



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Control Number
ED-OIG/A19L0004

January 30, 2012

James Runcie
Chief Operating Officer
Federal Student Aid
U.S. Department of Education
830 First St., N.E.
Washington, DC 20202

Dear Mr. Runcie:

This **final audit report**, titled *Federal Student Aid's Oversight of Foreign Medical School Pass Rates*, presents the results of our audit. The objective of our audit was to determine the adequacy and appropriateness of actions taken by Federal Student Aid (FSA) in response to foreign medical schools that (a) did not submit licensing exam pass rate data in 2009, as required, or (b) submitted the required data but did not meet the pass rate requirement.

BACKGROUND

From fiscal year (FY) 2008 through FY 2010, FSA provided \$1.15 billion in Federally-guaranteed student loans to U.S. citizens enrolled in 18 freestanding foreign medical schools. Students enrolled in medical programs at an additional 45 component foreign schools—schools that offered programs of study in addition to medical programs—also received student loan funds;¹ however, because FSA does not track loan volume according to academic discipline, the loan amounts specific to students enrolled in the medical programs at these schools are unknown.²

As a condition of eligibility to participate in the Federal student loan programs, foreign medical schools—both freestanding and component—are required to have a specified percentage of their students who took any step of the United States Medical Licensing Examination (USMLE)³ in the preceding year receive passing scores on the exams. Effective July 1, 2010, the specified pass rate threshold of 60 percent was increased to 75 percent pursuant to the Higher Education Opportunity Act (HEOA), which was enacted on August 14, 2008 (Pub. L. 110-315), in an effort to help ensure that, with regard to foreign medical schools, Federal student loans are made only

¹ An additional \$542 million went to students enrolled in all programs at these component schools.

² Loan amounts noted for component schools in this report include Federal student loans made to students enrolled in all programs at these schools.

³ The USMLE is comprised of three separate steps, two of which are considered when calculating pass rates: Step 1-Basic Science, Step 2-Clinical Knowledge, and Step 2-Clinical Skills. [Step 2 has two parts.]

to students attending foreign medical schools with high standards. Since the 75 percent pass rate threshold was first effective in calendar year (CY) 2010, and eligibility for participation in the Federal student loan programs is based on applicable data from the preceding year, the data first subject to the 75 percent pass rate were CY 2009 data.

Pursuant to Sections 102(a)(2)(A)(i)(I)(bb) and 102(a)(2)(A)(i)(II) of the Higher Education Act of 1965, as amended (HEA), 19 of the 63 foreign medical schools noted previously were exempt from the pass rate requirement because they either had an approved United States clinical training program in operation prior to 1992 or because they were located in Canada. These 19 schools received approximately \$380 million in Federal student loan funds in FY 2009 and approximately \$450 million in FY 2010, 68 percent and 69 percent, respectively, of all Federal student loan funds disbursed in those 2 years to students at foreign schools offering a medical program.⁴

FSA's Foreign Schools Team is responsible for providing oversight of foreign medical schools that receive Federal student loan funds. Prior audit reports issued by the Office of Inspector General (OIG) and the Government Accountability Office (GAO) discussed weaknesses concerning FSA's enforcement of the annual institutional pass rate requirement. The most recent report, issued by GAO in June 2010,⁵ noted that FSA reviewed pass rate data for schools only when they applied to participate in the Federal student loan programs, sought recertification, or experienced a change in ownership. FSA was not reviewing schools' USMLE pass rate data on an annual basis to determine continued eligibility to participate in the Federal student loan programs. Because of the level of Federal funding provided to foreign medical students and the lack of full enforcement of the institutional pass rate requirement noted in the GAO report, we received a Congressional request to review FSA's current enforcement of foreign medical school pass rates.

AUDIT RESULTS

Our audit found that improvements are needed in FSA's oversight of foreign medical school pass rates. Specifically, we found that FSA:

- Was not timely in taking appropriate actions against schools identified as having failed to submit the required pass rate data or meet the pass rate threshold;
- Was inconsistent in its application of the methodology for calculating pass rates; and
- Accepted from foreign medical schools CY 2009 USMLE pass rate data submissions that either were not complete or were not in the required format.

⁴ Four of these 19 schools are freestanding schools that received \$786 million of the \$830 million (95 percent) disbursed to exempt schools in FYs 2009 and 2010. The remaining \$44 million (5 percent) was disbursed to students at the 15 exempt component schools. [See Footnote 2 for additional information on component schools.]

⁵ "Foreign Medical Schools: Education Should Improve Monitoring of Schools That Participate in the Federal Student Loan Program," GAO-10-412, dated June 28, 2010.

As a result, FSA does not have assurance that Federal student loan funds were disbursed only to students who attended schools that were eligible to participate in the Federal student loan programs. Over the past year, FSA continued to provide such funds for disbursement to students at six ineligible schools; as discussed in the finding below, some or all of these students are likely to be ineligible. The actions noted above have created an environment in which accountability is lacking. Furthermore, by providing continued funding to students attending ineligible schools, FSA failed to ensure that funds are directed only to students attending high quality programs that will sufficiently prepare them to pass the USMLE and practice medicine in the United States.

In its response to the draft audit report, FSA stated that it recognizes the importance of effective oversight to program integrity and continually seeks ways to improve the quality of the data it uses to evaluate schools' compliance with the laws and regulations governing the Federal student aid programs. FSA noted that it did not have the tools in place this past year to move as quickly and as decisively as needed to ensure that all foreign medical schools were in compliance with the new pass rate requirements for continued eligibility. FSA stated that it has moved quickly to implement the recommendations contained in the draft report and provided a specific response noting actions planned or in process for each recommendation. FSA's comments are summarized at the end of the finding. The full text of the response is included as Attachment 2 to this report.

FINDING – Improvements are Needed in FSA's Oversight of Foreign Medical School Pass Rates

FSA Did Not Take Timely Action Against Noncompliant Schools

We found that FSA did not take timely actions against the foreign medical schools that it identified as having failed to submit CY 2009 pass rate data or as having failed to meet the 75 percent pass rate threshold. We determined that 9 of the 44 (20 percent) foreign medical schools that were required to submit CY 2009 pass rate data failed to do so and that 24 of the 35 (69 percent) schools that submitted pass rate data did not meet FSA's published September 30, 2010, deadline. One of the 35 (3 percent) schools that submitted data did not meet the required pass rate threshold.

For six of the nine schools that did not submit pass rate data, FSA was able to calculate pass rates by using data that the schools had provided on their Electronic Applications for Approval to Participate in Federal Student Financial Aid Programs (eApp). However, we noted no indication of follow-up on FSA's part to obtain a formal submission from the schools. While FSA determined that none of these schools had failed to meet the pass rate threshold using the eApp data, all nine schools failed to comply with submission requirements for pass rate data.

Of the 24 schools that submitted pass rate data after the deadline, 15 (63 percent) did so within 1 month of the deadline and 18 (75 percent) did so within 2 months of the deadline. However, we could not determine whether these schools' submissions were attributable to actions taken by FSA because FSA generally did not maintain documentation of its attempts to follow up with

schools. We further noted that follow-up with the six schools that did not submit pass rate data within 2 months of the deadline does not appear to have occurred until between January and March 2011—4 to 6 months after the deadline had passed.

With regard to the three schools that failed to submit data (and for which FSA did not have other means by which to review such data) and the one school that failed to meet the 75 percent pass rate threshold, we noted that loss of eligibility actions were not formally initiated by FSA until late May 2011—approximately 8 months after the September 30, 2010, pass rate submission deadline. We found that denial of recertification letters for the two freestanding medical schools were issued in mid- to late July 2011, with one school already having filed an appeal to FSA in late July 2011. As for the two component medical schools, FSA stated that it will end their medical programs' participation in the Federal student loan programs by requiring each school to sign a new Program Participation Agreement that excludes its medical program.

Section 102(a)(2)(A)(i)(I)(bb) of the HEA states that, effective July 1, 2010, graduate medical schools located outside the United States are ineligible for Federal student loans unless

[A]t least 75 percent of the individuals who were students or graduates of the graduate medical school outside the United States or Canada (both nationals of the United States and others) taking the examinations administered by the Educational Commission for Foreign Medical Graduates [ECFMG⁶] received a passing score in the year preceding the year for which a student is seeking a loan

On June 25, 2010, FSA issued a “Letter to Foreign Schools re Submission of ECFMG Pass Rates and Citizenship Rates,” (June 2010 Letter) to remind schools of the annual pass rate requirement and to provide requirements for the process. The June 2010 Letter states

. . . by September 30, 2010, all foreign graduate medical schools that participate in the FFEL [Federal Family Education Loan]/Direct Loan program must have submitted rates to the Department [of Education] for ECFMG exams taken . . . during the year ended December 31, 2009. The applicable ECFMG pass rate threshold for these submissions is 75 percent.

FSA's June 2010 Letter also notes the consequences of noncompliance, stating

For those foreign graduate medical schools that are subject to the ECFMG pass rate . . . a failure to meet the applicable pass rate threshold . . . results in a loss of the institution's eligibility to participate in the federal student loan programs. For foreign graduate medical schools that have not entered into independent program participation agreements with the Department, but instead participate in the federal student loan programs as part of a larger university that has entered into such an agreement, failure to meet the

⁶ ECFMG is a private, nonprofit organization that acts as the official registration and score-reporting agency for the USMLE for foreign medical students and graduates, thereby assessing the readiness of such individuals to enter accredited residency or fellowship programs in the United States.

applicable pass rate threshold . . . would result in the loss of such medical school's eligibility to participate in the federal student loan programs.

Officials with FSA's Foreign Schools Team cited a number of reasons for their delay in taking action against noncompliant schools. Chief among these was the fact that the CY 2009 submissions represented FSA's first attempt at requesting and systematically collecting pass rate data since the pass rate requirement was added to the HEA pursuant to the Higher Education Amendments of 1992 (Pub. L. 102-325). These same officials also stated that other oversight activities—in particular, those related to the transition of schools from the Federal Family Education Loan program to the William D. Ford Federal Direct Loan program—made competing demands on their resources. The officials stated that every effort was made to contact schools that did not submit pass rate data by the applicable deadline and obtain the required data.

Other Department officials who are normally involved in the referral process, including those in FSA's Administrative Actions and Appeals Service Group (AAASG), the Office of the General Counsel (OGC), and the Office of Postsecondary Education (OPE), were unable to explain FSA's delay of almost 8 months in its formal referral of noncompliant schools for loss of eligibility actions—particularly in light of the fact that some of these same officials received preliminary information from FSA regarding pass rate compliance issues at these schools 6 months earlier, in November 2010. This information included an initial list of schools that FSA identified as having failed to meet the 75 percent pass rate threshold and a draft denial of recertification letter.

We found that FSA lacked written policy and procedures regarding its process for monitoring the annual USMLE pass rate requirement. In addition, officials with FSA's Foreign Schools Team stated that they did not actively enforce the pass rate requirement in the past because there was no way of independently verifying data submitted by the schools. Their solution to this issue has been to attempt to enter into a data-sharing agreement with the ECFMG that would allow the Department to obtain schools' pass rate data directly, rather than requiring schools to either obtain their ECFMG reports and then forward them to the Department or obtain individual authorizations from students that would allow the schools to receive their students' and graduates' scores. The Foreign Schools Team officials noted that talks with the ECFMG have been ongoing, but that the Department has yet to negotiate a final agreement with the ECFMG.

With the exception of certain students who received Federal student loans to attend the school prior to that school's loss of eligibility, students attending ineligible schools are not eligible to receive Federal student loans. Failure to timely take actions against schools that are not complying with submission requirements increases the risk that funds are being disbursed to ineligible students attending ineligible schools. Because they were not referred for loss of eligibility actions in a more timely manner, the four schools described above—recipients of approximately \$5.5 million in Federal student loan funds in FY 2009 and approximately \$6.2 million in FY 2010—continued to receive and disburse such funds in FY 2011.⁷

⁷ Two of these schools are freestanding schools that received approximately \$9.7 million, cumulatively, during FYs 2009 and 2010. The other two schools are component schools that received approximately \$2.0 million, cumulatively, during the same time period. [See Footnote 2 for additional information on component schools.]

FSA explained that actions to terminate schools' eligibility are retroactive. According to the denial of recertification letters referenced on page 3 of this report, the two freestanding schools lost their eligibility on September 30, 2010. FSA further explained that schools will be required to return to the Department all Federal student loan funds disbursed only to those students who began attending the school after the date the school lost its eligibility. Pursuant to Section 102(a)(2)(D) of the HEA and Title 34 of the Code of Federal Regulations (C.F.R.) § 600.57(c),⁸ students who received funds to attend these schools prior to the effective date of the loss of eligibility were eligible to receive funds for the academic year in which their school lost eligibility and for 1 additional academic year.

By providing continued funding to students attending ineligible schools, FSA failed to ensure that funds are directed only to eligible students attending high quality programs that will sufficiently prepare them to pass the USMLE and practice medicine in the United States.

Officials with FSA's Foreign Schools Team stated that schools that submitted pass rate data after the deadline were subject to provisional recertification, which means a decreased period of Federal student loan program eligibility (1-3 years as opposed to a maximum of 6 years). These officials noted, however, that 90 percent of foreign schools are already on provisional recertification.

FSA Applied its Pass Rate Methodology Inconsistently

We found that FSA was inconsistent in its application of the methodology for calculating CY 2009 foreign medical school pass rates. Specifically, we noted that Foreign Schools Team officials did not take into account similar data for all schools.

We found that FSA varied in its treatment of students and graduates with repeated test attempts, sometimes correctly counting them in both the numerator and denominator, but other times counting them in the numerator only, counting them in the denominator only, or sometimes not counting them at all. In total, we identified seven instances in which FSA incorrectly calculated a school's pass rate, and noted two schools where the incorrect calculations impacted eligibility status. Schools highlighted in blue on the Table below represent those that would have failed to meet the pass rate requirement had FSA applied the correct methodology when calculating the CY 2009 pass rate.

⁸ All regulatory citations are to the July 1, 2010, volume unless otherwise noted.

CY 2009 USMLE Pass Rate Discrepancies								
University Name (1)	Country	FY 2010 Funding	FY 2009 Funding	2009 Pass Rate & Data Source (FSA Calculation) (2)	Result (FSA Calculation)	Treatment of Repeat Test-Takers (FSA Calculation)	2009 Pass Rate & Data Source (OIG Calculation) (2)	Result (OIG Calculation)
Poznan University of Medical Sciences (F)	Poland	\$5,203,745	\$4,320,450	74%; ECFMG	Fail	Numerator Only	59%; ECFMG	Fail
Ben-Gurion University of the Negev (C) (4)	Israel	\$4,866,233	\$4,786,170	94%; Students	Pass	Excluded	94%; Students	Pass
Centro De Estudios Universitarios Xochicalco (C) (3/5)	Mexico	\$4,356,928	\$5,062,119	< 8; Students	No Score	Excluded	20%; Students	Fail
Pontificia Universidad Catolica Madre y Maestra (C) (3)	Dominican Republic	\$2,921,261	\$2,491,816	87%; ECFMG	Pass	Numerator Only	65%; ECFMG	Fail
National University of Ireland, Galway (C)	Ireland	\$878,914	\$1,095,789	84%; ECFMG	Pass	Denominator Only	91%; ECFMG	Pass
Instituto Tecnologico y de Estudios Superiores de Monterrey (C)	Mexico	\$508,822	\$547,326	82%; ECFMG	Pass	Denominator Only	85%; ECFMG	Pass
Pecsi Tudományegyetem AOK (Pecs University Medical School) (F)	Hungary	\$233,750	\$356,000	81%; ECFMG	Pass	Excluded	77%; ECFMG	Pass

1. "F" denotes freestanding school; "C" denotes component school.
2. With regard to the "Data Sources" listed –
 - Students: School obtained individual authorizations from its students to request USMLE records and provided those records to FSA.
 - ECFMG: School provided aggregate ECFMG reports for each step of the USMLE.
3. Ben-Gurion University of the Negev's aggregate pass rate was determined to be the same when calculated by OIG using the correct methodology. The difference, however, was in the treatment of repeat test-takers, whom FSA initially excluded.
4. Repeat test-takers were also initially excluded for Centro De Estudios Universitarios Xochicalco. This led FSA to identify the school as having had less than eight step/test results in CY 2009 and temporarily exempt it from the pass rate requirement, as provided by 34 C.F.R. § 600.55(f)(4), effective July 20, 2011.

According to 34 C.F.R. § 600.55(a)(5)(i)(B), effective through July 19, 2011, the Secretary considers a foreign graduate medical school to be eligible to apply to participate in the Federal student loan programs if “[f]or a foreign graduate medical school outside of Canada, at least 60 percent [⁹] of the school’s students and graduates who took any step of the examinations administered by the Educational Commission for Foreign Medical Graduates (ECFMG) (including the ECFMG English test) in the year preceding the year for which any of the school’s students seeks an FFEL program loan received passing scores on the exams”

According to 34 C.F.R. § 600.55(b)

In performing the calculation [of pass rates], a foreign graduate medical school shall count as a graduate each person who graduated from the school during the three years preceding the year for which the calculation is performed.

FSA’s June 2010 Letter states

Although the results of negotiated rulemaking that was recently concluded is likely to affect the methodology for computing pass rates, until such rules are finalized and effective,^[10] foreign graduate medical schools, such as yours, must compute the ECFMG pass rate as follows:

- A. the denominator consists of:
 - (1) all students who took any ECFMG Step 1 or Step 2 examinations in the most recently completed calendar year; and
 - (2) all students who graduated during that calendar year or either of the two preceding calendar years and who, during that calendar year, took any of the ECFMG Step 1 or Step 2 examinations; and
- B. the numerator consists of the number of students in the denominator that received a passing score. . . .

Foreign Schools Team officials stated that since the Department had published new regulations on November 1, 2010, staff were confused about the proper methodology for calculating pass rates. Staff were also confused as result of the format in which ECFMG provided its reports, which was not compatible with the regulatory requirements for calculating pass rates. ECFMG’s reports did not identify unique test-takers and the number of times that they took or passed an exam. Without this data, it was impossible to calculate pass rates as required by regulations. FSA’s Foreign Schools Team decided to address this problem by assuming that all test-takers were unique individuals and including them all in both the numerator and denominator of the calculations, regardless of the number of times an individual took or passed an exam. Staff, however, were not always consistent in their application of the pass rate methodology, as noted in the table on page 7. In addition, errors were not identified and corrected because FSA did not have a process to ensure supervisory review of the calculations.

⁹ As previously noted on page 1, the HEOA increased the pass rate threshold from 60 percent to 75 percent, effective for the award year beginning July 1, 2010.

¹⁰ Final Regulations governing foreign medical school eligibility were issued on November 1, 2010, and generally effective on July 1, 2011.

Finally, as noted above, the CY 2009 submissions represented FSA's first attempt at requesting and systematically collecting pass rate data and was consequently FSA's first attempt at systematically calculating scores. Previously, pass rate data were generally provided only by schools applying for recertification. Nevertheless, had FSA developed and implemented a policy and procedures guiding actions related to the CY 2009 process, it is likely that the Foreign Schools Team would have been able to more effectively ensure proper calculation of scores.

We determined that 2 of the 6 (33 percent) foreign medical schools¹¹ for which FSA incorrectly calculated pass rates and identified as having met or been temporarily exempted from the 75 percent pass rate threshold for CY 2009—recipients of approximately \$7.6 million in Federal student loan funds in FY 2009 and approximately \$7.3 million in FY 2010—did not meet the threshold.¹² FSA should have referred these schools to AAASG for loss of eligibility actions. Because this did not occur, it is likely that ineligible students received student loans to attend ineligible schools.

FSA Accepted Noncompliant Pass Rate Data

We found that FSA accepted from foreign medical schools CY 2009 USMLE pass rate data that were not compliant with its own submission requirements. Specifically, many schools' submissions of pass rate data did not adhere to the format prescribed by FSA in its June 2010 Letter and did not include all required information. Nevertheless, FSA accepted these submissions and used them to calculate pass rates.

We found that 9 of the 17 (53 percent) foreign medical schools that submitted individual USMLE records for their students and graduates failed to provide information for all of the data elements prescribed by FSA in its June 2010 Letter. In one instance, a school provided only the total number of students that took the USMLE and the number of students that passed, stating that the data came from its own records. Another school provided examination dates, which steps/tests were taken, and a note on whether the individuals passed or failed, but did not include student names, Social Security Numbers, or test attempt numbers, among other required elements. We further noted that 13 of the 41 (32 percent) schools which FSA identified as having provided pass rate data did not provide such data in writing on the institution's letterhead and signed by the responsible official, so as to certify to its validity, as required.

FSA's June 2010 Letter states

In all cases, the ECFMG pass rates . . . are to be provided by the foreign graduate medical school in writing on your institution's letterhead and signed by the [official responsible for medical school certification/Title IV/correspondence]. The destination address and sample format for the presentation of the data and for the certification of the data is included in Enclosure B of this letter.

¹¹ Additional details on the six schools are provided in the Table on page 7. Poznan University of the Medical Sciences is not included in the count of 6 schools, as it was identified as having failed to meet the 75 percent pass rate requirement under both the incorrect methodology and the correct methodology.

¹² Both schools are component schools. [See Footnote 2 for additional information on component schools.]

Enclosure B of the June 2010 Letter gave foreign medical schools the option of submitting a copy of the pass rate information sent to them by the ECFMG or providing individual records for each of their Federal student loan borrowers. For schools choosing to submit records for individual borrowers, the June 2010 Letter required, for each USMLE step, the (1) Student's Name, (2) Social Security Number, (3) Attempt Number, (4) Date, (5) Score, (6) ECFMG Number, and (7) Enrollment Status (Graduate, Full-time, etc.).

FSA did not require adherence to the standards prescribed in the June 2010 Letter. FSA's Foreign Schools Team officials stated that any information provided for CY 2009 was accepted as long as it was deemed sufficient to determine a pass rate as prescribed in the regulations, regardless of the format. Also, as noted above, this was FSA's first attempt at requesting and systematically collecting such data. The lack of a data-sharing agreement with the ECFMG, as previously noted, further hinders efforts to ensure consistent and complete data are submitted.

A willingness to accept data that fails to comply with established guidelines and/or requirements can contribute to an environment in which such practices go unchecked and, ultimately, foster a culture of unaccountability. Without complete and compliant pass rate data submissions, the Department cannot be assured that funds for students attending foreign medical schools are directed only to students attending high quality programs that will sufficiently prepare them to pass the USMLE and practice medicine in the United States.

Recommendations

We recommend that FSA's Chief Operating Officer

- 1.1 Complete loss of eligibility actions for all schools identified as noncompliant as relating to the pass rate requirement for CY 2009.
- 1.2 Reassess the eligibility of schools for which CY 2009 pass rates were calculated incorrectly and refer noncompliant schools to AAASG for further action.
- 1.3 Develop and implement written policy and procedures that describe (a) the process for monitoring the annual pass rate requirement; (b) the process for referring noncompliant schools for loss of eligibility actions, including the timeframe for referrals; (c) the methodology to be applied in calculating foreign medical school pass rates, as well as the level of supervisory review required; and (d) acceptable formats for information on pass rate data.
- 1.4 Ensure that staff receive training on the process for reviewing pass rate data prior to the annual submission deadline.
- 1.5 Continue to work with the ECFMG to establish a data-sharing agreement.

Department Comments

FSA did not disagree with the finding and stated that it has moved quickly to implement the recommendations contained in the draft audit report. FSA stated that it will complete or initiate loss of eligibility actions for all schools and medical programs identified as noncompliant as relating to the pass rate requirement for CY 2009. FSA also stated that it has developed procedures to standardize the calculation and review of pass rates and to expedite the referral process for those schools that fail to meet the standards. Lastly, FSA stated that it is continuing efforts to establish a data-sharing agreement with the ECFMG or the National Board of Medical Examiners (which is ECFMG's partner on the USMLE Composite Committee) to ensure that it has the data needed to make decisions about schools' compliance with the 75 percent pass rate requirement for continued eligibility.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine the adequacy and appropriateness of actions taken by FSA in response to foreign medical schools that (a) did not submit licensing exam pass rate data in 2009, as required, or (b) submitted the required data but did not meet the pass rate requirement. To achieve the audit objective, we reviewed legislation, regulations, and other guidance concerning the USMLE pass rate requirement. We interviewed FSA officials responsible for oversight of foreign medical schools, to include those in FSA's AAASG that are involved in the referral process. We also conducted discussions with Department officials in OPE and OGC who are involved in the referral process, and reviewed prior OIG and GAO audit reports on FSA's oversight of foreign medical schools to identify any weaknesses previously noted.

The scope of our review was limited to actions taken by FSA in response to the submission of CY 2009 pass rate data. We reviewed hardcopy files maintained by FSA for the 44 foreign medical schools that were required to submit such data to: (1) confirm that all required information was submitted, (2) verify that pass rates were calculated accurately and consistently, and (3) determine whether appropriate and timely action was taken by FSA regarding schools that did not submit pass rate data or did not meet the 75 percent pass rate threshold. We also reviewed documentation related to FSA's communications with the ECFMG, dating from May 2005 through July 2011, for information on the establishment of a potential data-sharing agreement. Such documentation included emails, meeting minutes, and formal correspondence.

Use of computer-processed data was limited to Federal student loan funding information provided by FSA from the National Student Loan Data System. As this information was used primarily for informational purposes and did not materially affect the findings and resulting conclusions noted in this report, we did not assess its reliability.

We conducted fieldwork at Department offices in Washington, D.C., during the period June 2011 through September 2011. We provided our audit results to Department officials during an exit conference held on September 13, 2011.

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

ADMINISTRATIVE MATTERS

Corrective actions proposed (resolution phase) and implemented (closure phase) by your office will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System (AARTS). Department policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items, and targeted completion dates, necessary to implement final corrective actions on the findings and recommendations contained in this final audit report.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after 6 months from the date of issuance.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation given us during this review. If you have any questions, please call Michele Weaver-Dugan at (202) 245-6941.

Sincerely,

Patrick J. Howard /s/
Assistant Inspector General for Audit

Acronyms/Abbreviations/Short Forms Used in this Report

AAASG	Administrative Actions and Appeals Service Group
C.F.R.	Code of Federal Regulations
CY	Calendar Year
Department	U.S. Department of Education
eApp	Electronic Application for Approval to Participate in Federal Student Financial Aid Programs
ECFMG	Educational Commission for Foreign Medical Graduates
FFEL	Federal Family Education Loan
FSA	Federal Student Aid
FY	Fiscal Year
GAO	Government Accountability Office
HEA	Higher Education Act of 1965, as amended
HEOA	Higher Education Opportunity Act
OGC	Office of the General Counsel
OIG	Office of Inspector General
OPE	Office of Postsecondary Education
Secretary	Secretary of Education
USMLE	United States Medical Licensing Examination



CHIEF OPERATING OFFICER

DEC 19 2011

TO: Keith West
Assistant Inspector General for Audit
Office of Inspector General

FROM: James W. Runcie
Chief Operating Officer

SUBJECT: Response to Draft Audit Report, *Federal Student Aid's Oversight of Foreign Medical School Pass Rates* (ED-OIG/A19L-0004)

Thank you for providing us with an opportunity to review and respond to the Office of Inspector General's (OIG) draft audit report, *Review of Federal Student Aid's Oversight of Foreign Medical School Pass Rates*. The audit found that improvements are needed in Federal Student Aid's (FSA) oversight of foreign medical school pass rates.

FSA recognizes the importance of effective oversight to program integrity and continually seeks ways to improve the quality of the data we use to evaluate schools' compliance with the laws and regulations governing the federal student aid programs. Unfortunately, we did not have the tools in place this past year to move as quickly and as decisively as we needed to ensure that all foreign medical schools were in compliance with the new pass rate requirements for continued eligibility.

I am pleased to report that FSA has moved quickly to implement the recommendations contained in this draft audit report. FSA has developed procedures to standardize the calculation and review of pass rates, and to expedite the referral process for those schools that fail to meet the standards. Those procedures are currently in the final stages of review before they are implemented and the staff is trained. The Department continues to work to establish a data sharing agreement with the Educational Commission for Foreign Medical Graduates (ECFMG), which is critical to ensuring we have the data needed to make decisions about schools' compliance with the 75 percent pass rate requirement for continued eligibility.

Our specific response to each recommendation follows in the attachment. Again, we appreciate the opportunity to review and comment on the draft report.

Attachment .

Attachment –Federal Student Aid’s Response to Recommendations

Federal Student Aid’s Oversight of Foreign Medical School Pass Rates (A19L0004)

Finding: Improvements Are Needed in FSA’s Oversight of Foreign Medical School Pass Rates

Recommendation 1.1: FSA should complete loss of eligibility actions for all schools identified as noncompliant as relating to the pass rate requirement for CY 2009.

Federal Student Aid’s Response: FSA will complete loss of eligibility actions for all schools identified as noncompliant as relating to the pass rate requirement for CY 2009.

Recommendation 1.2: FSA should reassess the eligibility of schools for which CY 2009 pass rates were calculated incorrectly and refer noncompliant schools to AAASG for further action.

Federal Student Aid’s Response: FSA has reassessed the eligibility of seven schools whose CY 2009 pass rates were calculated incorrectly and it will take action to affect a loss of eligibility for the two medical programs whose pass rates changed from passing or “no score” to failing the 75% threshold as a result of the recalculation.

Recommendation 1.3: FSA should develop and implement written policy and procedures that describe

- (a) the process for monitoring the annual pass rate requirement;
- (b) the process for referring noncompliant schools for loss of eligibility actions, including the timeframe for referrals;
- (c) the methodology to be applied in calculating foreign medical school pass rates, as well as the level of supervisory review required; and
- (d) acceptable formats for information on pass rate data

Federal Student Aid’s Response: FSA has almost completed its draft of written procedures as described above and will finalize them in the near future.

Recommendation 1.4: FSA should ensure that staff receive training on the process for reviewing pass rate data prior to the annual submission deadline.

Federal Student Aid’s Response: FSA will provide training to staff on the process for reviewing pass rate data prior to the annual submission deadline.

Recommendation 1.5: FSA should continue to work with the ECFMG to establish a data-sharing agreement.

Federal Student Aid’s Response: FSA, in collaboration with the Department’s Office of Postsecondary Education and Office of the General Counsel, is continuing efforts to establish a data-sharing agreement with ECFMG or the National Board of Medical Examiners (NBME), which is ECFMG’s partner on the United States Medical Licensing Examination (USMLE) Composite Committee.