

Responding to the Admissions Scandal: What Higher Education Institutions Can Do to Regain the Trust of Their Alumni, Donors and Students

The news of the admissions scandal spread quickly across the nation and has many questioning the fairness of college admissions, while causing students and alumni to question the ethics of their institutions. All colleges and universities, not just those connected to the scandal, should evaluate how they can reestablish or maintain public trust and restore confidence that students attending their institutions deserve to be there.

What Happened — On March 12, 2019, the FBI announced dozens of arrests in “Operation Varsity Blues,” an investigation of a nationwide conspiracy that allegedly involved bribing coaches, falsifying students as athletes, and cheating on the SAT and ACT college admission tests.¹ Media reports indicate that some parents paid up to \$6.5 million for “guaranteed admission” of their children into highly competitive and elite colleges. Thirty-three of those involved were parents — prominent individuals, including famous actresses, respected leaders in business and law, and well-known C-suite executives. Additionally, some students are now being evaluated by their schools to determine whether they actively participated in, or were aware of, the scheme. A Harvard professor emeritus has called this debacle “the worst scandal involving elite universities in the history of the United States.”²

Some of the implicated schools acted quickly by conducting internal investigations and firing personnel. However, these actions may not dissuade public sentiment that the college admissions process is an uneven playing field that benefits the wealthy. In some cases, parents, students and alumni are filing lawsuits against certain universities for a variety of claims, including lost admission opportunities and devaluation of conferred degrees.

Initial Impact — Wealthy and well-connected individuals have long used their relationships and donated funds to help give their children a leg up in admissions. When a parent makes a substantial monetary donation, the admissions office may call them a “development case” — an attribute that may be factored into an admissions decision. Similar situations may occur when the parents are alumni or the student applicant or his/her family has attained

¹ "Lori Loughlin, Felicity Huffman among 50 charged in college admissions scheme," NBC News, March 12, 2019: www.nbcnews.com/news/us-news/feds-uncover-massive-college-entrance-exam-cheating-plot-n982136.

² "Dershowitz: Alleged College Admissions Scam Is 'One of the Great Scandals of the 21st Century'," Fox News, March 12, 2019: <https://insider.foxnews.com/2019/03/12/alan-dershowitz-college-admissions-scam-involving-felicity-huffman-lori-loughlin>.

fame or notoriety that may indirectly benefit the university. In such cases, student applicants generally meet minimum admissions requirements, as the potential of future development dollars and enhanced brand recognition is simply one of many factors considered by an admissions officer or committee. However, this scandal has caused many to question the overall fairness of the college admissions process.

The scandal is already having a reputational impact on certain universities, but it could also have a further-reaching financial effect on many institutions of higher education. Fundraising is extremely competitive and a critical success factor for colleges and universities, even more so in the past decade as government funding for universities has significantly decreased. It's important for organizations to have healthy metrics and a system of checks and balances to ensure that charitable donations do not become a quid pro quo for admissions, good grades, degrees, sports team positions, or faculty and board appointments. Without a culture of trust and a strong internal control framework, ethical donors may go elsewhere.

The Reality of Admissions — Many institutions utilize both quantitative and qualitative factors in their admissions process. Quantitative factors like GPA and test scores are clear-cut and are frequently published as minimum requirements for considering a student. Qualitative factors are those that are often subjective, like athletic ability, extracurricular activities, letters of recommendation, personal statements and diversity factors used by the admissions office to ensure the university admits a well-rounded student body. For many highly competitive universities, other qualitative factors include connections, donations and alumni, as well as how a student's admission may impact the university. Donations and powerful connections are acceptable as a consideration for admissions mainly because they may be just one of many qualitative factors that go into accepting a student. Universities have policies and procedures for making these decisions, which typically include having an admissions committee approve acceptances or perform quality assurance activities. But outside the admissions

office, it is not always clear what the exceptions are to those procedures, like whether senior officials can overrule an admissions decision to admit the child of a large donor.

Supply and demand can greatly impact the weight and balance of all these factors. If the school admits 90% of applicants, the importance of qualitative factors is likely to be insignificant. Alternatively, if the university admits 15% of applicants, the admissions office is most likely receiving student applicants with very similar GPAs and test scores, so a majority of decision-making is based on qualitative factors. This is where the rubber meets the road. Getting into an elite university as a legacy, a child of wealthy donors or parents with powerful connections, or an individual who brings public relations benefits to the university (for example, a student who is famous in his or her own right) is no longer a guarantee, particularly when these universities also have goals to diversify and accept students with different backgrounds. With extremely high demand and limited supply, the possibility of a "side door" to admission, created by various acts of bribery and corruption, where fraud and payoffs are used to guarantee admission, can quickly become a reality.³

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The Challenges U.S. Institutions of Higher Learning Face

Universities are extremely complex in their operations, acting essentially like their own town or city. With each student they admit and employee they hire, universities not only provide education, but also housing, food, sports, entertainment, healthcare and safety. They conduct research and provide cultural opportunities of all kinds. They partner with other universities, companies and countries around the world. And each activity requires its own standards to be followed, its own challenges to manage.

³ For a risk management perspective on the college admissions scandal, see Protiviti's blog, *The College Admissions Scandal: Why Every Elite University Should Apply Root Cause Analysis*: <https://blog.protiviti.com/2019/03/28/the-college-admissions-scandal-why-every-elite-university-should-apply-root-cause-analysis/>.

Managing such complex organizational activities can be difficult, particularly since many institutions have tight budgets, are understaffed, and are often outpaced by technology, all while trying to stay relevant and prove they're worth the expensive price tag. Alternatively, universities with strong balance sheets and massive endowments are working under old rules and traditions set forth by their legacy and the donors that fund them.

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Putting all these factors together, institutions of higher learning are often considered “big business,” but with their (and the regulators’) focus elsewhere, their internal controls environment isn’t necessarily as structured or mature as that of a publicly traded company. Compliance controls, training and communication are equally critical to creating an ethical culture within the college and university setting. Many colleges and universities haven’t formally assessed bribery and corruption risk in all areas of operation. Because of their student-centric focus, it’s not necessarily “top of mind” for administrators and faculty. As a result, bribery and corruption risk isn’t typically addressed or monitored on a periodic or continuous basis.

Next Steps for All Universities — “Operation Varsity Blues,” along with other university scandals occurring over the past decade, provides an opportunity for an open dialogue about bribery and corruption risk within the higher education industry and other evolving risk topics. Although the risk of bribery and corruption in admissions may be greater the more competitive an institution is, all universities have activities that could put them at risk, such as the growing use of global student recruitment, corporate partnerships and

international relations. Universities can and should do more to reestablish the public’s trust around not just their admissions process, but ultimately to promote a positive culture within their institutions, renew the confidence of the students and restore ethical behavior into the activities of employees. Utilizing their internal audit function, legal counsel, third-party experts and/or outside investigators, universities should consider:

- Evaluating the recruitment process, including its connection to fundraising.
- Performing a review of the admissions process to understand how applications are evaluated, how admissions decisions are made, and how they are documented.
- Conducting an anti-corruption and bribery risk assessment to identify the various activities that put the university at risk; what policies and procedures are in place to reduce those risks; and how those activities are monitored, reported and resolved, including senior leadership and board involvement.
- Evaluating the overall compliance training and awareness program; or, if nonexistent, establishing one so university employees know the policy requirements and standards they should be operating under and have the skills to identify a potential issue and escalate it appropriately.
- Assessing the overall culture of the institution via a culture audit, a culture risk assessment and/or a culture survey.

The higher education industry has greatly changed and evolved since the first universities were established, increasing in complexity, competitiveness and, ultimately, risk. Now is the time for universities to reevaluate and assess not just admissions, but also other activities that may be susceptible to bribery and corruption, circumstances that when made public could potentially degrade the value of a student’s degree. At a minimum, restoring faith in the system and promoting an ethical environment should be every higher education institution’s priority.

About Our Higher Education Practice

The landscape of higher education is evolving at a rapid pace, and it's an exciting time for the industry. Technology and new delivery models are challenging the status quo, students are seeking a greater return on investment from their education, institutions are reassessing program offerings in the face of greater competition, and recent high-profile scandals are highlighting the unhealthy culture at universities, with some wondering whether they are the next to be scrutinized. In addition, the continued focus on privacy and the threat of cybersecurity breaches are raising the stakes for universities to protect their greatest digital assets. Finally, the regulatory environment continues to create uncertainty for institutions. Universities need to be nimble in their efforts to adopt policies and procedures that help

them maintain compliance with ever-changing and complex laws and regulations. These risks, which are always present, challenge universities that already operate with limited resources in an environment where systems and processes may not support an institution's mission or objectives.

At Protiviti, our education industry experts understand the challenges educational organizations face, and we provide a number of solutions to turn these challenges into advantages. We collaborate closely with you to understand your needs and draw from a talented pool of professionals within internal audit, risk, compliance, business process, technology, and data and analytics expertise to meet any challenge. We focus on fitting a team to your organization, creating tailored solutions that help you deliver on your organizational mission and face the future with confidence.

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