this Notification of Approval. In order for you to still pay the old tuition rate which was extended for you, please send your payment plan in now!

Respectfully yours,

Director of Admissions

Committee on Governmental Affairs
EXHIBIT #10

Testimonial by a former Columbia State University "Student"

Only the IRS believes I made $484,000.00 last year!

"I was a computer programmer for over 13 years until I got your Ph.D. degree. One year later I became President of this same company all due to my degree. Columbia State University's immersion system was so easy to follow that my second year high school daughter will also get C.S.U. degree's when she graduates high school."

Thomas Rothchild, B.S., M.S., Ph.D.

Committee on Governmental Affairs
EXHIBIT #11

U.S. Government Checks Toward Federal Employees' Tuition at Columbia State University

United States Treasury B 809,998,602

Check No.

03 28 96 14 BIRMINGHAM, AL - 3510 25193066

000000000 M1 JUSTICEBOP 0006800327 15100438

Pay to the order of

COLUMBIA STATE UNIVERSITY
5000 W ESPLANADE ADMIN OFC. #231

$****400*00

METAIRIE LA 70006

VOID AFTER ONE YEAR

36974-053 SCHOOL FEE 603178P

United States Treasury B 791,961,290

Check No.

01 22 96 09 BIRMINGHAM, AL 3510 23472454

000000000 M1 JUSTICEBOP 0006800119 15100438

Pay to the order of

COLUMBIA STATE UNIVERSITY
5000 W. ESPLANADE/ADMIN OFC #231

$****350*00

METAIRIE LA 70006

VOID AFTER ONE YEAR

36974-053 FOR SCHOOL FEE 603178P

United States Treasury B 800,016,085

Check No.

02 26 96 67 BIRMINGHAM, AL 3510 86777156

000000000 M1 JUSTICEBOP 0006800223 15100438

Pay to the order of

COLUMBIA STATE UNIVERSITY
5000 W. ESPLANADE, ADMIN OFC #231

$****150*00

METAIRIE LA 70006

VOID AFTER ONE YEAR

36974-053 SCHOOL FEE 602178P-0652

United States Treasury B 787,487,425

Check No.

12 20 95 46 BIRMINGHAM, AL - 3510 85831430

612117P-0440 M1 JUSTICEBOP 0006801219 15100438

Pay to the order of

COLUMBIA STATE UNIVERSITY
C O CASHIER P O BOX 9999

$*****50*00

MILAN MI 48160

VOID AFTER ONE YEAR

03687424 V0490

Committee on Governmental Affairs
EXHIBIT #12

Degrees Available from Columbia State University

Columbia State University Catalog, pages 7-8

Degree Majors

Columbia State University offers Bachelor of Arts and Science degrees (B.A. and B.S.), Master of Arts and Sciences degrees (M.A. and M.S.), Doctor of Philosophy (Ph.D.), and Professional degrees.

Listed below are the major degree headings with a general sample overview of most of our graduate school's courses. We do have additional subject areas and specific fields for students with special needs. For an example, within the field of Psychology are such offerings as: Abnormal Psychology, Child Psychology, Clinical Psychology, etc. We are constantly adding to the list and all courses and subjects can have updated changes without notice. If you are interested in a course that isn't listed below, kindly contact us to its availability.

BUSINESS ADMINISTRATION
Accounting
Business Law
Economics
Finance and Banking
Management
Marketing
Real Estate
Statistics
Transportation
Government Relations and Politics
Legal Studies
Advertising
Personal Management
International Business
New-Venture Management
Purchasing and Materials Management
Etc.

COMPUTER SCIENCE
Basic Programming
Pascal and Programming
Cobol and Programming
Structured Fortran 77 (Plato only)
Color Graphics
Computer Math
Data Structuring
Assembly Language Programming
Compilers and Interpretors
Comparative Study of Programming
Etc.

AVIATION
Aviation Technology
Aeronautics
Aviation Engineering
Etc.

POLITICAL SCIENCE
American Political Institutions
Foreign Governments
World Politics
Introduction to Political Thoughts
Introduction to Political Affairs Administration
Political Inquiry
Public Law
Comparative Government and Politics
International Relations
Political Theory
Administrative Law
Etc.

PSYCHOLOGY
General Psychology
History and Systems of Psychology
Psychology of Psychotic Behavior
Analysis of Behavior
Comparative Behavioral Learning
Abnormal Psychology
Effective Group Counseling
Behavior Modification Techniques
Drug Counseling
Psychological Assessment
Human Communications
Hypnotherapy
Etc.

PUBLIC HEALTH
Health Services Management
Environment Systems Analysis
Law, Social Change, and Health
Medical Care Systems
Principles of Hospitals and Health Administration
Administrative Aspects of Medicine
Virtle Diseases of Man
Introduction to Epidemiology
Etc.

COMMUNICATION
Broadcasting
English
Journalism
Languages
Speech
Television Arts
Effective Communication
Writing for Public Relations
Writing for Public Advertising
Principles of Linguistics
Psychology of Writing
Etc.

PUBLIC ADMINISTRATION
Political Science
Political Systems Management
Urban Development
Public Policy
Public Financial Management
Taxation
Etc.

AGRICULTURE
Agriculture Engineering
Agricultural Economics
Animal Science
Crop Science
Dairy Science
Food Industry
Fruit Science
Merchandise Agriculture
Natural Resources
Soil Science
Etc.

SOCIOLOGY
Method of Sociological Research
Social Service
Social Policy
Current Sociological Theories
Human Ecology
Population Analysis
Sociology of the Family
Sociology of Sex Roles
Politics of Sociology
Etc.

EDUCATION
Administration
Counseling
Curriculum and Instruction
Higher and Post-Secondary Education
Special Education
Research Methodology
Techniques of Teaching and Administration
Technical Curriculum and Instruction
Etc.

ENGINEERING
Engineering Computation
Design and Planning
Fluid Mechanics
Mechanics
Thermal Stresses
Aeronautical
Chemical
Civil
Electrical
Electronic
Mechanical
Industrial
Etc.

FINE ARTS
Dance
Drama
Music
Studio Art
Etc.

THEOLOGY
God & Man - World Religion
Marriage Counseling
Law and Society
The Bible - Christianity and Judaism
Duties of Ministry
Comparative Religions
Chemical Substance Abuse
Sex Therapy
Child Counseling
Health Counseling
Employment Counseling
Etc.

HUMANITIES
Classics
English and Comparative Literature
Program in Writing
French
German
Spanish
History
Philosophy
Western Civilization
Comparative Religion
Philosophy of Science
Logic
Renaissance Art
Asia Studies
Theatre Arts
Ancient World
Middle Ages
Etc.

ECONOMICS
Principles of Macroeconomics
Principles of Microeconomics
Money and Banking
Economic Analysis
Government, Business and Public
Managerial Economics
Economic Analysis
Element of Statistics for Business Economics
Administrative Communications
Economic Research
Etc.

DEGREE MAJORS NOT LISTED
Will be specially designed for your needs as required.

EXECUTIVE DEGREES PROGRAM
Columbia State University has recognized special educational needs of the professional executive, presidents of corporations, vice-presidents, directors, chief administrative officers of corporation, businesses, service organizations, and government agencies. Therefore, we have developed executive M.B.A. and doctoral degree programs that are highly concentrated and accelerated and are designed to meet the special academic needs and time requirements of the busy professional.

Committee on Governmental Affairs
EXHIBIT #13

Cover of Columbia State University's Catalog

Columbia State University's Actual Location:
930 Calle Negocio, Suite E, San Clemente, CA 92673

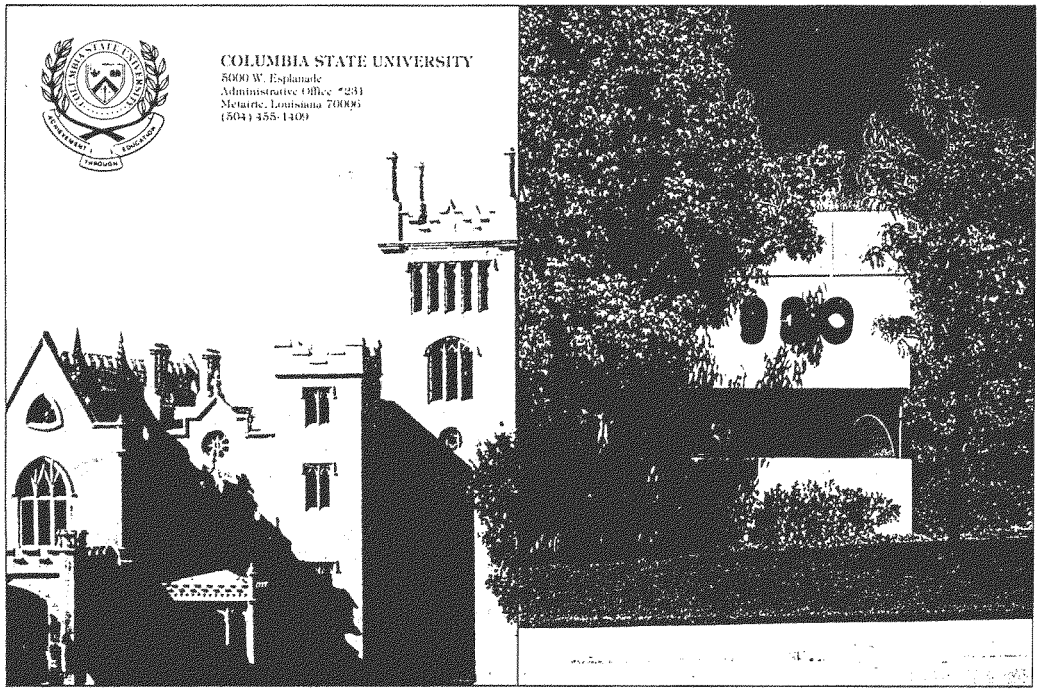


Photo by Kristen L. McCarthy

Committee on Governmental Affairs
EXHIBIT #14

COLUMBIA STATE UNIVERSITY

OFFICIAL TRANSCRIPT

NO DISCIPLINARY ACTION IS RECORDED ON THE ACADEMIC RECORD

NAME	SEX M ☐ F ☐	HIGH SCHOOL
ADDRESS	BIRTHDATE	YEAR OF GRADUATION
CITY / STATE / ZIP	STUDENT NO.	LAST COLLEGE ATTENDED
SOCIAL SECURITY NO.	ADMISSION STATUS	DATE
		OTHER DEGREES / RESIDENT / NON-RESIDENT

DEGREE	MAJOR	MINOR	DATE
BACHELOR OF SCIENCE	AVIATION		

PRE-COLLEGE REQUIREMENTS	APPROVED	NOT APPROVED	BACHELOR DEGREE REQUIREMENT	APPROVED	NOT APPROVED	DOCTORATE MASTERS	APPROVED	NOT APPROVED	PhD	APPROVED	NOT APPROVED
	X			X							

COURSE	COURSE TITLE	CR	PTS.	GRD	COURSE	COURSE TITLE	CR	PTS.	GRD
	APPROVED PROPRIETARY				363	ENVIRONMENTAL SYSTEMS	3	4	A
	INCURSION CREDITS...								
					348	AIRSPACE RESTRICTIONS	3	4	A
	TRANSFERRED CREDITS								
					389	RADIO NAVIGATION SYSTEMS	3	4	A
326	ADVANCED AIRPLANE								
	PERFORMANCE	4	4	A	381	SITUATIONAL AWARENESS AND			
						DISTRACTIONS	2	4	A
318	METEOROLOGY	4	3	B					
						TOTAL COURSE CREDITS	34		
357	FLIGHT PLANNING	3	4	A		CUMULATIVE CREDITS			
						NATIONAL EQUIVALENCE GPA		3.9	
345	RULES OF THE AIR	3	4	A	*****	**********	*****	*****	*****
377	SECURITY AND ACCIDENTS (AV)	3	4	A					
332	COMMUTER AVIATION	3	4	A					
394	INSTRUMENT FLIGHT CHARTS	3	4	A					

GRADE	EQUIVALENT		POINTS
A	Excellent	(93-100)	4
B	Good	(85-87)	3
C	Fair	(77-84)	2
D	Poor	(70-76)	1
I	Condition		0
F	Failure		0
Abs	Absent		
Def	Delay		
Drp	Dropped with permission		
Inc	Incomplete		
NR	No report		
P	Progress		
S	Satisfactory		

NOTICE: THIS OFFICIAL TRANSCRIPT CAN NOT BE DUPLICATED.

REGISTRAR

OFFICIAL SCHOOL SEAL

Committee on Governmental Affairs
EXHIBIT #15

How To Earn Academic Credit at Columbia State University

SOME INSPIRATION

There are always some people who say, "Oh, I haven't ever done anything worthy of college credit." We have yet to meet anyone with an IQ higher than room temperature who has not done at least some credit worthy things. Often it's just a matter of presenting them properly, in a portfolio. Just to inspire you, then, here is a list of 100 things that could be worth credit for life experience learning. The list could easily be 10 or 100 times as long. Please note the "could." Some reviewers in the past have made fun of this list, suggesting that we were saying you can earn a degree for buying Persian rugs. Not so. We suggest, for instance, that a person who makes a study of Persian art and culture, preparatory to buying carpets, could probably earn some portfolio credit for this out-of-classroom endeavor. Here, then, is a sample list only. You may add to this list with as many other subjects as you wish, either on the lined/blank portfolio pages enclosed for your convenience. You may put as few or as many as you would like forus to evaluate. You may also add more detail to any subject you desire to help us decide how much credit you'd be allowed.

SAMPLE LIST ONLY TO GIVE YOU SOME IDEAS

Playing tennis	Preparing for natural childbirth	Leading a school group
Taking a body-building class	Selling real estate	Studying gourmet cooking
Learning shorthand	Building model airplanes	Traveling through Belgium
Writing a book	Starting a small business	Navigating a small boat
Decorating a home or office	Buying a Persian carpet	Watching public television
Bicycling across Greece	Attending a convention	Being a summer cap counselor
Writing advertisements	Interviewing senior citizens	Living in another culture
Attending art films	Repairing a car	Performing magic
Negotiating a contract	Walking and wildering	Designing and weaving a rug
Appraising antiques	Editing a manuscript	Planning a trip
Visiting a museum	Writing a speech	Volunteering at the hospital
Playing golf	Attending a great books group	Designing tailoring clothes
Reading the Bible	Having intensive talks with a doctor	Teaching a musical instrument
Operating a printing press	Leading a plays-in	Learning Braille
Planning a balanced diet	Eating in exotic restaurants	Running a store
Teaching Sunday School	Reading college level books	Learning sign language
Hooking a rug	Training an apprentice	Being an appraiser
Making a speech	Learning yoga	Trying bricks
Developing film	Being Dungeon master	Negotiating a merger
Doing circle dancing	Learning calligraphy	Applying statistics to gambling
Studying first aid or CPR	Taking care of sick animals	Studying/speaking a foreign language
Listening to Shakespeare's plays on tape or seeing on stage	Organizing a Canadian union	Researching international laws
Devising a marketing strategy	Designing a playground	Planning a garden
Attending a seminar	Reading the newspaper	Designing a house
Reading about the Civil War	Playing the piano	Studying religion
Riding a horse	Taking ballet lessons	Helping a dyslexic child
Writing press releases	Pressing flowers	Keeping tropical fish
Acting in little theater	Writing for the local newspaper	Running the PTA
Taking photographs	Flying an airplane	Designing a quilt
Programming a home computer	Building a table	Developing an inventory system
Painting a picture	Helping in a political campaign	Playing a musical instrument
Playing political board games	Serving on a jury	

Please submit these portfolio pages of your life experiences with your school application so we may evaluate it along with your other credits if applicable. Just put one number regarding the time you spent on each subject in only one of the time columns, e.g.:

Playing tennis

Buying a Persian carpet

Watching public television

Eating in exotic restaurants

Being Dungeon master

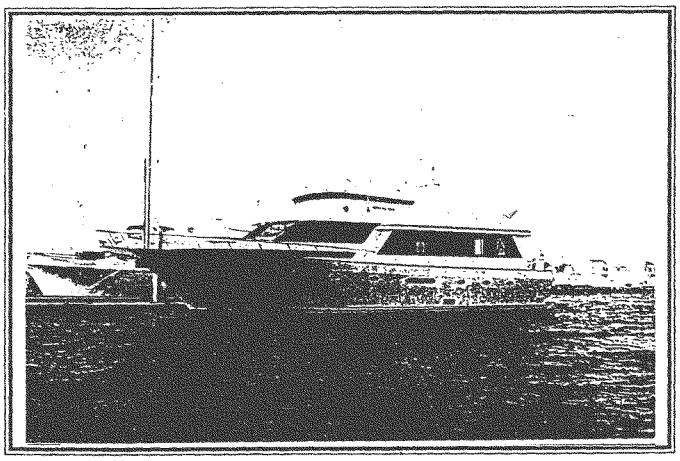
Pressing flowers

Keeping tropical fish

Committee on Governmental Affairs
EXHIBIT #16

Luxury
Yachts International

NEW TO MARKET!



Reve De Mer

1992 Cooper 80' Custom MY

Immaculate

Sleeps 12. Three Heads. Flybridge with Sundeck
Twin 550 hp Detroit Diesel Turbo Engines
Comfort Plus!

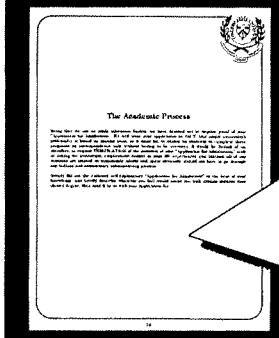
Offered at $1,600,000

Located in Marina Del Rey, CA

Committee on Governmental Affairs
EXHIBIT #17

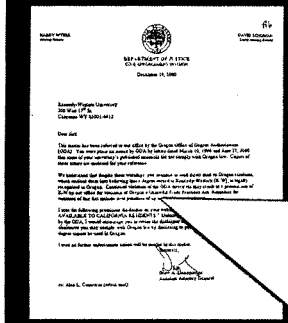
Columbia State University on the Academic Process

Columbia State University Catalog, page 10


The Academic Process

It would be foolish of us, therefore, to require VERIFICATION of the contents of your "Application for Admissions," such as asking for transcripts, employment history or past life experiences, etc. Instead, all of our students are treated as responsible adults and, quite obviously, should not have to go through any tedious and unnecessary substantiating process.

Committee on Governmental Affairs
EXHIBIT #18



"We understand that despite [our] warnings, you continue to send direct mail to Oregon residents, which mislead them into believing that a degree earned at Kennedy-Western (K-W) is legally recognized in Oregon. Continued violation of the [Oregon Office of Degree Authorization] directives may result in a prosecution of K-W by our office for violation of Oregon's Unlawful Trade Practices Act."

Committee on Governmental Affairs
EXHIBIT #19

List of Organizations that have reimbursed their employees' Kennedy Western University Tuition
Kennedy Western University catalog, pages 10-11

KW Corporate Support Nationwide

The following is a partial listing of organizations that have reimbursed all or a portion of a student's tuition. Organizations encourage their employees to enroll and complete degree programs at Kennedy-Western University because the companies' evaluation of the programs strongly suggests a benefit to both the organizations and the employees. Documents supporting the organizations' financial support of their employees' continuing education programs are on file at the University.

Alabama
Alabama Power and Gulf Power
Delta Corporation
Communications Calling Service
Digital Realty Inc.
Southern Electric Corporation
Alabama Power
Intertel Business Solutions
A.J. Dunlap
Gulf Power Company
Southern Company Services, Inc.
Mobile Gas Co. Inc.
Southern Company Services, Inc.
Southern Company Services, Inc. Support
Southern Gas Co. Inc.
Southern Medical Health Care
Teledyne
U.S. Army Missile Command
Brookfield Community Hospital
Alaska
Conoco Inc.
Fairbanks Dip Spring Inc.
North Slope Borough
State of Alaska Treasury Division
Arizona
Bear Cat Ely Inc.
Embarqmail
Embry Riddle Aeronautical University
Honeywell Aerospace
Intel Corp.
Motorola Semiconductor
Pima Inc. Cable Safety Systems
U.S. Dept. of Interior
Bureau of Prisons
Wells Fargo Financial Inc.
Arkansas
Alcoa Inc.
Entergy
Entergy Services Inc.
Mallinckrodt
Mallinckrodt Pharmaceuticals
Mallinckrodt Pharmaceuticals Inc.
Mallinckrodt Pharmaceuticals Inc. Support
Mallinckrodt Pharmaceuticals Inc. Support
*Mallinckrodt Pharmaceuticals Inc. Support

Kennedy-Western Students on Exam Quality

Excerpts from "The Pub"

- **"I do not know about yours, but some of my exams were terrible. One referred to a diagram that was not on the test, and others you can barely read because of very poor English. Maybe I'm just not as optimistic, but I feel a little duped!"** (10-21-03)

- **"My advice to those who are studying hard is to recheck their exam results and challenge the score if you believe you have the right answers. I was surprised to find out that all my exams contained some errors, which I had to challenge and correct!"** (8-13-03)

Committee on Governmental Affairs
EXHIBIT #21

Kennedy-Western Students on Taking Tests

Excerpts from "The Pub"

- **"I'd like to share general advice that helped me score [an] A on 4 of my courses! I highly recommend that you be familiar with the Glossary and the Index of the textbook. Some of the questions were copied from the glossary!"** (9-5-03)
- **"I took the test this morning, an[d] got a 91%. I [was] surprised myself on how many answers were straight from the glossary."** (11-16-03)
- **"Took my test yesterday and scored a 94%. I do agree that many of the answers were found in the glossary."** (11-17-03)

Committee on Governmental Affairs
EXHIBIT #22

CAEL* Standard I:
Credit should be awarded only for learning, not for experience

"My reading of the KWU material that you forwarded to CAEL leads me to conclude that KWU does not observe this standard."

* Council for Adult and Experiential Learning (CAEL)

Committee on Governmental Affairs
EXHIBIT #23

CAEL Standard IV:
The determination of competence levels and of credit awards must be made by appropriate subject matter and academic experts

"From the materials you sent, one may doubt that this standard is being observed, for the following reasons. First, . . ., the degree program learning outcomes are not stated, so it is not clear who the appropriate subject matter and academic experts must be, or their qualifications."

Committee on Governmental Affairs
EXHIBIT #24

CAEL Standard IV:
The determination of competence levels and of credit awards must be made by appropriate subject matter and academic experts

"Second, since . . . KWU evaluates the level and length of work experience, not the learning outcomes directly, it brings into question whether subject matter or academic expertise is even necessary to do such evaluations. . . At accredited colleges and universities. . . , the faculty is the decision making-body on Prior Learning Assessment."

Committee on Governmental Affairs
EXHIBIT #25

CAEL Standard IV:
The determination of competence levels and of credit awards must be made by appropriate subject matter and academic experts

"Finally, as indicated by KWU, because . . . work experience [is a] requirement for admission, every student admitted is awarded a minimum level of PLA credit . . . Thus, the admissions decision is simultaneously a PLA credit award decision. One may doubt that PLA credit awards at KWU are consistently decided by appropriate subject matter or academic experts."

Committee on Governmental Affairs
EXHIBIT #25

Kennedy-Western Students on the Program

Excerpts from "The Pub"

"[I'm] used to 'brick and mortar' and this is really hard. [I'm] finding it difficult without any feedback. How do you actually get to talk to a professor? [I] can't understand why we don't write papers. With all the changes in healthcare, you would think that they would want us to do more than memorize a book. I am thinking that maybe I made a mistake..." (12-8-03)

Committee on Governmental Affairs
EXHIBIT #26

Kennedy-Western Students on Degree Recognition

Excerpts from "The Pub"

- **"I work for the Federal Government, and recently read an article in the [Government Computer News] magazine that stated the Fed. Gov't required accredited schools... I verified this information, and it is true... I am crushed... I am almost finished with the program..."** (7-30-03)

- **"I am in the military and read the claims of how many federal employees were reimbursed. I found out quickly that the military or federal government will not even consider a school that is not accredited.... I did complete the degree since I had already paid for it. I guess that was money lost."** (12-29-03)

Committee on Governmental Affairs
EXHIBIT #27

Kennedy-Western Students on Tuition Reimbursement

Excerpts from "The Pub"

"I have been attempting in vain to get my company to approve this program and pay for the tuition. The Vice-President of engineering at my company… is convinced that a degree at Kennedy-Western isn't worth the paper it is printed on. In fact, he told me that any engineering course that is not accredited and does not include practical lab time is a complete waste of time and money and shouldn't be recognized by anyone in the industry…" (9-23-03)

Committee on Governmental Affairs
EXHIBIT #28

Kennedy-Western University
"Virtual Education for the 21st Century"®

December 16, 2003

Claudia Gelzer

Student ID: 0050289

TUITION REIMBURSEMENT STATEMENT

COURSE:	ENE550: Hazardous Waste Management
CREDITS:	3
GRADE:	A (94%)
TUITION PAID:	$811.88

Committee on Governmental Affairs
EXHIBIT #29

ADMINISTRATIVE OFFICE: 501 Marin Street, Thousand Oaks, CA 91360 • 805.379.1889 800.635.2900 FAX 805.379.1092
CORPORATE OFFICE: 200 West 17th Street, Cheyenne, WY 82001 • 307.635.6709 800.635.2900 FAX 307.635.7363

Kennedy-Western's Catalog's Claims of "Careful Consideration" Given to Work Experience and Granting of Academic Credit

TO
EL STUDIES

University, following the practice of
ccredited universities, will admit
s who have not earned a Master's

"Careful consideration is given to your work experience and the granting of academic credit."

Careful consideration is given to your work experience and the granting of academic credit.

Kennedy-Western is an equal opportunity employer, and does not discriminate on the basis of race, creed, sex or ethnic origin of any enrollees.

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Committee on Governmental Affairs
EXHIBIT #30

Position	*Count*		
President	1		
Chief Financial Officer	1		
Chief Information Officer	1		
Director of Operations	1		
Director of IS	1		
Director of Student Services	1		
Asst. Director of Student Services	1		
Application Developer	2		
Marketing Analyst	1		
Systems Support Specialist	1		
Accounting Manger	1		
Accounting Coordinator	1		
Accounts Receivable Clerk	1		
Faculty and Curriculum Manager	1		
Electronic Curriculum Specialist	1		
Faculty -In- Residence	1	WY	
Curriculum Designer	1		
Faculty Coordinator	1		
Marketing Specialist	1		
Marketing Project Coordinator	1		
Distribution Supervisor	1		
Mailroom Assistant	1		
Distribution Clerk	1		
Receptionist	1		
Employee Relations Coordinator	1		
Student Services Advisors	8	1 in WY	
Student Services Associate Advisors	2		
Final Paper Processor	1		
Tutorial Processor	1		
Enrollment Processor	1		
Final Paper Processor	1		
Graduation Review Processor	1		
Examination Processor	1		
Alumni Coordinator	1		
Senior Admissions Counselor II	2		
Admissions Counselor II	42	4 in WY	
Office Coordinator	1	WY	
Admissions Project Manager	1		
Financial Aid Coordinator	1		
Admission Manager	3		
Training Manager	1		
Admission Counsleor	10		
Senior Admissions Specialist	7		
Admission System Specialist	1		
Senior Document Processor	1		
Junior Document Processor	1		
Senior Administrative Specialist	1		
Administrative Specialist	1		
Admission Assistant	3		
	119	CA	112
		WY	7
			119

Committee on Governmental Affairs
EXHIBIT #31

KWU 07-0001

CONFIDENTIAL