Behind the Headlines

Lou Mezzina, KPMG
National Industry Director for Higher Education

The Higher Education Accounting Forum – April 28, 2014
“Our experts describe you as an appallingly dull fellow, unimaginative, timid, spineless, easily dominated, no sense of humour, tedious company and irrepressibly drab and awful. And whereas in most professions these would be considered drawbacks, in accountancy they are a positive boon.”

*John Cleese*

*Wit: Humorous Quotations from Woody Allen to Oscar Wilde* by Des MacHale
CIA Definitions

- **Information** – raw data from any source, data that may be fragmentary, contradictory, unreliable, ambiguous, deceptive, or wrong

- **Intelligence** – information that has been collected, integrated, evaluated, analyzed, and interpreted

The CIA World Factbook 2014
Central Intelligence Agency
Colleges & Universities vs. For Profit Companies: Issue Convergence

Executive Perspectives on Top Risks for 2014* – Top 10 Risks

– Regulatory changes and scrutiny
– Economic conditions in markets we currently serve
– Uncertainty surrounding national and international political leadership
– Succession, recruiting, and retention challenges
– Organic growth
– Cyber threats
– Organizational resistance to change – core operations and/or business model
– Privacy/identity management and information security/system protection
– Anticipated volatility in global financial markets and currencies
– Uncertainty surrounding costs of complying with healthcare reform legislation

*Survey conducted by Protiviti and North Carolina State University’s ERM Initiative. Approximately 2/3 of respondents were in the following industry groupings – financial services, consumer products and services, and industrial products.
Colleges & Universities vs. For Profit Companies: Issue Convergence

Source: CFO Magazine, February 2014
Duke University/CFO Magazine Global Business Outlook Survey 2013 Q4
Top Topics for [U.S. Public Company] Directors for 2014

1. Oversee strategic planning amid continuing fiscal uncertainty and game-changing advances in information technology
2. Address cybersecurity
3. Set appropriate executive compensation
4. Address the growing demands of compliance oversight
5. Assess the impact of healthcare reform on benefit plans and cost structure
Big Data: A Time to Save, a Time to Delete… “A downside lurks in the disorganized and nonessential email, memos, drafts, presentations, reports and spreadsheets that lay strewn across most company networks…When it comes to internal company data, “less” is usually “more.” To run critical business functions and to mitigate risk, a company has to determine what data to keep and what data to delete.”

CFO Magazine, April 7, 2014
Behind the Headlines

*It’s Time for Boards to Have Technology Committees*… “So what would the charter of a technology committee be?...First, it would be charged with conducting a technology audit. Are your compute and storage platforms, the foundation of any information systems, state of the art? Or are you using 10-year-old hardware and unsupported software? Further, are your software developers able to develop and deliver new applications in a day, a month or a year?...Second…you’d want to benchmark what your company spends and how you spend it against other comparable companies….Third…you’d want to make sure the right processes are in place...As we depend more and more on information systems, how will the board provide oversight so as to ensure the secure and reliable delivery of information...”

CFO Magazine, April 15, 2014
Behind the Headlines

**Internal Auditor Reports Getting ‘Sanitized’**… “Reports by internal auditors to board audit committees are often ‘sanitized’ during prior interactions between senior management and internal audit, the audit committee chair of two different companies acknowledged last week…although he formally gets only terse reports from internal audit, he gets a much fuller picture of what’s really going on via frequent, informal meetings with internal auditors…‘I know some of the questions to ask during audit committee meetings to bring out some of the points that have been reduced because of management’s sensitivity to them,’…Management, too, tends to have a whole lot more exposure to the internal auditor’s work than the audit committee does. ..And from management’s perspective, familiarity may breed contempt… The reasons that finance chiefs rate internal auditors so much lower than boards and board audit committees do are that CFOs have much more daily exposure to them and their foibles – and want entirely different things from them, experts say.”

CFO Magazine, April 9, 2014
Internal Audit: Know When to Disclose...“...findings in an audit report can be taken out of context or assigned much greater significance than warranted.... if you analyze enough audit reports, you can begin to see why certain findings resonate with stakeholders and the public in ways that much more important findings do not...People’s reaction to findings of waste or inefficiency in an internal audit report have less to do with the amount of money involved or the consequences of the error than they do with how much they identify with the problems...If the amount of money involved is not material and the problem or error cited is not systemic and poses no threat, then the observation may not even warrant inclusion in the report; you can still review such issues with management so they can be addressed without the turbulence of the ‘small-stone effect.’...If disclosure is appropriate, then the finding should be discussed in a way that clearly places the issue in perspective, especially if you anticipate media coverage or other public scrutiny...If you observed nineteen cases of employees using their computers inappropriately...you should probably mention that it was out of a total workforce of almost 13,000 people. If you find two instances of a wasteful activity within an organization, you should indicate the total number of instances examined, or express the wasteful activity as a percentage of the whole.”

The Wall Street Journal, April 16, 2014
**Executives Keep Cutting Overhead Costs To Manage Slow Growth**…“Companies are planning to spend less money on overhead…to offset the slow economic recovery…Two-thirds of companies globally hope to reduce overhead by 10% within one to two years and about a third hope to cut costs by 11% to 20% over that period…Companies are “rethinking structures and simplifying processes” to create lower-cost business models…But those same companies also expect to save less than they have in the past…In a low-growth economy, executives feel they cannot rely only on sales to sufficiently increase profits…Finding ways “to enable the next level of savings when costs have been reduced multiple times …is getting more complex.”

The Wall Street Journal, April 17, 2014
National News Outlets Expand Higher-Education Coverage… “Higher education is getting more media attention lately, especially online. As many as half a dozen major news organizations have expanded their education coverage in the last year, providing their audiences with additional, varied sources for education news, at the national level at least…Many of the biggest stories in the country’s postrecession atmosphere, including income inequality, gainful employment, and consumer debt, are bound up with education, they say.”

Financial concerns eliminate need-blind admission at Clark University… “Financial concerns have prompted Clark University to eliminate its need-blind admission policy and open up admission to a ‘need-aware’ group. ‘At the end of the admissions decision-making process, after determining that we are reaching the limit of our financial aid budget, we will offer the opportunity to enroll at Clark to a small number of additional students on a need-aware basis,’ said Clark University President David Angel.”

masslive.com, February 18, 2014

George Washington U. admits that it incorrectly told applicants it was need-blind… “Until last week, visitors to the admissions webpage of George Washington University were reassured that applicants didn't have to worry about being judged on their ability to pay…One problem: The university was in fact need-aware…Being need-aware in admissions -- as George Washington now admits to being -- is hardly unusual…What the university has done to date -- entirely consistent with need-aware but not need-blind policies -- has been to conduct a first review of applicants without regard to financial need. Then, after determining how much money the university has available for aid, that total goes into the calculations of whom to actually admit. Once the aid money is exhausted, students are admitted or waitlisted based on ability to pay..”

Inside Higher Ed, October 22, 2013
How Exactly Do Colleges Allocate Their Financial Aid? They Won’t Say…“While universities don’t want to disclose the details, they have become increasingly strategic in recent years about how they use their aid and which students get it. Aid isn’t just given to students in need, it’s also used now for what schools call “financial aid leveraging” — often to entice high-scoring students who will help a school’s ranking or to give a small, feel-good discount to attract out-of-state students who will still end up paying a higher price..”

Propublica, February 25, 2014
Behind the Headlines

**Enrollments Slipped This Fall, With For-Profit Sector Hit Hardest**… “Enrollments at American colleges slid slightly this fall as institutions faced a shrinking pool of high-school graduates at the same time that a slowly expanding economy was luring older students back to work, the National Student Clearinghouse Research Center reported on Thursday…Over all, enrollment dropped 1.5 percent in the fall of 2013, compared to the previous fall, after slipping 1.8 percent last year…Four-year, for-profit colleges registered the largest decreases, with enrollments dropping 9.7 percent this fall after declines of 7.2 percent and 3.8 percent the previous two years…heightened scrutiny of the sector had hurt enrollment…Enrollments at two-year public colleges slipped 3.1 percent. They inched up by 1.3 percent at four-year private nonprofit colleges, and by 0.3 percent at four-year public institutions… ‘This suggests that much of the enrollment decline may be driven by older students' returning to the job market…Many of those students were displaced during the recession and attended community colleges and for-profit colleges in particular.’”

Behind the Headlines

Small U.S. Colleges Battle Death Spiral as Enrollment Drops… “What we’re concerned about is the death spiral -- this continuing downward momentum for some institutions,’ said Susan Fitzgerald, an analyst at Moody’s Investors Service in New York. ‘We will see more closures than in the past.’…Dozens of schools have seen drops of more than 10 percent in enrollment, according to Moody’s. As faculty and staff have been cut and programs closed, some students have faced a choice between transferring or finishing degrees that may have diminished value… ‘There will clearly be some institutions that won’t make it and there will be some institutions that will be stronger because of going through these difficult steps,’ said David Warren, president of the Washington-based National Association of Independent Colleges and Universities… “I’m not sure a lot of these institutions have the cushion to experiment with how to stay afloat,” said Michelle Weise, a senior research fellow at the Clayton Christensen Institute for Disruptive Innovation…”

Bloomberg, April 14, 2014
Behind the Headlines

**Bracing for Demographic Shifts, Colleges Face Tough Trade-Offs**… “The sky-is-falling contingent says the declining number of white, affluent high-school graduates will sink many tuition-dependent colleges…optimistic observers predict that population shifts will compel institutions to transform themselves by embracing underrepresented students like never before…The nation's already seeing a sharp rise in first-generation and low-income graduates—the very students whom selective four-year institutions have long struggled to serve…A college's location and market position will play a large role in the next chapter of its story, and so will the way it chooses to define diversity…many colleges might just have to give something up to stay afloat. Want to maintain your enrollment? OK, but your selectivity must go down…Colleges don’t necessarily have a taste for trade-offs.”


**Demographic Data Let Colleges Peer Into the Future**… “Until just a few years ago, colleges could anticipate classes of high-school graduates each bigger than the last…But those days are over…Peer into kindergarten classrooms across the country, and you will see fewer students. For every 100 18-year-olds nationally, there are only 95 4-year-olds. The Northeast and Midwest show the sharpest drop-offs, according to a *Chronicle* analysis…College officials not already following such trends would do well to pay attention. Demographic change has become a crucial focus of enrollment management over the past decade, but with intense pressure to fill each year's class, longer-term planning can lapse…”

Dwindling Midwest High School Grads Spur College Hunt… “A waning number of high school graduates from the Midwest is sparking a college hunt for freshman applicants, with the decline being felt as far away as Harvard and Emory universities…Nationally, the high school Class of 2012 ushered in a first wave of declines in the number of graduates, according to a report by the commission. The trend will worsen after 2025, when admissions officers face the impact of a drop in births that began with the 2007 recession. Over the next two decades, the biggest drain in graduates will be in the Midwest and Northeast.”

Bloomberg, February 25, 2014

College-Enrollment Growth Will Slow Through 2022, Report Projects… “but that rate of growth will be considerably smaller than the 45-percent increase during the previous 14-year period…The report, ‘Projections of Education Statistics to 2022,’ is the latest in a series of annual forecasts of college-enrollment statistics, which offer predictions by characteristics such as students’ age, sex, and race or ethnicity. The report also contains forecasts of the numbers of degrees conferred from the 2010-11 to the 2022-23 academic years…The report projects that both public and private institutions will see enrollment gains of 14 percent from 2011 to 2022.”

The Chronicle of Philanthropy, February 27, 2014
Colleges Raise Record $33.8 Billion Exceeding U.S. Peak in 2009… “Donations to U.S. colleges and universities rose 9 percent to $33.8 billion in the year through June [2013], topping the record set before the global credit crisis, as stock market gains fueled giving…Almost 60 percent of schools said they raised more in 2013 than the previous year. Contributions for current operations increased 6.9 percent, and gifts for capital purposes rose 12.4 percent…”

Schools that raised the most in the year ended June 2013

1. Stanford University ($931.57 million)
2. Harvard University ($792.26 million)
3. University of Southern California ($674.51 million)
4. Columbia University ($646.66 million)
5. Johns Hopkins University ($518.57 million)
6. University of Pennsylvania ($506.61 million)
7. Cornell University ($474.96 million)
8. New York University ($449.34 million)
9. Yale University ($444.17 million)
10. Duke University ($423.66 million)"

Bloomberg, February 12, 2014
Charities Deal With a Stream of Lawsuits From Disenchanted Donors…“a Texas businessman last month sued Georgetown University to get back $7.5-million in donations because he says the institution reneged on its promise to put his name on the law school’s sports and fitness center…The dispute at Georgetown joins a steady stream of legal battles that may offer not only a window into the high-stakes, sometimes emotionally charged world of big gifts, but also cautionary tales to help avoid future tussles…The lessons…learned, while critical, are fairly broad and well-established: Keep good records, follow consistent gift-acceptance policies, craft solid gift agreements, and provide for good communication inside the organization and with the donor…Include an ethics clause in all agreements…Ethics clauses, sometimes known as reciprocal or morals clauses, consist of language in a gift agreement—or a related policy document—that states what action might be taken to protect the reputation of the nonprofit or the donor, should the reputation of either party come into question.

Chronicle of Philanthropy, April 21, 2013
Stephen Hawking professorship at Cambridge approved…“…the relatively close ballot reflects the considerable opposition to the new chair, whom critics say is likely to be paid about double the amount paid to other Cambridge professors…Opponents had claimed the terms of the donation, which provides about $4 million for an additional salary supplement…on top of the basic $2 million endowment…would set a precedent for donors to demand “special arrangements” in return for their money…Under the terms of the donation, the salary of the incoming chair must be “equal to or greater than the average salary and benefits” for other professors “of similar years of service, or rank” in the department of applied mathematics and theoretical physics.”

Times Higher Education, February 25, 2014
Digital donations hit higher education…“The University of Puget Sound in February became the first higher ed institution to accept a gift of digital currency, when alumnus Nicolas Cary gave the Washington school 14.5 bitcoins—equivalent to $10,000…Accepting this unusual donation required research and planning, says Sherry Mondou, vice president for finance and administration at Puget Sound. ‘Our gift acceptance policy, not surprisingly, was silent on gifts of digital currency. We needed to learn more about Bitcoin and we did our due diligence.’…The gift was approved on the condition that the bitcoins could immediately be converted to U.S. dollars, eliminating exchange rate risks.”

University Business, April 2014
New ways colleges target rich alumni…“Targeting alumni for donations is big business for colleges and universities -- and schools are getting more savvy with their tactics…But the tools are getting better: complex data models using massive databases that store everything from wealth and income to class reunion attendance… Pam Dixon, executive director of nonprofit World Privacy Forum, said many wealthy alumni would be surprised by the vast amount of personal information that has been gathered on them… ‘My question is, At what point do we cross the line to something that is really uncomfortable for a donor?’ she said.”

CNN Money, February 24, 2014
Report Sees Some Progress on Med School Conflicts of Interest… “More medical colleges are managing conflicts of interest in clinical care, but most still do not meet national standards for dealing with conflicts, according to a study released Friday by the Institute on Medicine as a Profession. Researchers looked at medical colleges' policies in 2011…The proportion of medical colleges with no policies dropped from more than 25 percent in 2008 to less than 2 percent in 2011…‘We are pleased that the authors recognize the substantial efforts that medical schools have taken over the past several years to strengthen their conflict of interest policies,’ said Heather Price, senior director of science policy for the Association of American Medical Colleges.”

Inside Higher Ed, October 14, 2013

Dartmouth, Brown lead Ivies in investing with trustees… “At Harvard and Yale…investments with trustee-related firms are not prohibited…Both schools declined to disclose their full list of outside investment firms…Columbia, Princeton and Cornell disclosed only one or two endowment investments with funds related to trustees...Among other private schools with large endowments, the University of Chicago listed two funds with ties to trustees and the University of Notre Dame listed one. However, tax returns for Northwestern listed five related funds and Stanford University listed six.”

Reuters, May 31, 2012
Behind the Headlines

AGB Board of Directors’ Statement on Conflict of Interest
with Guidelines on Compelling Benefit
Behind the Headlines – AGB Statement on Conflict of Interest

The Statement and related Guidelines were approved in November 2009 and April 2013, respectively, by the Board of Directors of the Association of Governing Boards of Universities and Colleges (AGB)

While the concept of compelling benefit to the institution was included in the 2009 Statement, the new Guidelines have been issued to help governing boards “apply the compelling benefit standard to a wide range of circumstances.”

In the Guidelines, AGB states that the compelling benefit standard suggests that “permissible conflict transactions will be rare.”

AGB points out that while standards prescribed by state laws or the IRS may be based on concepts such as “fair, reasonable, and in the organization’s interest,” it believes the compelling benefit standard is prudent.
Hacking incidents prompt universities to rethink balance between openness, security…“Online thieves have increasingly sought sensitive or otherwise valuable data from educational institutions, experts say. Last year alone, breaches included possible exposure of 2.5 million Social Security and bank account numbers associated with an Arizona community college system, 74,000 Social Security numbers of University of Delaware students and staff, and 145,000 applications to Virginia Tech, according to the Privacy Rights Clearinghouse…That threat is forcing academics to reassess the way they keep and protect vast collections of information, often held in decentralized computer networks accessible to thousands of students, professors and researchers.”

Baltimore Sun, March 15, 2014

More firms buying insurance for data breaches…“US businesses are rushing to buy insurance coverage against the expense of being hacked, or losing sensitive customer information…One in three companies now has insurance to specifically protect against such losses. Last year, cyber insurance polices sold to retailers, hospitals, banks, and other businesses jumped 20 percent, according to Marsh LLC…”

The Boston Globe, February 17, 2014
Behind the Headlines

**Cyber Insecurity: How Safe Can the Company’s Data Assets Be?**...

“According to KPMG’s 2014 Global Audit Committee Survey, nearly 45 percent of U.S. audit committee members surveyed say their audit committee has primary oversight responsibility for cyber security risk; yet only 25 percent say the quality of the information they receive about cyber security is good.”

**Oversight of Cyber Risk: Considerations for the Board**

- All data is not equal. Understand the value of the company’s various data sets, and whether appropriate resources are devoted to securing the most critical assets.
- Conduct robust IT risk assessments periodically—and consider the need for an independent risk assessment.
- Recognize that most IT risk is internal “people” risk. How are we monitoring those risks?
- Requests regular cyber incident reports—a scorecard—to monitor cyber attacks and trends.
- Understand the company’s cyber-incident response plan.

KPMG Quarterly Audit Committee Webcast Highlights, March 2014
“University politics make me long for the simplicity of the Middle East.”

Henry Kissenger

“The juvenile sea squirt wanders through the ocean searching for a suitable rock or hunk of coral to cling to and make its home for life. When it finds its spot and takes root, it doesn’t need its brain anymore, so it eats it. It’s rather like getting tenure.”

Michael Scriven

Wit: Humorous Quotations from Woody Allen to Oscar Wilde by Des MacHale
IRS guidance on health care law clarifies formula for counting adjunct hours… “The upshot of the complicated regulation from the Treasury Department and the Internal Revenue Service:

On adjuncts, colleges will be considered on solid ground if they credit instructors for 1 ¼ hours of preparation time for each hour they spend in the classroom, and instructors should be credited for any time they spend in office hours or other required meeting time.

On student workers, the IRS opted to exclude work-study employment from any count of work hours, but the administration declined to provide an exemption for student workers over all. As a result, colleges and universities will be required to provide health insurance to teaching and research assistants who work more than 30 hours a week.”

Inside Higher Ed, February 11, 2014
Colleges See Big Savings in Centralized Buying… “Because purchasing makes up such a big portion of an institution’s spending, it offers great potential for savings…Centralizing a college’s purchasing decisions, especially in the typically decentralized environment of higher education, can be a touchy subject – a battle that university leaders are often reluctant to wage…Ithaca College’s president, Thomas R. Rochon…says he has heard one main trepidation: that centralized purchasing will mean people won’t be able to get the supplies they want when they need them…At Drexel…about 2,200 purchases went through [procurement]…last year, while tens of thousands of purchases happened on an individual basis in the various departments on campus.”

The Chronicle of Higher Education, April 14, 2014
Behind the Headlines

Inside the hidden world of thefts, scams and phantom purchases at the nation’s nonprofits… “A Washington Post analysis of filings from 2008 to 2012 found that…more than 1,000 nonprofit organizations…checked the box indicating that they had discovered a “significant diversion” of assets, disclosing losses attributed to theft, investment fraud, embezzlement and other unauthorized uses of funds…The Post found that nonprofits routinely omitted important details from their public filings, leaving the public to guess what had happened — even though federal disclosure instructions direct nonprofit groups to explain the circumstances. About half the organizations did not disclose the total amount lost.”

The Washington Post, October 26, 2013

Nonprofit groups often seek restitution, not prosecution, when money goes missing… “The Post’s analysis found that after such a discovery, some nonprofit groups issued public statements and some called in law enforcement. But many others [bypassed] legal action in exchange for cash… ‘For this office to succeed in preventing serial embezzlements or misappropriations of charitable funds, it is imperative that charities report these matters to local authorities,’ said the District’s attorney general, Irvin B. Nathan.”

The Washington Post, November 23, 2013
**Does It Matter If Colleges Plagiarize Their Sexual Assault Policies?**

“...it’s one thing to share best practices and another to just run them through the copy machine, experts say...If a policy appears to be copied without individualized edits, that suggests it didn’t get the appropriate level of thought and conversation...It’s fine to review another school’s policy as a starting point...a partner in Ballard Spahr's Litigation Department...but the policies must be tailored to their own school’s culture and needs; a policy can’t just be “legally sufficient.””

Newsweek, February 5, 2014
Sewanee tries to make its endowment spending more predictable…“In an effort to make sure it won’t overspend when times are good or starve itself of money when times are bad, the University of the South decided last month to change how it spends its $350 million endowment…The Tennessee liberal arts college, also known as Sewanee, joins a small minority of American colleges that use inflation adjustments to determine how much money to draw each year from their endowments. This, Sewanee's leader said, will allow the university to plan for the future in ways it hadn't been able to.”

Inside Higher Ed, March 18, 2014
**Behind the Headlines**

*Rescuing US biomedical research from its systemic flaws...*  
“...there is now a severe imbalance between the dollars available for research and the still-growing scientific community in the United States. This imbalance has created a hypercompetitive atmosphere in which scientific productivity is reduced and promising careers are threatened...even the most successful scientists and most promising trainees are increasingly pessimistic about the future of their chosen career...we believe that these concerns are justified and that the biomedical research enterprise in the United States is on an unsustainable path...the percentage of NIH grant applications that can be funded has fallen from around 30% into the low teens, biomedical scientists are spending far too much of their time writing and revising grant applications and far too little thinking about science and conducting experiments...Our immediate goal has been to stimulate debate of the issues that concern us and the changes we propose...the changes need to begin immediately, because the situation we have described has grown significantly worse in just the last few years.”

More Colleges Fail Controversial ‘Financial Responsibility’ Test… “The number of degree-granting private colleges that failed the U.S. Department of Education’s "financial responsibility" score for the 2012 fiscal year was slightly higher than in the previous year, data released on Wednesday show… In recent years, organizations like the National Association of Independent Colleges and Universities and the National Association of College and University Business Officers have argued that the department’s calculation of the scores is inconsistent and sometimes in violation of its own guidelines. The groups and several colleges say the department has been unresponsive to their complaints.”

The Chronicle of Higher Education, February 27, 2014
How Average Net Price Fails to Capture the ‘Best Bang’ for Your Buck… “Search for a college on the White House’s…and the first number you’ll see is the institution’s average net price, under a gauge that shows whether the number is low, medium, or high in relation to other colleges…The scorecard was supposed to be a source for prospective students to “compare schools based on a simple criteria—where you can get the most bang for your educational buck,” according to President Obama, who introduced it in his 2013 State of the Union address…higher-education experts at a recent symposium on the president’s proposed college-ratings system called into question the value of average net price as a gauge of college cost in either a consumer-information tool or an accountability measure… as a consumer tool, average net price can be just as problematic as sticker price because few students actually pay it.”

Behind the Headlines

Almost One-Third of All Foreign Students in U.S. Are From China… “China sends more than twice as many students to American colleges, universities, and postsecondary vocational programs as does India, which…is the second-largest source country. South Korea comes in third.”


Universities Try a Cultural Bridge to Lure Foreign Students… “Colleges want, and increasingly need, more foreign students, not only for high-minded reasons, but also because foreigners generally pay full price… ‘It is a wonderful source of revenue,’ said Sabah U. Randhawa, Oregon State’s provost. ‘It helps us afford to admit more resident students, offer them more aid, expand the faculty and infrastructure.’…The most prestigious American schools have no shortage of foreign applicants and have their pick of the best. But most colleges and universities are relatively unknown worldwide and lack the resources to do overseas recruiting. And while the supply of students abroad who want an American education is immense, the number who are actually prepared for it is much more limited.”

Behind the Headlines

**Higher Education Is Now Ground Zero For Disruption**… “Why? US Higher Ed has a product that does not work, ridiculous costs, and an antiquated business model…the following aspects of the traditional Higher Ed business model look highly questionable in today’s light:

- A residential, facilities-based approach that drives high fixed costs and requires students to reside away from home and job opportunities.
- Parallel development of standard curriculum (e.g., Economics 101) by 2,000 different U.S. colleges/universities.
- Teaching standard lecture courses live on 2,000 campuses.
- Relatively equal allocation of key resources (staff and student loans) to studies that lead to degrees that are in-demand in the economy, and those that are not. Fewer than 10% of U.S. bachelor level graduates are in the highly demanded science, technology, engineering, and mathematics fields.
- Cross-subsidization among teaching employment skills, liberal arts education, research, scholarship, and operating a vast country club. Who really needs and will pay for what?
- Focus on the university degree as the credential, versus specific courses and skills accomplished.
- Little investment in the career success of graduates. This is not rocket science. University graduates lack basic skills like making presentations, using spreadsheets, business writing, and understanding what it means to be an employee of a business.”

*Forbes, January 6, 2014*
Behind the Headlines

Is There a Sustainable MOOC Business Model?… “They said 2012 was the Year of the Massive Open Online Course (MOOC). It’s little surprise, then, that 2013 turned out to be the Year of the Backlash…a consequence of the absurd expectations for MOOCs, both as an agent of change and as a harbinger of educational doom…Sebastian Thrun may have won some new admirers when he copped to Udacity having “a lousy product,” but it’s hard to see how the remark helped his own cause or that of the MOOC movement generally.”

Evolllution.com, April, 2014

Competency-Based Degrees: Coming Soon to a Campus Near You…“the greatest risk to traditional higher education as we know it may be posed by competency-based education models…Competency-based programs allow students to gain academic credit by demonstrating academic competence through a combination of assessment and documentation of experience.”

The Chronicle of Higher Education, February 17, 2014
Competency-Based Education: What the Board Needs to Know…“Traditionally, a college degree has been considered in terms of “seat time”—students completing a stipulated number of courses and credit hours. Increasingly, that concept of higher education is being replaced by teaching and learning approaches that specify desired outcomes and focus squarely on evidence of student performance—what students actually know and can do with what they know...CBE is no longer ensconced in the adult-learning bubble; instead, it is the topic of frequent news-media coverage and congressional hearings fueled by a rapid expansion of new program offerings across the country... For the entire higher education enterprise, the CBE movement signals a shift in focus away from a reliance on the processes of learning (courses, credits, grades, years enrolled) as the primary indicator of quality toward the confirmation of student accomplishment (the actual knowledge, proficiencies, and dispositions students have acquired)...What does all this mean for governing boards? Without question, the processes of learning—student and faculty engagement, curricular rigor, richness and coherence, and other time-honored ways in which students learn—remain important. The lesson for governing boards, however, is that sound academic process alone is no longer sufficient to ensure quality or guide continuous improvement. Attention to learning outcomes is equally important.”

Trusteeship, January/February, 2014
During our testwork over expenses, we noticed that the University purchases a good deal of its movable equipment and furniture as well as other supplies through the Sky Mall catalogue or SkyMall.com. While we would be among the first to acknowledge the cool products available through this vendor, we believe there are more cost effective suppliers and in some cases question the worth and wisdom of the acquisitions.