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U.S. DEPARTMENT OF EDUCATION  
OFFICE OF POSTSECONDARY EDUCATION

NATIONAL ADVISORY COMMITTEE ON INSTITUTIONAL  
QUALITY AND INTEGRITY

(NACIQI)

June 23, 2016

Double Tree by Hilton Hotel

Washington Ballroom

Washington DC - Crystal City

300 Army Navy Drive

Arlington, VA 22202

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## PROCEEDINGS

(8:34 a.m.)

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3 MS. PHILLIPS: Good morning and welcome to the second day of the  
4 June meeting of the National Advisory Committee on Institutional Quality and Integrity.  
5 I'm Susan Phillips the Chair of the Committee welcoming you here today. We are going  
6 to start with introductions and procedures. One quick note to put on the record from  
7 yesterday -- there was a recusal on the American Bar Association Frank Wu. We didn't  
8 put it on the record and I wanted to make sure that was clear. He did not participate in  
9 the vote in that matter.

10 This morning we wanted to start with introductions of the Committee. We  
11 will start I think on the reverse side with Kathleen if you could introduce yourself and  
12 your affiliation.

13 MS. ALIOTO: Kathleen Sullivan Alioto from Boston, San Francisco and  
14 New York.

15 MR. LEBLANC: Paul LeBlanc, Southern New Hampshire University.

16 MS. NEAL: Anne Neal the American Council of Trustees and Alumni.

17 MR. O'DONNELL: Rick O'Donnell with Skills Fund.

18 MR. WU: Frank Wu of University of California Hastings College of Law.

19 MR. BOEHME: Simon Boehme.

20 MR. BOUNDS: Herman Bounds, Department of Education, Director of  
21 the Accreditation Group.

22 MS. HONG: Good morning Jennifer Hong, Executive Director and

1 Designated Federal Official on the Committee.

2 MR. KEISER: Art Keiser, Chancellor at Keiser University, Fort  
3 Lauderdale, Florida.

4 MR. ROTHKOPF: Arthur Rothkopf, President Emeritus, Lafayette  
5 College.

6 MS. MORGAN: Sally Morgan, Office of General Counsel, Department  
7 of Education.

8 MS. MANGOLD: Donna Mangold, Office of General Counsel.

9 MR. STAPLES: Cam Staples, New England Association of Schools and  
10 Colleges.

11 MR. WOLFF: Ralph Wolff, former President of WASC, currently just an  
12 independent consultant.

13 MR. BROWN: Hank Brown, President Emeritus of the University of  
14 Colorado.

15 MR. ZARAGOZA: Federico Zaragoza, Vice-Chancellor of Economic and  
16 Workforce Development, Alamo Colleges.

17 MS. DERLIN: Bobbie Derlin, Associate Provost Emeritus, New Mexico  
18 State University.

19 MS. DERBY: Jill Derby, Association of Governing Boards of  
20 Universities and Colleges.

21 MS. PHILLIPS: Thank you all and welcome. In particular thanks also to  
22 the Department staff who have been working to prepare for this meeting -- to just begin

1 our work today I want to repeat a bit of the introduction in case those in the audience  
2 were not here yesterday. We have three different parts of our Agency Review Agenda  
3 this meeting. For the part that we enter this morning we had announced our plans to pilot  
4 a more systematic approach to considering a student achievement and other outcome and  
5 performance metrics in the hearings of agencies that come before us for consideration of  
6 the Petition for Recognition Renewal.

7           The approach that we are piloting at this meeting seeks to bring  
8 information about Agency standards and practices about student achievement into greater  
9 focus in our deliberations at Agency recognition and into our policy development  
10 discussions. It also draws in more information available like newly available in the score  
11 card and underscores the important role that recognized agencies play in insuring  
12 improvement among institutions they accredit that are at risk of falling out of compliance  
13 with Agency standards.

14           There are four focuses to this pilot 1: General Performance and outcomes  
15 of the institution that you agency accredits; 2: Decision activities of and data gathered by  
16 the Agency; 3: Standards and practices with regard to student achievement and 4:  
17 Agency activities in improving institutional and program quality.

18           Questions about the first three of these will be included in the review  
19 process prior to formal action and the last will be included after formal action is complete  
20 if it hadn't already been addressed. So the review procedures that we begin this morning  
21 will include as always the Primary Readers introducing the Agency application,  
22 Department staff providing a briefing, questions for the Department staff by the Readers

1 or members of the Committee, opportunity for the Agency to respond and questions of  
2 the Agency, particularly those pilot questions, third party comments, response to the third  
3 party comments and finally this discussion and vote and the final set of project questions.  
4 You will see me keeping on track on those issues because today is a day when we have  
5 considerable third party comment I will do the introductions for that as we come up of the  
6 directions of three minutes and how to use your mic and so forth.

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1 offering certificates and diplomas and as I said for associate bachelors and master's  
2 degrees. It has 245 institutions, 674 additional locations, approximately 800,000 students  
3 served by its institutions.

4 According to the score card at the undergraduate level 74% are Pell  
5 students and 55% of the undergraduate students are under-represented students of color,  
6 thank you.

7 MS. PHILLIPS: Thank you Ralph. We move now to the briefing from  
8 the Department staff, Steve I believe you are going to take the lead on that.

9 MR. PORCELLI: Yes good morning. I am Steve Porcelli of the  
10 Department's accreditation staff. The staff recommendation to the senior Department  
11 official regarding the Accrediting Council for Independent Colleges and Schools or  
12 ACICS is to deny the Agency's Petition for Renewal of Recognition and to withdraw the  
13 Agency's recognition.

14 The staff recommendation to withdraw recognition was made because the  
15 Agency is not in compliance with the Secretary's criteria for recognition and we believe  
16 that the Agency could not satisfactorily demonstrate compliance with all of the cited  
17 issues within the 12 month period provided by the regulations to do so.

18 This is particularly the case in view of the Agency's very recent  
19 circulation of numerous revisions to its standards and practices that have not been fully  
20 approved by its members or implemented and proven effective. As well the Agency's  
21 weak record in monitoring enforcement of its member institutions is a pressing concern.  
22 The major areas where ACICS was found to be non-compliant with the criteria at this

1 time are fully described in the staff analysis therefore my presentation will only  
2 summarize those findings briefly.

3           Also I would like to stress that my presentation summarizes what ACICS  
4 would still need to have to do and to document that it is done and effectively but only if  
5 the senior Department official does not adopt the staff recommendation to withdraw the  
6 Agency's recognition.

7           Those actions would include to address how well graduates succeed on  
8 licensing exams required for employment and to provide current documentation of  
9 positive relationships with state licensing related entities and nurse accrediting agencies  
10 to demonstrate that the Agency's reserves and planning can weather highly probable,  
11 long-term decreases in budgeted revenue.

12           To document how the revised training program for all volunteers provides  
13 more focus on consistently recognizing problems and questionable practices at  
14 institutions, particularly concerning student achievement and to document that each  
15 volunteer has undergone the approved training process before fulfilling their assigned  
16 tasks.

17           To document the membership and activities of the Agency's new Ethics  
18 Review Board, to document the integrity and sufficiency of the Agency's data  
19 verification policies and procedures, to clarify and document the entire process for the  
20 recruitment, selection and verification of the qualifications and experience possessed by  
21 those selected for evaluation teams and decision-making bodies.

22           To ensure that the conflict of interest attestation forms required of Appeal

1 Board members are clearly understood and consistently interpreted by those Board  
2 members, to provide clear documentation of consistent past practices, to ensure that  
3 members of the Intermediate Review Committee were free from conflicts of interest, to  
4 effectively demonstrate that the Agency has resolved the issue of widespread placement  
5 rate falsification and to explain the delay in implementing the verifications that ACICS  
6 promised to start in 2011.

7 To demonstrate that the Agency took follow-up action on evidence, that  
8 the placement rate data submitted by institutions was unreliable and to provide current  
9 documentation of the Agency's policies and practices to address the non-compliant  
10 issues. To specifically explain what actions the Agency took with respect to each state or  
11 federal lawsuit initiated for the benefit of students against its institutions within the last  
12 five years and to demonstrate that the Agency's actions were appropriate and effective.

13 To fully implement the Agency's plans to more consistently review and  
14 identify at-risk institutions and to develop and implement its strengthened expectations  
15 for visiting teams to more consistently uncover fiscal and administrative problems while  
16 on site.

17 To fully implement the Agency's new and strengthened initiatives  
18 regarding misrepresentations to prospective students and abusive recruiting and to  
19 regularly verify that each institution's recruitment process is complying with the  
20 Agency's new requirements. To continue implementing the Agency's strengthened  
21 process for obtaining and evaluating the record of student complaints for each institution  
22 and to compile evidence that its strengthened process is effective in practice, to apply the

1 Agency's revised Title 4 compliance policies and to document the Agency's  
2 effectiveness in monitoring compliance with them.

3 To clarify the policies and procedures relative to the Agency's new data  
4 integrity standards and the new site team reviewer who has been added to focus on data  
5 integrity and to demonstrate that the Agency has applied these standards, to provide  
6 evidence that the regular on-site visit process currently and consistently obtains sufficient  
7 information to determine if the institution complies with the Agency's standards.

8 To demonstrate that the Agency has a reasonable basis for determining  
9 that the information used for making accrediting decisions is accurate. To clarify how  
10 the Agency holds institutions accountable for insuring integrity in their data submissions  
11 and to explain the ACICS verification processes and to provide documentation  
12 demonstrating that the Agency has applied its standards.

13 To apply the Agency's revised monitoring requirements and to document  
14 the Agency's effectiveness in enforcing them and to document the use of all of the  
15 monitoring mechanisms that the Agency included in its original Petition narrative. To  
16 document that the Agency's enforcement of timelines for coming into compliance with  
17 ACICS standards meets all of the Department's requirements to document that the  
18 Agency's proposed language revisions regarding the enforcement of timelines are  
19 clarified and strengthened and also finalized and implemented.

20 To include a maximum time period in the Agency's policy on good cause  
21 extensions and the need to document that the Agency took immediate adverse action  
22 when an institution did not bring itself into compliance within the specified period. To

1 demonstrate that the Agency has a systematic reoccurring process to identify issues  
2 occurring at problematic institutions outside of its normal standards review process and to  
3 provide an updated campus effectiveness plan and to provide evidence of a standard's  
4 revision resulting from the review of one.

5           To develop a written policy that would enable the Agency to consistently  
6 determine whether a new comprehensive evaluation is required. To revise the Agency's  
7 policies on teach-out plans to specifically include all the teach-out plan triggers contained  
8 in the Department's requirements.

9           And finally to insure that Agency's criteria comply with the Department's  
10 fraud and abuse requirements and to document that the Agency complies with those  
11 requirements in practice. As just summarized our review found that the Agency is not in  
12 compliance with the Secretary's criteria for recognition and we believe that the Agency  
13 could not satisfactorily demonstrate compliance with all of the cited issues within the 12  
14 month period provided by the regulations to do so.

15           Therefore as stated earlier, we are recommending that the senior  
16 Department official deny the Agency's Petition for Renewal of Recognition and  
17 withdraw the Agency's recognition. The staff recommendation is based on our review of  
18 the Agency's Petition, documentation, third party comments and observation of an  
19 Agency decision-making meeting.

20           Together with my colleagues Valerie Lefor and Chuck Mula we would  
21 like to be happy to answer your questions regarding the Agency's compliance with the  
22 criteria for recognition. Gail McLarnon our Senior Director of Policy Analysis,

1 Development and the Accreditation Groups is here to answer your questions about other  
2 matters, thank you.

3 MS. PHILLIPS: Thank you Steve, questions for staff by the Primary  
4 Readers?

5 MR. WOLFF: Thank you I must say that's an exhaustive list of issues so  
6 it seems to me that there are some issues that are more documentary in character than if  
7 recognition were continued could be fulfilled. To me going through the staff analysis the  
8 nub of the matter seems to be around 602.16 Rigor of the Standards 602.18 Enforcement  
9 of the Monitoring and 20 -- Enforcement of the Standards.

10 And I would -- so I would just like to know the basis how you interacted  
11 with the Agency. Let me read on page 12 a couple of sections from the report which  
12 seem to be the basis on which many of the areas of -- or the findings of non-compliance  
13 flow. At least 3 times oversight agencies acted against ACICS accredited institutions for  
14 falsified or low-placement rates where ACICS had irrefutable evidence of the same often  
15 from the Agency's own teams.

16 ACICS left the institution's accreditation in place and then on page 21 I'll  
17 be asking the Agency the same thing -- with regard to student achievement the Agency  
18 does not explain its failure to uncover or report Corinthian's wide-spread placement rate  
19 misrepresentation nor does other than to apply it does not credit any evidence of non-  
20 compliance or misconduct not included in a final judgment of the court of law.

21 As discussed above in 602.16-A1 Roman at I, Corinthian's wide-spread  
22 misconduct in this area has been confirmed by a California Court through the

1 Department's own investigations resulting in appointment of a special Master going on.  
2 The Agency provides -- also provides only the most general response to the Department's  
3 request for documentation regarding Sanford Brown and CE schools, letters regarding  
4 deficiency student achievement, Exhibit 240 do not feature public sanctions and  
5 emphasize deferrals, mitigating circumstances, waivers and rounding errors.

6 Minutes intended to establish effective monitoring, Exhibit 250 reflect  
7 approvals of institutional requests. This is also reflected in much of the public comments  
8 so as I understand this Michigan Jewish Institute and there are a number of specific  
9 institutional cases where the Department staff have found that the failure of the Agency  
10 to act even in response to either its teams or to court findings has become the basis, or  
11 central basis of non-compliance.

12 So I want to see if I have gotten that accurate so that we can focus on what  
13 really seem to be the key evidentiary bases for the recommendation of non-compliance.

14 MR. PORCELLI: Yes you have and I would also defer to Sally Morgan  
15 for the details on those matters because we focus on the criteria for recognition and when  
16 we say the staff we mean the wider staff including other members of the Department that  
17 have helped us with providing legal information and what happened in court cases and  
18 that type of thing.

19 MR. WOLFF: It would be helpful Sally or whoever on the staff -- what  
20 was the interaction with the -- I mean there is a public record of what happened between  
21 2011 and current time but in terms of the interaction with the staff what kind of requests  
22 were made about actions taken with respect to those institutions that ACICS accredits

1 that were the subject of court order or were falsification of records or misrepresentation  
2 had been found by either teams or some other bodies.

3           Were requests made, were team reports reviewed, what's the basis on the  
4 finding of the non-responsiveness of the Agency?

5           MS. MORGAN: In these cases the Agency was asked for example with  
6 the Michigan Jewish Institution we were doing a program review and we asked you know  
7 -- and we have those documents in the record but the Agency was not forthcoming. They  
8 said everything is fine with this school, all of these programs have been accredited all  
9 along and their team report reflects things such as students duly enrolled in one of which  
10 program was not even within their scope of recognition.

11           They couldn't figure out the transcripts, they couldn't figure out who the  
12 staff of the institution was and so they had -- if you look at Exhibit 64 which is their site  
13 visit report you will see that they have lots of information that should have rang all kinds  
14 of bells regarding this institution and instead when they were asked for help from the  
15 program review nothing was forthcoming.

16           The Wisconsin case involved the state licensing agency continually going  
17 back to the school finding you know that there could be no reliance on the school's  
18 information about placement rates and expectations and again and again the school was  
19 found unreliable and the crediting agency was copies on all of these letters and did  
20 nothing.

21           MR. WOLFF: Thank you. I would say I would have concern if there was  
22 a single action that this Committee was going to focus on with respect to one agency. I

1 think the issue here is whether or not there is a pattern of practice of over time that leads  
2 to failure to maintain confidence in the Agency as a reliable authority on institutional  
3 quality and especially integrity.

4           And so I want to follow-up with the Agency with respect to these issues  
5 and how they have responded. The second area I would like to just focus on is that you  
6 have indicated and the Agency has indicated that they have taken a number of corrective  
7 measures and so many of them either have yet to be approved or have yet to be  
8 implemented as I understand it but I would like to have the staff's assessment whether if  
9 implemented would they be sufficient to address the concerns about what the staff has  
10 found the Agency has done or failed to do over the last five years?

11           MR. PORCELLI: When I went to the April -- observed the April  
12 decision-making meeting of the ACICS Council it was after I presented to them the  
13 issues that the Department was concerned about they had a special session and came up  
14 with a number of actually very good first attempts to correct these issues.

15           The issue is that they have adopted -- you know they have to send them  
16 out to their people, they have to flush them out, they have to actually then implement  
17 them, some of them won't even be effective until July probably for the fall you know, fall  
18 site visit schedule and I would have to you know honestly say because of the good start  
19 that the Agency took after the 2013 you know they had their compliance report and they  
20 were going to you know do all of these verifications and it started off strong and then  
21 kind of it didn't meet what we thought it was going to do that I'm not -- you know I can't  
22 say with confidence that these things would be effectively put into place.

1                   But they certainly are -- they are all well excellent really points to correct  
2 the issues, yes that's an answer but it is the implementation and you can put anything on  
3 paper and promise it but it is the implementation that is really how we can judge an  
4 Agency.

5                   MR. WOLFF: Thank you Frank I have one more question and then turn it  
6 over to you. In the public comments I am particularly referring to one submitted by Ben  
7 Miller there is a recalculation of retention rates the Corinthian -- there is also a group of  
8 data sets around their performance -- the ACICS in relationship to other accrediting  
9 agencies on a number of criteria.

10                  I wonder if that data was reviewed and found to be accurate. I was in no  
11 position to do that in reading it but for example with Corinthian the data were  
12 significantly different for completion or retention by a large magnitude of error and the  
13 claims that ACICS is substantially below most other -- even other national accrediting  
14 agencies. I just wonder is the Commission -- did the staff review those I mean is that  
15 data similar to what data the staff has or in particularly the Corinthian data about the  
16 recalculated I think it was graduation rates?

17                  MR. PORCELLI: Again since this has to do with an individual school I  
18 would defer to Sally.

19                  MS. MORGAN: The Department in its investigations has confirmed the  
20 widespread inaccuracy of placement rates for Corinthian and that includes not only the  
21 Held or Heald schools, but also the Everest Schools and the WyoTech schools and we are  
22 providing student borrowers with access to borrow to their loans on that basis.

1 MR. WOLFF: Okay thank you.

2 MR. WU: Like others in the room I am not unaware that this matter has  
3 attracted some attention and so I want to make sure that we are mindful of the relevant  
4 statute and regulations and processes so my first question to staff I should preface by  
5 saying it's with all due respect to staff and just to insure that for any more cynical  
6 observers that we have this clear -- I just want to make sure that this particular agency is  
7 being held to the same standards as any other agency recognized by the Department of  
8 Education.

9 MR. PORCELLI: Our review went on the standards -- I mean the  
10 Secretary's criteria for recognition.

11 MR. WU: Great, that's what I would assume would be the case and  
12 certainly as we proceed through this that is what we are looking at -- at all the relevant  
13 standards and how this agency stacks up and how other agencies would as well.

14 MS. PHILLIPS: Frank I think we have an additional staff comment,  
15 Herman?

16 MR. BOUNDS: No I just wanted to reiterate what Steve said. We  
17 reviewed this agency based on the criteria. There is also another agency up for review  
18 who accredited some of these same schools and we reviewed all of the abundance of  
19 information on both to come up with our recommendations so we again as I said  
20 yesterday we try to review consistently based on what's in the criteria and what  
21 information we have available.

22 MR. WU: Thank you and I have every confidence that that is so and I am

1 sure we NACIQI will do that as well. The same question is a more general question not  
2 just for the staff who handled this particulate matter but also Herman and Jennifer and  
3 any others who might have background.

4 I'm curious about something -- I wonder are there entities whether they  
5 are called accrediting agencies or whether they are some other type of membership  
6 organization for higher education institutions that are not recognized by NACIQI but go  
7 about their business as for example a scholarly society or body.

8 In law for example there is the American Association of Law Schools  
9 which is not an accrediting authority. I ask that for a reason but let me get the answer and  
10 then I will explain why I am asking this very specific question. Do you know of any non-  
11 profit associations that are not Department of Education recognized that in some way  
12 have colleges, universities, graduate programs as their members?

13 MS. HONG: Yes.

14 MR. WU: There are more than one, there are many out there?

15 MS. HONG: Yes there's accrediting organizations that are not recognized  
16 by the Department. There are also other membership organizations that are not  
17 recognized by the Department.

18 MR. WU: Great, that's what I thought. So it is not uncommon for  
19 someone to set up a non-profit that wants to perform some sort of function, accrediting or  
20 recognizing members or conferring honors. The reason I note this is because I think  
21 some observers have the perception that this body is determined to put a non-profit  
22 agency out of business. That's actually not what we are trying to decide.

1           We are trying to decide what recommendation to make to the Department  
2 of Education about whether this entity can perform a gate-keeping function for Title 4  
3 purposes, quasi-governmental function that the U.S. has delegated to accrediting  
4 authorities. In other words nobody is out to get anybody there are non-profit associations  
5 that are voluntary membership groups that go about their business, that attract members  
6 for whatever reasons.

7           Some of them confer a particular honor there is a prestige to belonging  
8 and so schools want to belong to those groups. So I think it is just important to preface  
9 that just to understand that all we are doing here is asking should this particular entity be  
10 given an extraordinary power of gate-keeping.

11           Let me ask staff just so I am clear, how many institutions does this agency  
12 serve a gate-keeping function for?

13           MR. PORCELLI: The vast majority of their -- it depends on how you  
14 want to count them there are like 250 main campuses and then all tolled with the  
15 additional locations, other campuses about 800 roughly and the vast majority of them are  
16 for Title 4 purposes.

17           MR. WU: Right and I will save a question for the agency which is I  
18 wonder if they were not performing this gate-keeping function would their members still  
19 wish to be part of this association and recognized by -- if staff has a view on that I would  
20 welcome that. I am assuming that schools apply for this recognition specifically because  
21 of the gate-keeping function that is performed, that is a school that is accredited by this  
22 Agency is thereby eligible to receive federal funding for its students.

1 MS. PHILLIPS: Steve before you respond Herman would like to get a  
2 word in.

3 MR. BOUNDS: After being here so long I should remember to push the  
4 button. So I just wanted to -- to bring up some addition numbers, our numbers are a little  
5 different from you know some of the Agency numbers. I think Sally may help this is  
6 kind of based on program participation agreements so either way a lot of institutions I  
7 think we have 243 institutions that receive Title 4 and we are talking 336,000 students or  
8 so.

9 So I just wanted to -- there are some differences between the numbers and  
10 how the Agency counts because they accredit each individual campus at times so just a  
11 little difference in the numbers.

12 MS. PHILLIPS: Steve I think I interrupted you as you were trying to  
13 answer Frank's question, excuse me.

14 MR. PORCELLI: Well most accrediting agencies I mean they started out  
15 as you know peer review to help them reach certain quality levels but then once the  
16 federal aid became attached to that that has become a major driver so yes I am sure there  
17 are a number of schools that are in ACICS for the peer review purposes but the vast  
18 majority are there for they link with Title 4.

19 MR. WU: Thank you I will ask the Agency that same question and there  
20 is nothing wrong with that they are members of this entity so they can receive federal  
21 funding. My last question is with respect to either Corinthian as a specific case or more  
22 generally my colleague Ralph alluded to a pattern -- would you say that the issue here is

1 that the standards that the Agency has set aren't very good -- that is they are lax, they are  
2 easy to meet or that the standards themselves the old ones or the revised ones are  
3 stringent and they just haven't been applied or enforced with great care.

4           Is it that the standards are just low and weak standards or that the  
5 enforcement has been spotty and subject to apparently some fraud or possibly both?

6           MR. PORCELLI: It's -- I've thought about this quite a bit, it is really  
7 difficult to say because the Agency was a very successful partner with the U.S.  
8 Department of Education for many, many years and even as late as 2011, the last review  
9 you know the issues that were brought up were ones that could be corrected but what  
10 seems to have happened and again I can't prove it but it seems that more deference was  
11 given to maybe the chains that were involved in ACICS schools and when the Agency  
12 tried to -- their standards are actually very good but it is in the implementation because  
13 when you get down to the nitty gritty of applying them there are places where the  
14 school's lawyers would fight back and because of some really minor item in the ACICS  
15 or at any accrediting agency's regulations they would overturn a finding.

16           And then if the Agency then they would go to an appeal and if they still  
17 upheld -- if the ACICS still upheld its adverse action against the school the schools would  
18 go to the courts and then we would even have federal judges saying you know the  
19 Agency was too tough on their schools.

20           So I don't want anybody to think this is a simple -- that this is just an evil  
21 agency that is not the case, it is very complicated. People try to do their best. I think  
22 what the issue is and this is just a personal observation -- the people that are involved in

1 academic accreditation, non-profit public institutions they know where to look for  
2 problems.

3           You know the intersection of sports and academics, they know where all  
4 the problems are but when people get into for profit education there is a different set of  
5 challenges, not better or worse just different and people that aren't specifically trained in  
6 looking for those items they just -- they can be -- they could overlook things or they  
7 could not enforce them as stringently and that is just my opinion.

8           MR. WU: Thank you, you actually raise a very interesting issue that I  
9 believe NACIQI should take up at some point. Could I just make sure that I have heard  
10 you correctly? I heard you say that from time to time this agency did try to get tough on  
11 individual institutions, the individual institutions would hire lawyers and become litigious  
12 and the agency would then back down for fear of adverse outcome.

13           That is they didn't stick to their guns and maybe that was for a reason  
14 because they thought that in later judicial review there would be some problem. Parties  
15 settle cases all the time for all sorts of reasons. Is that something that has happened here?

16           MR. PORCELLI: I wouldn't say out of fear it is just that and you go  
17 through this also -- you may know that there is an issue but the regulation -- the criteria  
18 for recognition don't allow you to -- to push it beyond a certain point and so they may  
19 have seen a problem at a school but it was so new and so clever by the bad actors at the  
20 school that they were able to use the actual language of the ACISC criteria against the  
21 Agency and that's the impression I got from reading the materials.

22           They almost need to -- they were -- this is probably more important for

1 you to realize that they were in a program improvement model for the longest time, this is  
2 a 100 year old agency so that is how they all started out and their compliance model  
3 wasn't as strong and it was like a perfect storm that these schools were able to say you  
4 know we can misuse these criteria against the Agency and then the Agency I guess in  
5 some cases they back down but in other cases they found themselves between a rock and  
6 a hard place.

7 We want to do this action but our criteria do not specifically address this  
8 bizarre situation if that helps.

9 MR. WU: Yes so I hear you saying that you and the staff are not in any  
10 way accusing ACICS of being evil or bad, they are not evil people. This situation just  
11 develops right so we are not judging any particular individual's moral character when we  
12 look at whether to recognize -- or whether to recommend an agency have that status to be  
13 recognized?

14 MR. PORCELLI: Correct.

15 MR. WU: Just a last comment, some time when we take up policy issues -  
16 - so I am sympathetic to the agency some time when we take up policy issues perhaps we  
17 could look at the rock and the hard place problem which is not unique to this agency.  
18 That problem arises when we say to agencies, "You need to enforce your standards." But  
19 then when they try to enforce their standards because they don't enjoy the governmental  
20 immunities that the federal government does -- they can get wrapped up in litigation, we  
21 have seen examples of that and they may make a judgment call that it is just too hard to  
22 be as tough as people want them to be so that is just a thorny policy problem that we

1 ought to take up at some point because nobody else will, but those are all my questions.

2 MR. PORCELLI: Just to add to that without the state's Attorney's  
3 General they with all of their resources could not bring schools to admit guilt and had to  
4 settle with them when there obviously were problems at those schools, the schools will  
5 deny that but there are obviously problems at that but even like I said the Attorney's  
6 General could not bring most of them to a final judgment.

7 MS. PHILLIPS: Thank you Readers and staff we have a number of  
8 Committee members who have indicated questions. I have so far Rick and Hank and  
9 Cam just let me know if you do so Rick go ahead.

10 MR. O'DONNELL: Thank you I actually want to follow-up on Frank's  
11 questions because I heard your comments a little differently. Is the issue that the Agency  
12 would press schools and back down in the face of threats of litigation or I thought I heard  
13 you say that in some cases federal judges actually ruled against the Agency in which case  
14 they wouldn't necessarily back down they just lost in court so can you help me  
15 understand from your perspective how often was there a case where there were threats of  
16 potential litigation that caused them to back down and how often did they actually lose in  
17 court against an Agency?

18 MR. PORCELLI: We didn't get into that it was and I am glad you asked  
19 for clarification -- the Agency standards are -- seem to be clearly written when it comes  
20 to you find a school out of compliance with something the school will find some nit-  
21 picky point in the standard where it says well we did this but you can't prove we didn't  
22 do that and so when it goes through the appeal process in the ACICS they will overturn

1 their original decision to take an adverse action against a school.

2           In certain cases where they do not overturn -- they uphold their adverse  
3 action then the schools go to the courts and I know one case in particular the judge said  
4 the Agency was being too tough on them. Now there is another side to this too that the  
5 Agency has and again it is just my understanding is that they have not been -- I think they  
6 have been complacent with a lot of actions at schools and felt maybe they weren't so bad  
7 until it all blew up and then you know the students came forward and said you know this  
8 has really been a problem for us -- it's a widespread problem.

9           It's almost like you know a solid building that they weren't paying  
10 attention and termites got in and then just after a while you realize the storm came that is  
11 blowing this house down so it is both. That they have been lax in some cases, other cases  
12 they have backed off and then in the cases where they have been strong a lot of times the  
13 schools will just go to the courts and try to overturn it there.

14           MS. PHILLIPS: I have Anne?

15           MS. NEAL: Well good morning everyone. I would also like to pursue the  
16 line of questioning that Frank has raised because I think we all rely on staff and the  
17 Department to present issues fairly and objectively to us to give us and to give the public  
18 confidence that there is a consistent application of standards when it comes to this  
19 regulatory process and others.

20           And yesterday as you all know I raised this concern and I am going to  
21 raise it again today because I continue to be concerned that the staff reviews apply  
22 standards with different degrees of severity depending upon the entity with which they

1 are dealing and I will say and just looking at the staff report that in many respects I was  
2 surprised that the presentation was more conclusory than it was explanatory.

3 To the point that there are even places where there is editorial comment if  
4 you will or even assumptions that are presented which I find quite surprising. You just  
5 said and I will read from this document, "It is not plausible to dismiss multiple  
6 settlements that impose very substantial obligations, monetary and otherwise and that  
7 result from claims filed in the public interest by state Attorney's General as if they were  
8 materially lacking in substantiation.

9 Having gone to an ABA accredited law school I learned that settlements if  
10 there is no declaration of guilt are not an indication of guilt and yet this is a suggestion  
11 that we are to assume because of that that this accrediting body is guilty. I then looked  
12 later on in the staff report at the large number of third party comments that the  
13 Department recently received regarding ACICS clearly indicate that what ACICS has  
14 been doing since its last review is insufficient and the evidence indicates and it goes on.

15 So what I take away from that is if lots of third parties arrive that that  
16 should be an indication that there is a problem with an accrediting body and I find that  
17 troublesome whether it is Title 4 or Title 9 I think due process needs to apply and I am  
18 not sure when I read these kinds of comments in the staff report that this accrediting body  
19 is being given a fair shake.

20 Now you just mentioned issues like athletics and academics as a big area  
21 and then you contrasted that with some of the challenges that the for-profits are having.  
22 When I think of athletics just to try to look again at equal application of standards we

1 know that the UNC had an on-going scandal but I don't recall that SACS identified it  
2 until it was already well in the press.

3           And yet we have not taken any action against SACS. I look at various  
4 data that the Department has supplied and I just simply want to put it into the record  
5 because I am trying to get a context for this. Based on the data that DOE provided next  
6 steps for increasing coordination with and clarifying flexibility for accreditors and I am  
7 not saying this is good or bad I simply want to put this into the record.

8           ACICS accredits only 6.6% of all institutions that are in the bottom third  
9 nationally compared to SACS 23% and HLC nearly 32%. The number of ACICS  
10 institutions with single digit graduation rates -- 13 is less than half of those accredited by  
11 Middle States which has 34, HCL 51 or SACS 35 and about as many as those accredited  
12 by WASC.

13           So I simply raise this because to Frank's question you responded that yes  
14 indeed we are dealing with this entity fairly and equally as we have all others and I yet I  
15 continue to be concerned that what is presented to me does not definitively illustrate that.

16           MS. PHILLIPS: I think there's a Herman response I will put in here.

17           MR. BOUNDS: So I just wanted to respond to a couple of those  
18 questions. We are going to be looking at all agencies that were involved in the  
19 accreditation of some of these institutions that this agency has accredited so we are going  
20 to be looking at those agencies as they come up for review.

21           We are also looking at the next set of regional accreditors that are coming  
22 up for review based on information that we have and some of the new things that we are

1 doing in the Department to look at a lot of outside information and the data that we are  
2 collecting.

3           So again I would say that I think we do review each agency based on the  
4 information. There was a lot of information about this agency that was out there. We  
5 looked at a lot of information thus was the reason for having several other sections of the  
6 Department to help out with the reviews.

7           I want to go back to one thing I said yesterday is that when we review  
8 complaints and this is a similar situation -- we have to also look at past practices and  
9 things that have happened before and I noticed I said that if we are doing a review of an  
10 agency and we see incidents that have caused irreparable harm we have to consider that  
11 as part of our review.

12           And all that information was put into the review of the Agency. The other  
13 thing I would say I think Frank asked the question about what is it with the Agency is it  
14 that their standards are good and they may not have applied them adequately and I think  
15 that's probably the issue is that what we have seen in the review is that there just was not  
16 the application of those standards on a consistent basis.

17           There were things that happened and there were actions that weren't taken  
18 and so we have to look at that and we have to evaluate that, regardless of and Steve  
19 brought up some points you know regardless of what is the on-goings or issues that an  
20 agency may have defending what it does but what we have to look at is actions and how  
21 the agency reviewed institutions that may have not been performing well.

22           So all of that information is what we used to conduct our review. We

1 could not dismiss all the Attorney General's investigations. We could not dismiss the  
2 third party comments so there was a totality of information that we had to use as part of  
3 this review.

4 I don't think if we would have looked at that I think we would be getting  
5 questions about why did we not consider this additional information so whether we  
6 consider it and there are questions of maybe we are being a little too harsh or we don't  
7 consider it in any requests we are not being thorough enough -- we have to take that line,  
8 whatever the criteria says and whatever those outside issues, concerns, actions or  
9 inactions all of those things play a part in our review as they relate to the criteria for  
10 recognition.

11 MS. PHILLIPS: Thank you just to let you know I have got Hank, Cam,  
12 Frank and Arthur so far. Did Chuck want to respond?

13 MR. MULA: I would like to add something to what Herman said. I  
14 actually reviewed the 602 series 16 standards that is what my position was in this  
15 evaluation and I think that we really need to address this. The standards are looked at in  
16 very detail because of the issues that were out there on the Corinthian schools.

17 So we went back in reading those standards to try to determine if the  
18 Agency did indeed monitor the Corinthian school because that is what we were looking at  
19 because if you look at the standards they are perfectly fine standards but application of  
20 the standards to the point that was rigorous enough to begin monitoring these institutions  
21 was a complete failure.

22 So we could not find evidence that the agency started soon enough,

1 evaluated it in the timeframes that needed to be evaluated, monitored the institution to  
2 where it was in compliance with the monitoring standards so the standard itself was  
3 strong and that is why they passed because they had good standards.

4 In responding to our analysis they have revised these standards to make  
5 them stronger and they did a very good job of doing that. But those new standards will  
6 not be able to make up for the damage that was done because of a not so rigorous review  
7 of their standards that they had.

8 I could not find evidence at all. I had come to a point and then the  
9 evidence would stop. And I was against the wall, there was no further evidence that I  
10 could verify that this application was done the way we expect it to be done. And we look  
11 at all agencies that way especially since the Corinthian issue. All of the agencies in this  
12 period will look at that in that form so the standards are good but I could not find  
13 evidence at least in the part of sections I was looking at that showed me that satisfied the  
14 Department, not me personally the Department requirements for implementation,  
15 rigorous implementation of those standards.

16 So I think that needs to be addressed and like I said the revised editions of  
17 the standards that they presented us are very good standards but I don't believe that  
18 anybody including this Agency unless it hired 100 more people would be able to  
19 implement those standards in a timeframe of a compliance report, thank you.

20 MS. PHILLIPS: Thank you Chuck, back to speaking order, Hank?

21 MR. BROWN: Thank you I know monitoring job placement or properly  
22 reporting job placement my experiences with public institutions is a challenge. We had

1 always hoped that Congress would come forward and allow access to social security  
2 information to complete that task obviously maintaining confidentiality about the social  
3 security account but I am wondering that since the job placement accuracies of the issues  
4 here -- how many of our accrediting agencies do a good job of insuring that you have a  
5 complete report on the job placements.

6 MR. PORCELLI: I wouldn't have that number. The only ones that we  
7 expect of the vocational institutions is the vocational training so that the regular I guess  
8 most of the regionals I don't believe they track the placements that type of thing, they  
9 haven't been expected to in the past so there is an uneven-ness there.

10 MR. BROWN: Well how many of our agencies do a good job of  
11 reporting job placement?

12 MR. PORCELLI: Probably less than half a dozen, Herman you want to?

13 MR. BOUNDS: Well I think we need to characterize that first so if we  
14 look at the national accreditors which that is their business to graduate folks and make  
15 sure they have work. I can speak to the three or four that I was the analyst for before  
16 taking this position and went on several site visits.

17 I think their job placement work is fairly good. The other agency that we  
18 are going to look at today I think their job placement verifications are pretty good, they  
19 have hired some -- they hired an outside -- they require their institutions to have outside  
20 groups come in and verify job placement.

21 So frankly for my opinion I think overall the nationals that I have been  
22 associated with as far as being their analyst have pretty good or are pretty active in that

1 role. They have to be now with the -- you know, with all of the -- you know scrutiny  
2 over job placement rates and verification of data.

3 I have sat on many site visits where and some of the agencies here today I  
4 don't want to call their names but I have watched them place calls, pick out students at  
5 random so I think overall most of them do a fairly, fairly good job at that or either try to  
6 do a fairly good job at that.

7 MS. PHILLIPS: Jen?

8 MS. HONG: Just to add to that keep in mind that we have accrediting  
9 agencies whose institutions that they accredit are making very explicit claims about the  
10 short-term occupational programs that they accredit about job placement so that is  
11 another thing to keep in mind.

12 MR. BROWN: I was just wondering about it from a consistency point of  
13 view if a majority of the accreditors are not insuring an adequate indication of job  
14 placement if we are into a position of demanding something from this accreditor that we  
15 don't demand from the public institutions.

16 MR. PORCELLI: Well that's a bigger issue but our concern is that if the  
17 federal money is being -- the majority of it is being spent because the student wants to  
18 gain employment somewhere then tracking placement that's really important. I mean  
19 you heard from agencies yesterday they don't even have placement rates so there is an  
20 uneven-ness there but when it comes to vocational education, occupational education, the  
21 schools know that is what is being expected of them.

22 MR. BROWN: I'm a strong advocate of accumulating the data. It just

1 seems to me we need to be vigorous across the board not just in this area.

2 MS. PHILLIPS: Herman?

3 MR. BOUNDS: I will let Sally go first.

4 MS. PHILLIPS: Sally?

5 MS. MORGAN: I'll just mention that this Agency and the other nationals  
6 have placement rates in their standards therefore we expect them to have accurate data  
7 and to be able to apply them. And in addition as Jennifer alluded to even if they are not  
8 in the standards in a case of misrepresentation that goes to issues of recruiting and  
9 marketing which should also be reached by an Agency's standards even if they don't  
10 have a specific standard on placement rates.

11 MS. PHILLIPS: Alright I have so far Cam, Frank, Arthur and Ralph.

12 MR. STAPLES: Thank you Susan. I'm persuaded that you have  
13 documented a number of substantial problems for the Agency and I think Ralph went  
14 through those pretty well and I think one of the challenges for us of course is that your  
15 recommendation is extraordinary and it is extraordinary because although as Frank said it  
16 doesn't shut the Agency down it has a dramatic impact on 800 institutions, campuses  
17 how you define it.

18 So I understand that that part of it is a judgment call and then you think  
19 you have documented the challenges and the violations but there is a judgment call as to  
20 whether they can come into compliance within 12 months or not and whether we should  
21 give them that opportunity or not and we have had that question many times here with  
22 agencies in fact we do it all the time.

1           We extend 12 months all the time and it really is a judgment as to how  
2 deep and how profound and how significant the issues are I guess and whether it is not  
3 just a matter of their capacity but it is whether you have confidence that they are even  
4 capable of implementing the standards as you described.

5           So part of it is timing and part of it is I think confidence in the entity et al  
6 that it can do the job that it has committed to do or saying it will do in their Petition. But  
7 part of the concern that I would just like to ask about is that we had an instance yesterday  
8 with just one institution where there were a number of students caught in the crossfire  
9 and we know that that happens where they are already admitted, they are already in the  
10 program accreditation gets revoked of an institution in the midst of that circumstance and  
11 they have a profound impact on their program.

12           We are looking at I don't know how many students with 800 campuses,  
13 tens of thousands of students I would think at least and I guess I just want to ask I am  
14 sure that you have given this a lot of thought, you and the staff in general -- what is the  
15 likelihood of the institutions within 18 months I don't know if we have had an experience  
16 like this -- being able to maintain their accreditation as they seek alternative accreditors?

17           And I guess from my own understanding of the timelines it could be  
18 problematic. There could be institutions that lose accreditation pending candidacy  
19 application review by an alternative creditor even if they found one. So I think for us to  
20 consider this for an extraordinary step we have to have a pretty clear picture of what the  
21 likely impact would be.

22           So I guess I would like to have an understanding of how you the staff view

1 that process and what's the likely impact on institutions if this accreditor loses its  
2 recognition?

3 MS. PHILLIPS: Herman?

4 MR. BOUNDS: So first -- the first part of my answer would be that there  
5 are probably five or six other agencies who could pick up some of these schools and  
6 depending on their scopes of recognition would have to fit that individual program. So  
7 there are places for these folks to go.

8 We look at the last major accreditor to lose recognition or just a voluntary  
9 withdrawal -- that was North Central Association, NCA Cassidy and I think -- I don't  
10 remember the numbers but it is maybe you know 60 to 70% of those students found a  
11 place to go, there were some that didn't.

12 We have to be -- we kind of have to be -- we have to realize that the 18  
13 months it is a critical point, it is not a lot of time. I can just say that there are agencies  
14 that could pick some of these schools up but you are right some of these institutions may  
15 not be able to meet that -- may not be able to meet that mark but there are definitely other  
16 agencies that could pick up the slack and Sally I don't know if she wants to add.

17 MS. Morgan: I could add that agencies that are -- schools that are under  
18 sanction by the ACICS -- any agency that was going to take them up would have to  
19 justify that to us and if the agency -- if the institution had actually been lost accreditation  
20 from ACICS they would be ineligible for two years.

21 We did look at this issue of capacity -- we are very concerned about the  
22 students but the other alternatives we thought of -- first we thought the agency could not

1 come into compliance we thought it was not -- there was no real probability of that  
2 happening and the options that we came up with in our judgment would have caused just  
3 lengthened the period of dislocation for the schools and the students.

4 MR. STAPLES: Just one follow-up have you looked at the timelines for  
5 other agencies that might take an institution? In other words is 18 months even enough  
6 time for an institution to apply -- go through the accreditation process and become  
7 accredited sufficient to maintain its financial aid accessibility during this whole time?

8 My perception is that it is not and I guess I am just thinking that even a  
9 good institution that finds an accreditor may go through a window of time where students  
10 don't have access to Title 4 funds that's my concern and I understand we have big issues  
11 on the table regarding the agency but I think we need to be very clear about what the  
12 impact might be on a number of institutions and their students.

13 MR. BOUNDS: I'll let Sally correct me if I am wrong but during this 18  
14 month process they are still Title 4 eligible during that time. And I think the schools that  
15 don't have any problems that are pretty high performing when they are looked at by other  
16 creditors I think they are probably going to be able to make their timeframe.

17 It is going to be those schools that are on the cuff, mediocre, may have  
18 some performance issues -- I think those schools will be looked at more closely by the  
19 accreditors and that may slow down the pipe. I will say that for us as Department staff  
20 we will, you know we will try to -- of course we can't do anything to change the  
21 regulation that is set but we are here to help.

22 We would be here to help an accreditor who had questions about processes

1 and how to get through you know, how to get through you know -- how to make sure that  
2 they pick these schools up while still maintaining their compliance and we would be able  
3 to try to help in that way in answering any questions they may have. But you know  
4 there's -- you have to as you say you have to be realistic, there are going to be some  
5 schools probably that may not make the A team list but I think if they are a very high  
6 performing institution as Sally said institutions who are not under any type of adverse  
7 action I think those schools will move through that process and be okay.\

8           And then when you look at the schools that are under some type of  
9 adverse action or are in trouble I think we would still want that heightened scrutiny of  
10 those schools by a new accreditor because those schools frankly are the ones that are  
11 problematic.

12           MS. PHILLIPS: Sally and then --

13           MS. MORGAN: I would just add that the decision were it to be adopted it  
14 will be a while because the senior Department official would have 90 days to decide --  
15 make a decision and then the Agency would be able to appeal. There is no deadline on  
16 the Secretary for making a decision.

17           So it is not like the 18 months would start tomorrow.

18           MS. MCLARNON: Yes sorry I would agree with Sally that this is the  
19 first step in a process. The Department's recommendation would be followed by of  
20 course NACIQI's and the Department's SDO than if appealed the Secretary. I would add  
21 to that the decision to recommend termination was not a decision made lightly.

22           Our position is that to not terminate -- not to terminate would in the long-

1 term put students and taxpayers in harm's way and we carefully considered the impact of  
2 this decision on institutions as well as the students, especially students. So the  
3 Department stands ready should this play out and come to termination to provide all of  
4 the information we possibly can to students to inform them of their options given that  
5 their various circumstances, their ability to continue their programs uninterrupted, their  
6 ability to transfer to other institutions.

7           If institutions are in danger of closing their eligibility for closed school  
8 discharges there are a number of options available to students and we are committed to  
9 providing all of that information and all the assistance that we possibly can to students  
10 who might be affected by what ultimately would be a termination.

11           MS. PHILLIPS: Thank you if I could ask you to turn off your other mic,  
12 the one that doesn't work thank you. I have so far Art, Frank, Arthur and Ralph.

13           MR. KEISER: Steve I liked your analogy about the building that has  
14 termites and when the termites first infest -- I had termites once in one of my houses, and  
15 it went on for years and I didn't even know it.

16           Yet in this particular case you have an agency that accredited and I would  
17 like to look at Corinthian for the moment but it was not the only accreditor that accredited  
18 schools from Corinthian is that correct?

19           MR. PORCELLI: Yes there were several.

20           MR. KEISER: Did any of the accrediting agencies take an action that you  
21 have suggested they should have taken?

22           MR. PORCELLI: Chuck is more familiar with that.

1           MR. MULA: As far as we know that the agencies that have been  
2 evaluated in this time frame and that's not including what's coming up for the next  
3 meeting, yeah accrediting agencies did take the appropriate action in the timeframe  
4 required by this criteria.

5           MR. PORCELLI: At least one of them did anyway.

6           MR. KEISER: How about since all of the schools were licensed, how  
7 many of the state agencies that license these schools withdrew their license provision  
8 which would have been you know similar to the removal or taking a negative action?

9           MR. PORCELLI: I don't have the answer to that. I don't believe there  
10 were any but Sally might have more information on that.

11          MR. KEISER: How about the VA, the VA goes into our schools annually  
12 as does the state, how many VA visits that were done by state-approving agencies  
13 identified or were able to see the problems and take action prior to any of the federal  
14 government actions?

15          MR. PORCELLI: I don't have the answer to that.

16          MR. KEISER: So in the case of I think brought up about the University of  
17 North Carolina or the case of Louisville I mean there are a number of different actions --  
18 when an accredited -- how does an accredited agency in this case reviews institutions  
19 every five years and reviews you now a regional does it ever 10 years, how can they be  
20 expected to have the foresight to identify these particular problems?

21          MR. MULA: Excuse me we have a criteria that requires accrediting  
22 agencies to notify this Department and all of the other licensure agencies or bodies that

1 regulate state requirements when they believe that an institution is going to be involved in  
2 an adverse action.

3 And the same other agencies are supposed to inform all the other  
4 accrediting agencies and there is the uncommon way of doing it by reading the paper or  
5 looking at something when something comes up on the news but there are ways in the  
6 process where agencies learn about --

7 MR. KEISER: Well I agree with that but how many of the programmatic  
8 accreditors that accredited Corinthian or Western which accredited the Heald schools did  
9 they send official notification?

10 MR. MULA: We know officially the one agency did the agency that was  
11 evaluated in this timeframe for this review of this Committee.

12 MR. KEISER: But was it before the feds took action or was it post-  
13 action?

14 MR. MULA: No it was post-action.

15 MR. KEISER: Okay let me ask you another question --

16 MS. PHILLIPS: Herman?

17 MR. BOUNDS: Yes I just wanted to clarify the other agencies that we are  
18 talking about they were proactive in their review of this situation so they took action  
19 previously before the Department took action.

20 MR. MULA: That's correct we do have ACICS did take action before the  
21 announcement came out by the Attorney Generals.

22 MR. KEISER: Okay because the reason I say the regional is because the

1 newspapers again which I read unfortunately much too much, it makes me depressed, the  
2 big issues were the three Heald schools in which the placement discrepancies were  
3 identified. Did WASC take action upon that?

4 MR. MULA: We haven't had any opportunity to evaluate any of the  
5 regionals.

6 MR. KEISER: And again this goes to the concern that Frank had which is  
7 the fair application and that is what my concerns are here. Has ACICS taken actions  
8 against institutions that have violated their standards and have they either on the two  
9 actions that are recognized by the government are removal of accreditation or probation -  
10 - have they done that?

11 MR. MULA: In their response to our Draft Analysis they did demonstrate  
12 evidence that they are taking action but this is -- the action that we are looking at that  
13 they document is something that has already been in process so what they are doing is  
14 they are applying their new standards and their new processes by picking up from that  
15 point.

16 MR. KEISER: I'm talking about before even forget Corinthians.

17 MR. PORCELLI: Yes that was the case. I don't remember the name of  
18 the school that is still in the federal courts I believe.

19 MR. KEISER: But they have taken negative actions on institutions?

20 MR. PORCELLI: Yes.

21 MR. KEISER: Because yesterday we dealt with an agency that has had  
22 similar kind of concerns with falsification in the placement rates and things like that and

1 yet they took no actions yet that was not cited in the staff report. Is that inconsistency  
2 there? I don't know it is bothersome to me.

3 MR. PORCELLI: We haven't -- it was such a deluge of information about  
4 ACICS that the information is found throughout the staff analysis and we didn't get a  
5 deluge of information about any other accrediting agency to this extent.

6 MR. KEISER: The ADA have like five articles just on Monday but  
7 anyway when you did the visits, because you go to the schools -- you go on a visit, were  
8 you able to identify concerns on the visits that you took when you did the evaluation of  
9 the school?

10 MR. PORCELLI: For this go-round I only visited the decision-making  
11 meeting. For the previous go-round I did go to watch the site visitors.

12 MR. KEISER: Did you find them to be different or having a challenge  
13 compared to other agencies?

14 MR. PORCELLI: They were in a particularly good institution and so I  
15 didn't see any you know they were doing what site visit teams do. They were pretty  
16 thorough and just happened to be that was a really good school. Had it been some  
17 underhandedness going on falsification that wasn't even at the time it wasn't on the radar  
18 so it could have been happening.

19 MR. KEISER: So it could have been happening so why is that different  
20 than when a team comes in and Corinthian I don't know had 75 institutions I don't know  
21 how many were accredited by ACICS but why is that different? I mean the team goes in  
22 and spends three or four days looking at you know the carpets which have already been

1 mopped and cleaned and all the rugs have been pulled and the dust has been taken off,  
2 isn't the accreditation process like that and you are holding this agency accountable for  
3 looking into something that they weren't even aware of at the time that these things were  
4 happening until the federal government brought this to the attention of the public?

5 MR. PORCELLI: In my opinion I think you are comparing things that  
6 really aren't exactly the same like with your ABA they don't even have a placement rate  
7 or a requirement for that so compare that to ACICS which does have a placement  
8 verification it is like apples and oranges.

9 And in this case too you may have a school you know these things do  
10 happen but the deluge that came in on the ACICS schools is just different, it is just a  
11 different situation and to compare it to a you know a small potatoes problem doesn't  
12 seem fair.

13 MR. KEISER: So the ABA does not have the requirement does ACICS  
14 have a requirement have a placement rate or is that their own decision?

15 MR. PORCELLI: ACICS has a placement rate -- well regulations expect  
16 that yes.

17 MR. KEISER: They don't for the ABA?

18 MR. PORCELLI: I can't answer that. I'll let Herman answer that.

19 MR. KEISER: They are a vocational school is all I know.

20 MR. BOUNDS: So again as I stated earlier you have to categorize your  
21 types of institutions. Occupational institutions we expect to look for those things like  
22 placement rates, we look at the licensure exam rates. Steve is right it is really comparing

1 to different organizations. Yes it is really like comparing two different organizations --  
2 again the ABA stated student achievement measure is their licensure exam pass rate for  
3 the bar that is their requirement.

4 The Department is not allowed to establish the student achievement  
5 measure but once the Agency establishes the measure then we expect them to uphold that  
6 measure. When we review a lot of nationals we use a comparison if we see one national  
7 has a rate and they have similar institutions we ask those questions in the analysis. Hey  
8 look this agency has a placement rate, you don't. You vote for accredited occupational  
9 institutions to explain to us why you think it is appropriate for you not to have that.

10 MR. KEISER: Isn't the ABA a national accrediting agency by definition?

11 MR. BOUNDS: ABA is actually what we would call a programmatic  
12 agency that accredits free-standing institutions so it is really an academic agency, they do  
13 have a -- they do teach a program that requires licensure and we think their licensure  
14 exam pass rate establishes what they measure, what their students obtain after graduation.

15 I can let Sally chime in.

16 MS. MORGAN: Yeah I will just add as several folks have said we were  
17 deluged with information about ACICS. On the ABA we were not. We did not look into  
18 those particular allegations because we largely didn't know they were there and nobody  
19 put it before us.

20 With the ACICS we were deluged and it wasn't a case of all of a sudden in  
21 2016 ACICS was knocked for a loop when Corinthian went belly up -- instead there had  
22 been a steady stream of lawsuits on placement rates that these schools were losing and

1 ACISC defended the school including in front of Congress.

2 In addition in 2011 they told us understanding that there was a problem in  
3 this verification area they said, "We are going to start verifying our placement rate  
4 information." And then along comes Renewal Petition and all of a sudden they tell us,  
5 "Well in January, 2016 we started verifying."

6 So there was a what -- four or five year gap there between what they  
7 promised us they would do and what they did.

8 MR. KEISER: My final question is I have been doing this with you guys  
9 a long time and the first time I have ever heard of an agency going ahead and being  
10 proactive to change their regs or change their standards and then the staff commenting  
11 that these are not in place already even though they were ex-post review.

12 So that's a little different in process and procedure isn't it than we have  
13 normally done?

14 MR. PORCELLI: I think it isn't in this sense at least since probably the  
15 last 7 years or so since the 2009 amendments when the staff comes before you and we  
16 recommend a compliance report 99% of the time a NACIQI member will ask alright are  
17 you confident that the agency will be able to accomplish this in 12 months and that's the  
18 answer that honestly I would be hopeful that they could but I have no confidence that  
19 they could do this in 12 months.

20 So that's where as you mentioned earlier -- somebody mentioned earlier  
21 this is a judgment and the judgment is there are so many things and they are so deep  
22 rooted and if there were more time that would be great but there isn't. We are held to the

1 12 month rule and according to the 12 month rule our hands as staff -- the  
2 recommendation has to be that because they are not in compliance now. NACIQI has  
3 different parameters they operate under.

4 But as far as we can recommend we have to recommend the withdrawal  
5 recognition.

6 MR. KEISER: Thank you Steve and Chuck and staff.

7 MR. MULA: I would just like to make another comment on Steve's -- the  
8 agency has provided revised standards that are in compliance with our requirements for  
9 those standards. All of those 602.16 series standards and their monitoring standards are  
10 now in compliance as if they were to be adapted and I am not sure that they are all -- that  
11 the Commission have met and have done that.

12 But the revised drafts are all in compliance. However the requirements --  
13 the criteria requires the Department to determine if that can be done in a reasonable  
14 amount of time which is evidence of implementation and that is the key to this decision.

15 MS. PHILLIPS: I have Herman and then we are going to move to Frank.

16 MR. BOUNDS: So the last thing I just wanted to bring up if these  
17 standards revisions or changes could have been done sooner we would have had more  
18 time to evaluate that. If the standards revision where it appears to be reactive instead of a  
19 proactive approach that's what causes us not to know or not to be confident that these  
20 things could be done in the 12 month period -- they were adopted post some of these  
21 issues.

22 If you in the course of reviews or in the course of judgments you

1 determined that hey maybe something we are doing is not quite right and try to adopt  
2 changes at that time then we may have had more time to review, to assess and say yes  
3 they are on the right track. We just don't have that we just don't have that now.

4 MS. PHILLIPS: Thank you moving on to Frank.

5 MR. WU: I think this has been said by staff but I just wanted to confirm  
6 the evaluation here is not of the Agency standards in the abstract but as they are actually  
7 applied so if an agency came before us and they had the impeccable standards but in the  
8 application just didn't really apply them or applied them in a spotty manner or a relaxed  
9 manner or erratically or poorly they would still fail.

10 MR. PORCELLI: Yes and we would also point out that even though  
11 when I read the list of items that were issues when I say document -- it's really  
12 documenting effecting implementation. It is not just providing us with a policy thank  
13 you.

14 MS. PHILLIPS: Okay Arthur?

15 MR. ROTHKOPF: I would like to raise a process question here. In my  
16 several years on NACIQI the process has basically been that the staff comes to us and I  
17 mean the accreditation staff comes to us with its analysis. We go through it, challenge it,  
18 agree with it, make a recommendation and then the Department if you will, the Secretary  
19 then has an opportunity to agree or disagree.

20 But our analysis is based on what is brought to us by the accreditation  
21 staff. I have to ask the question and then move from there -- is the recommendation -- is  
22 the report we received simply that of the accreditation staff or does it reflect the input of

1 the Secretary and the Secretary's office?

2 I know there is someone, I'm not sure I have your name but you are in the  
3 policy office and I guess what I'm concerned about is the Department getting two bites of  
4 the apple here. I'm assuming that and I would like to ask the staff, the accreditation staff  
5 would you have made this recommendation absent advice from the others in the  
6 Department including the Secretary's office, the policy office, et cetera or was this your  
7 recommendation without any input from elsewhere?

8 And I am concerned that if indeed there is advice coming from elsewhere  
9 in the Department and indeed may have participated in the writing and I am interested in  
10 that, then I wonder if we have a very hard situation here. We have the Secretary's office  
11 and maybe the ultimate decision-making participating in recommending to us. We are an  
12 advisory committee with all the rights and privileges that advisory committees have.

13 We make a recommendation but then it goes back to people who have  
14 already pre-decided this, is already an indication that I found implicit in what the Under  
15 Secretary said yesterday and what was said here that you have it already to make sure that  
16 everyone gets their right place.

17 But isn't this giving as I have said before the Department other than the  
18 accreditation staff whom we work with intimately two bites at the apple and is this the  
19 right process?

20 MS. MCLARNON: Sally would you like to begin?

21 MS. MORGAN: Yes I will just start by saying we have two possible  
22 decision-makers here. We have the senior Department official and we also have in the

1 event of an appeal the Secretary. Both of them have been completely walled off from the  
2 discussion of this Agency and from the preparation of the staff report.

3 MS. MCLARNON: And I absolutely agree with Sally that is absolutely  
4 the case. This recommendation came from the accreditation staff. The accreditation staff  
5 are career employees they report to me. I am the current staff as well my name is Gail  
6 McClarnon by the way for the record. We do reside in the Office of Post-secondary  
7 Education and that office does report to the Under Secretary's Office.

8 We work together with the Under Secretary's Office, the Office of Federal  
9 Student Aid, the Office of our General Counsel on the Department's accreditor and  
10 accrediting issues generally. We do get information from other offices within the  
11 Department. The Office of Federal Student Aid, the Office of General Counsel that  
12 inform our analysis of agencies that come up for recognition that by no means that we are  
13 going to sources within the Department that are walled off as Sally points out, that would  
14 take -- be involved in this decision going forward that is absolutely not the case.

15 So I would like to reassure you that while we do work together on  
16 accreditation issues and that other offices within the Department provide us with  
17 information to inform our decision it is the accreditation staff who come forward with the  
18 recommendation.

19 MR. ROTHKOPF: Thank you I appreciate that. Steve and Chuck it was  
20 your judgment having read the file without advice from outside the accrediting group that  
21 this Agency should no longer be recognized?

22 MR. PORCELLI: I wouldn't say there was not advice from outside

1    however I would say that I have maintained the innocent until proven guilty stance that  
2    we have used you know so that an agency they submit their materials and we look at  
3    those materials and it is not until we have gone through all of those materials that we  
4    determine whether they meet the criteria or not, regardless of what anybody else says.

5                   And we can attest -- I can attest, my integrity is intact that I kept the  
6    innocent until proven guilty and the materials just show that they don't meet the criteria  
7    at this point and it is our judgment that they will have -- that I don't have confidence that  
8    they could meet them in the 12 month period.

9                   And that's all we are tasked to do and that's all that I can tell you.

10                  MR. ROTHKOPF: Just to follow-up you said you received some advice  
11    from outside. That was outside the accrediting group?

12                  MR. PORCELLI: I don't want to comment on that thank you.

13                  MS. MCLARNON: I'll comment on it. The Department is working to  
14    bring more rigor to the accreditation process I think this Committee is aware of that and I  
15    think that I just mentioned that we bring other offices into our deliberations around  
16    accrediting decisions.

17                  The Office of Federal Student Aid, the General Counsel in particular,  
18    Sally is invaluable to us, I think that is who we are referring to when we say to you we  
19    bring other information into the process. We have third party commenters as well so it is  
20    a misnomer to think that we are influenced by the newspaper articles that we read.

21                  We have information that we bring to the process, that's the information  
22    that we consider so Sally may want to piggy-back on what I am saying but if you are

1 questioning our integrity I think your questions are misplaced.

2 MR. ROTHKOPF: I'm not in any way questioning anyone's integrity I  
3 am just trying to find out what went into the decision which is I think we as a body that  
4 has to make the recommendation are entitled to -- I mean I have heard that the accrediting  
5 group was walled off and now I am not sure where the wall was. So I rest.

6 MS. PHILLIPS: Herman I do have a line after Herman.

7 MR. BOUNDS: So I just wanted to bring up a couple of things. I think I  
8 stated before we had consultation with other offices within the Department and that's no  
9 secret and I don't think there's anything wrong with that considering the substantial-ness  
10 of this information. So I want to bring up two points.

11 So during this review we reviewed two agencies who were associated with  
12 Corinthian. You would see from the recommendations they are significantly different.  
13 So the point that I want to bring up is no matter who we consulted with and I just have to  
14 say this -- I'm a 20 year military person and you know I don't -- I don't sway for most  
15 folks or anybody so I just want to make very clear that although we had help, we had  
16 discussions with other groups, the first thing I said when we started reviewing both of  
17 these agencies was that I could support any recommendation or any advice we got from  
18 anybody if the evidence supported it.

19 And that's exactly darn what we did. If not both of these  
20 recommendations would have been similar because there was similar you know -- there  
21 was some similar accreditation of institutions between both of these -- both of the  
22 accreditors who are up this time for review. I will also say that we have and we are

1 working to develop questions for the reasonable creditors who are coming up for review  
2 who also accredited these schools.

3           So I just want to be perfectly clear that I don't sway for most folks and as  
4 Director of the group I want to be very clear that we make this call based on the  
5 documentation that we had and the actions of the Agency.

6           And I will add other than the help that we got from OGC which was very  
7 helpful because our staff are educators, we are not lawyers and we had to consult with  
8 them for some of those legal issues. I am going to tell you that we would have come to  
9 this decision regardless of the influence or help that we got from other folks because we  
10 review as I stated yesterday and as I stated today -- we review based on the criteria.

11           You either meet the criteria or you don't. You either demonstrate  
12 application or you don't. And the last thing I want to say is that this was a unique case.  
13 And we had to consider past practice and we had to consider past practice based on what  
14 was promised to be done in the future. And we had to consider the abundance of  
15 information that we have got from other entities.

16           And I don't think we have ever and I haven't been in the Department long  
17 but I have been an education a long time and I can tell you that this is one incident where  
18 we have had a ton -- maybe a ton of information that we had to consider. And we  
19 considered that same ton of information for ACCSC who is coming up later. All I can  
20 tell you is that those recommendations were totally different so if folks think that we got  
21 pressured into doing something that we didn't you should look at those  
22 recommendations.

1                   They are supported by evidence and documentation and that's all I really  
2 need to say.

3                   MS. PHILLIPS: Thank you Herman. Just to let you know the hands that I  
4 have seen are Ralph, Simon, Rick, Frank and Paul so Ralph you are up next.

5                   MR. WOLFF: Thank you what I think this conversation leads to I think  
6 the greater importance of our coming to our own independent judgment and to me that  
7 rests on several criteria. 1: Do we find with the staff recommendation analysis and  
8 particularly after hearing from the Agency there are in fact areas of non-compliance of  
9 such a substantial nature as reflected in the staff report and recommendation.

10                  Secondly to me whether or not the Agency has taken -- acknowledged was  
11 there a problem -- I think the issue is not only whether there was non-compliance but was  
12 there in fact a problem that the Agency should have acknowledged and did it address it  
13 effectively.

14                  And thirdly do we have confidence in the steps that are being taken and all  
15 of those to me need to be reviewed in terms of whether revocation or recognition is  
16 warranted. When I read the -- and I will say that this is not unlike accrediting decisions  
17 of which I have been involved with hundreds and hundreds and thousands actually.

18                  And one other point that I would say is we tend to focus on the placement  
19 statistics as a sine qua non as the one thing all agencies and I have looked at the ACICS  
20 standards have institutional integrity standards which are as relevant to the ABA as it  
21 seems to me.

22                  If an organization misrepresents key data it is an institutional integrity

1 issue whether or not they have a placement or issue or a standard of benchmark and I  
2 think one of the issues that we are dealing with, with many of the institutions that  
3 underlie the concerns of the staff report are institutional integrity issues, not just around  
4 fraud and misrepresentation, not just around the issue of the exact placement statistics.

5           Some of the criteria that I see should have ACICS have found these areas  
6 of fraud and misrepresentation at Corinthian or other places and so I am asking for your  
7 sense on several of these levels. What I read from the staff report is it should have  
8 because it is criteria for verifying the focus on placement data were not adequate at the  
9 time.

10           Now there is a separate matter they have now revised that with a site team  
11 member and the like but I believe the staff finding would be that the process at the time  
12 notwithstanding its standards but the visa process or the verification process was not  
13 adequate would that be a fair statement?

14           MR. PORCELLI: Yes and to add to that in the 2011 findings and in the  
15 2013 compliance report we were presented with the information of how they were going  
16 to really beef up the placement verifications and get some outside sources to do that and  
17 then the outside sources which we didn't find out until later the outside sources because  
18 too costly so they hired somebody within ACICS to do the placements from inside and  
19 the person in charge of that no question about her integrity whatever and she did the best  
20 she could with the staff she had but it just didn't seem to be enough. It wasn't as  
21 complete as we had been promised in the 2013 report.

22           And I guess you could look back in hindsight you know our role is not to

1 punish them for their past sins but what are they going to do going forward and yes they  
2 have really what looks like good operation to go forward but can they show that it has  
3 been affectively implemented within 12 months, that's where the problem comes in.

4 MR. WOLFF: I'll treat that as a separate issue the 12 month issue. But as  
5 I understand they are now adding a person to every team to do verification in addition to  
6 what they have previously been doing. So what I am hearing you say is that apart from  
7 the issue of implementation you feel that that will get closer to the issue of a substantive  
8 process to verify placement rates.

9 MR. PORCELLI: And also they were using -- they started using an  
10 algorithm to catch fraudulent representations from the schools and once -- whether it was  
11 the algorithm or the fact that the schools knew they were using the algorithm the number  
12 of falsified placements just dropped dramatically or was triggering just a dramatic drop in  
13 that.

14 So what they have started to do is starting to show some results.

15 MR. WOLFF: Thank you the second category for me would be when there  
16 was a finding and let's just say by teams did they take appropriate action and I would say  
17 at least in the case of one instance where the team that Sally referred to either there was  
18 concern that even when an the staff report suggests there was more than one institution,  
19 that were teams, lets separate court cases or the like -- teams, where their own teams  
20 found misstated if not misrepresented placement rates or other issues of fraud or integrity  
21 and the institution integrity there was a failure to act consistently is that a fair statement?

22 MR. PORCELLI: I can't speak to the specifics of those cases only

1 because like I said we have so much information. The only thing that I would point out  
2 that I did notice when I was at the decision-making meeting and I guess it is obvious to  
3 anybody who does placement verifications that the rules for verifying placement are very  
4 complicated.

5 So is it a placement if they have worked for 6 months, 12 months that type  
6 of thing -- they are very complicated and I think in some cases not many but in some  
7 cases there was an unintentional just the person in charge of that just wasn't doing it  
8 correctly and not on purpose.

9 Whereas other cases the chain in particularly the chain schools they were  
10 intentionally misrepresenting the information so it is -- I'm not sure if that answers your  
11 question. But things are not as simple as they look.

12 MR. WOLFF: Never are. It does seem at least with respect to the  
13 Michigan Jewish Institute that there was more than just placement statistics and the like  
14 but I think this is an issue to engage with the Agency on. But was there a failure to act  
15 and was there an acknowledgement of the problem.

16 To go on to the next category it seems to me where there were court  
17 orders, specific findings, settlements and the like whether that should have led to further  
18 action on the part of the Agency and as one who has had to work with this there is both  
19 the announcement or there are multiple stages -- there is the announcement of an  
20 investigation where there are a lot of subpoenas and the like and you are not even sure  
21 what is being sought other than some broad category.

22 Then there may be actual findings and a settlement and it is not clear what

1 is disclosed when there are settlements where there is no admission of guilt and what  
2 record is actually created so one of the questions that I have is what actual information  
3 was available to the Agency pre, post and during these kinds of investigations but I would  
4 say the staff report finds that the Agency following at least not-necessarily during but  
5 following conclusion where there were settlements for court decisions failed to  
6 acknowledge the problems represented by those and failed to act accordingly, is that a  
7 fair statement?

8 MR. PORCELLI: I think that would be a fair statement yes.

9 MR. WOLFF: And then the question that I have is there any action that I  
10 know that there has been a revision of the standards, there's the Ethics Committee and  
11 things like that but has the Agency taken any action as to how it would respond in the  
12 future to court decisions, settlements or the like?

13 MR. PORCELLI: No and I probably shouldn't have just said there was  
14 accurate statement without asking Sally, did you have any comment to make on that?

15 MS. MORGAN: No I agreed with his statement.

16 MR. WOLFF: Well there are a lot of questions that I would like to ask but  
17 then it does seem to me that much of the concern is around should there have been action  
18 taken because these were large scale findings that affected a lot of students around  
19 serious issues of fraud findings of fraud misrepresentation but where are we now?

20 What happened then, what should the Agency have done so I appreciate  
21 the work the staff has done but I still think we need to dig deeper in terms of finding out  
22 what corrective action has been taken.

1           One final question it would appear to me from the staff report and I would  
2 like to see if there is a correction of this by the Agency but it appears to me from the staff  
3 report that the Agency did not acknowledge that there was a problem in the way which it  
4 handled not only Corinthian but all of the other cases that you cite is that a fair statement?

5           MR. PORCELLI: That was the most baffling part because you know you  
6 could see an Agency just as a method of operating they must have lawsuits in this or that  
7 or the other thing and they just take that as a course you know this is going to happen but  
8 when so many come in and we have all those Attorney's General bringing those cases  
9 you would have thought that that would have really awakened them up at that point.

10           And I guess it is just part of the legal system that they don't want to admit  
11 guilt on anything but at least their actions I thought should have spurred them to more  
12 action and it didn't.

13           MR. WOLFF: Thank you I'm done.

14           MS. PHILLIPS: Thank you. I have here the following four people signed  
15 up. Because we will have an opportunity to come back to the staff again later I am going  
16 to take these four individuals and then call a brief break and then we will come back and  
17 resume.

18           So my speaking list right now is Simon, Rick, Frank and Paul.

19           MR. BOEHME: Thank you Madame Chair and thank you staff for all of  
20 your hard work. Steve how many -- how long have you been working for the  
21 Department?

22           MR. PORCELLI: Almost 30 years.

1                   MR. BOEHME: 30 years so how many of these staff reports have you  
2 done?

3                   MR. PORCELLI: Hundreds.

4                   MR. BOEHME: Hundreds. And just taking a step back looking at the  
5 bigger picture does this -- how does this staff report how is it similar to the hundreds that  
6 you have done, how does it stand apart and obviously this could be a two hour lecture,  
7 but briefly how does this and the process from the beginning of reviewing the hundreds  
8 of materials how does it stand out to you.

9                   MR. PORCELLI: The only way in particular is just the fact that I could  
10 not personally handle all of the material by myself which in the past a staff person would  
11 be able to do that. That's why I have Valerie, Chuck helped, Herman, Sally I mean really  
12 it could not have been done without their help. It was just so much information and just  
13 you for being on the Committee in the past we never really looked so much at individual  
14 schools we just looked at the accrediting agency and how it complied with the standards.

15                   And now the schools are being more of a reflection of an agency's  
16 problems so that we have to incorporate that into our review and so in this case the  
17 schools became a prominent part of the analysis.

18                   MR. BOEHME: And in the analysis that you did at ACICS because you  
19 led their review in 2011 correct?

20                   MR. PORCELLI: Correct.

21                   MR. BOEHME: And from that time give the Committee a feeling of how  
22 much their standards have changed and I believe they came back in 2013 and there was

1 some -- they had to come into compliance with a few issues. In terms of when Mr. Gray  
2 then President of ACICS was there radical changes that you noticed within the standards  
3 when you went to observe them?

4 Did you start to observe radical culture changes, a different tone that  
5 ACICS took than when you were working with them in 2011?

6 MR. PORCELLI: Not to throw anybody under the bus but it was very  
7 difficult to get Mr. Gray to understand the impact of the changes that were needed and so  
8 I am hopeful I mean it is a little late but they are seeking a new head to lead them, that the  
9 new person will understand accreditation and understand the depth of the issues that need  
10 to be addressed.

11 But at the time it was very difficult to get through.

12 MR. BOEHME: But comparing from your 2011 review and to now tell  
13 me about the -- have there been substantial changes?

14 MR. PORCELLI: Well there really was with that -- they did take like I  
15 mentioned before they did start this verification and it looked like it was going to soar  
16 and then it kind of got I guess they thought at the time it was probably too expensive but  
17 they probably should have stuck with the outside third party people and really beefed that  
18 up and it seemed to like have reached a low plateau and then leveled off so that's again  
19 that's part of the issue as to we can have all of these issues where they promise they are  
20 going to do things, we need to see them implemented.

21 MR. BOEHME: Did they heed the -- because I have the list and I know  
22 we are running short on time and we want to get a break, recommendations that you had

1 for them in 2011 would you say that they took your recommendations, your advice in  
2 2011 and you can say in front of us today that yeah they have done some of them, or yeah  
3 they have done none of them or what's your read on that?

4 MR. PORCELLI: Truthfully I was very impressed other than the  
5 slackening off on the offer to do the third party verifications. What was most impressive  
6 was the placement student achievement standards were actually lower and weaker and  
7 when we cited them on that they actually did beef them up and it is noted in the  
8 compliance report a number of schools just proactively said we know we are not going to  
9 get this.

10 This program is not going to meet placement and retention standards and  
11 so we are just going to drop it now. Teach the students out -- move them into other  
12 things so it had a dramatic effect I mean they really did -- that's the best other than the  
13 verification they really took the third party verification, they really took the issue  
14 seriously, they really beefed them up in ways that we didn't think they would and they  
15 really went forward it with and then -- but it was probably a little late because it was right  
16 after the compliance report that the damn broke and of course that was all -- the pressure  
17 was building up before that so you have to keep that in mind that when Corinthian broke  
18 and everything that was stuff that had been in the works for years.

19 So anyhow I am not sure if that answers your question.

20 MR. BOEHME: Thank you.

21 MS. PHILLIPS: I have Rick, Frank, Paul and break okay I have got  
22 Frank, Paul and break, nothing like Paul's pressure.

1                   MR. WU: I'm sorry Paul is after me, okay great. So I am glad to know  
2 that staff have applied an innocent until proven guilty standard. I just note though that's  
3 not the standard, that's too high. This is not a criminal case we are not talking about  
4 putting people in prison we are talking about should NACIQI recommend to the  
5 Department recognition of an accrediting authority.

6                   And I say that to praise staff. It is great that you have been so scrupulous,  
7 so ethical, so differential and really looked at the facts but given the media coverage of  
8 this I just hope that we remember and stay focused on what we are here to do. This is  
9 about recognition of an entity to perform a quasi-governmental function as a title for  
10 gate-keeper this is not a criminal trial, we are not subject to the standards of a federal  
11 jury.

12                   Related to that there is nothing wrong with being influenced by third party  
13 comments -- we want third party comments, we solicit them, we invite them, we review  
14 them, we are supposed to take them seriously. It would actually be a problem if it were  
15 the other way around and we just said, "Oh well third party comments we just throw  
16 them in the trash we don't look at them at all." That would be a problem.

17                   I think it is good that we take them seriously and that we look at all of  
18 them so as far as I am concerned I think that is fine, both of staff and of this body. That's  
19 why the process is set up with open meetings so that we can have public input and be  
20 appropriately influenced by that, that's not bad, that is what facts of bodies are all about,  
21 about the sunshine and so on.

22                   With respect to that I don't think there is anything wrong with reading the

1 newspaper. We were picked to be part of this group of 18 people because each of us has  
2 some background. If we were wholly ignorant of higher education accreditation that  
3 would strike me as highly problematic -- each one of us has had some experience,  
4 whether it is with an accreditor, whether it is a site visit team or an institution of higher  
5 education as administrators or faculty member all of that is find.

6           So I just point this out because I worry that given the attention that has  
7 been paid here there will be speculation that is unwarranted in particular about the  
8 integrity of the staff and so I wanted to say and I will close on this that there is no reason,  
9 there is nothing here that suggests that anyone should be questioning any individual staff  
10 member or the staff as a whole as to whether they followed the rules and did what they  
11 were supposed to do.

12           Everything suggests that they did. They were in fact extra-scrupulous here  
13 and I hope that people don't make a mountain out of a mole hill when there isn't even a  
14 mole hill here it is just another case that has come before us that does involve a different  
15 recommendation but it is not the first time that an accrediting authority will cease to be  
16 recognized by the federal government.

17           It has happened before it can happen again and part of the message that I  
18 hope that other accreditors get is as we are even handed this is going to mean that these  
19 same standards as part of the pilot that we have rolled out will be applied to everyone and  
20 that is a change and a good one.

21           MS. PHILLIPS: Thank you Frank, Paul?

22           MR. LEBLANC: I just about 20 minutes of comments to make before the

1 break. One the important information -- I think that comment was not the work of the  
2 accreditation team was walled off from others it was that the senior Department official  
3 and the Secretary were walled off from the work.

4 I actually take heart and am comforted by the fact that you would have the  
5 input of other aspects or parts of the Department given the seriousness of the  
6 recommendation. And I think of the question should ACICS have had foresight, how  
7 could they have foresight?

8 I mean it is hard for me to imagine what more they would need to see and  
9 hear aside from multiple lawsuits, AG's and others weighing in on them and their  
10 schools. Certainly ACICS had the foresight to put Corinthian on heightened employment  
11 monitoring back in 2014. It is hard for me to understand how they could not have seen  
12 what was happening in their accredited schools.

13 I am a bit of a student of disasters mostly in trying to avoid them and  
14 because I am a bit of an aviator -- people who study these things will tell you that  
15 disasters are usually not one thing but a confluence of things happening in an unhappy  
16 aggregation.

17 When I read the report which I read more than once and marked up  
18 extensively, it feels like this is a wide-spread failure of both systems, policies, certainly  
19 execution and culture and that all of those things came together in what feels like a  
20 disaster to me.

21 I mean you are going to hear from the Agency and has to be persuaded  
22 otherwise and then I go to the question we are really being asked which is can they in the

1 next 12 months turn this around and track record in my mind is still the best predictor of  
2 future performance and I just don't see the evidence that given the widespread systemic  
3 failures of this agency that the can turn this around.

4 Bringing in new leadership which is usually critical to change in culture --  
5 I mean someone is going to take my experience six months or more just to really  
6 understand what is needed and built the team that is required to move forward. I think  
7 comparing this to AVA for example which we have discussed yesterday, there are many  
8 of us myself included who voted against continuation, a lot less egregious evidence of  
9 what we have before us today.

10 I don't know how it can go otherwise at this point but again it would be  
11 good to hear from the Commentators and the Agency itself.

12 MS. PHILLIPS: Thank you with that I want to call a 15 minute break  
13 bringing us back online at about four minutes until 11 and at that time we will ask the  
14 agency to bring -- come forward and make its remarks.

15 MS. PHILLIPS: Moving forward at this time representatives from ACICS  
16 could please join us at the front table, thank you.

17 If I could invite the Committee members to resume their seats -- if I could  
18 invite the Committee members to resume their seats, alright I see a quorum in the room  
19 so we will resume our proceedings. We have invited the representatives of the agency to  
20 join us at the front table.

21 Good morning welcome -- we would like to have an opportunity for you  
22 to make whatever remarks you would care to make, it will be followed by questions from

1 the Primary Readers and also by the Committee member staff. After that concludes we  
2 will move to third party comments you will have an opportunity to respond to those as  
3 well. So with that I invite you to introduce yourselves and to make whatever remarks  
4 you care to make.

5 MR. LEAK: Good morning Madame Chair and members of the Advisory  
6 Committee. My name is Lawrence Leak, Chair of the Board of Directors at ACICS. At  
7 the table with me here is Anthony Bieda, our Executive in Charge and Ian Harazduk a  
8 staff member at ACICS.

9 Again good morning to everyone here I am Chair of the Board of ACICS  
10 and Chair of its accrediting Council. I have been a member of the Council since 2012  
11 and Board Chair since January of this year. I have served as a public member of this  
12 organization because I believe in the fundamental and valuable role ACICS provides to  
13 the institutions it accredits and the students served by these institutions.

14 Prior to and coincidental with my service as a volunteer to ACICS I have  
15 served on the Board of Trustees at St. Mary's College of Maryland, I'm retired from a  
16 long career in education administration in 2008 serving more than 4 years in the senior  
17 administration of academic programs at the University of Maryland, University College.

18 I provide the context of my background to underscore my independence  
19 and arm's length relationship with the institutions accredited by ACICS. My  
20 participation in the governance, policy-making and decision-making activities of the  
21 Council is strictly as a service to higher education and the public purpose of access,  
22 accountability and student success.

1                   These considerations underscore every encounter I have with my  
2 colleagues on the Council, with member institutions, students, evaluators and the  
3 professional staff at ACICS. Please be assured I share that spirit of public service with  
4 all the members of the Council many of whom joined me here today.

5                   My comments this morning are offered in that spirit. Service to the public  
6 good, service to the best interests of students and the acknowledgement of the expectation  
7 of the character that are manifested across the higher education community -- expectation  
8 of effectiveness, transparency and evaluation of quality through means that are  
9 progressively driven by evidence and empirical data.

10                  Accreditation has changed substantially in the few years that I have been a  
11 volunteer for ACICS and many more changes are anticipated and indeed welcomed. The  
12 variety of stakeholders and interests that are participating in the public discourse will not  
13 only help strengthen and involve the art of the science of accreditation as we know it.

14                  The Council has paid close attention to the expectations that it enhance the  
15 effectiveness of its review of institutions, programs and accountability. Those  
16 expectations are taken seriously by the Council and it has initiated a series of reforms and  
17 initiatives to fortify its program of accreditation.

18                  My respectful request to the Department and to this Advisory Committee  
19 today is to provide ACICS sufficient time to allow these initiatives and reforms to bear  
20 evidence of effectiveness. It is the combination of additional time to implement and  
21 enforce stronger requirements and the breadth and the depth of those reforms that form  
22 the essence of our remarks to the Advisory Committee today.

1           Please allow me to enumerate those initiatives briefly. First -- the Council  
2 appointed new executive leadership in April in order to establish a new direction for the  
3 Agency focused on effectiveness and accountability. Second -- the Council developed  
4 and adopted a series of reforms designed to strengthen the review of the following quality  
5 dimensions: Admission and recruitment of students; integrity of data reported by  
6 campuses to ACICS regarding student achievement; disclose of institutional and program  
7 level performance data to students and to the public and greater flexibility in the  
8 imposition of probation actions.

9           In addition the Council has adopted new by-laws to strengthen the review  
10 and resolution of perceived conflicts of interest by Council members. It established a  
11 new, independent Ethics Review Board and expanded the rationale for dismissing an  
12 individual from the governing body.

13           Two of the three members of the Review Board are designated and must  
14 be public members with no current or prior affiliation to ACICS or any of its accredited  
15 institutions.

16           Third ACICS ordered the suspension of accepting new applications for  
17 initial grants of accreditation effective June 3, 2016. This action was to insure that the  
18 Agency focuses all of its resources and expertise on the thorough and rigorous review of  
19 institutions currently awarded grants of accreditation by ACICS before the Agency takes  
20 on additional institutions.

21           Fourth the Agency ordered all current evaluators to participate in a  
22 comprehensive renewal initiative before they are assigned to the next round of on-site

1 evaluation visits. The Evaluator Renewal Initiative includes re-signing their credentials  
2 for currency and relevance of their professional experienced, updating training to approve  
3 their knowledge and evaluative skills regarding new areas of emphasis for team visits,  
4 fresh attestations of their knowledge and commitment to ethical standards and an  
5 agreement for their performance to be evaluated more frequently using an enhanced  
6 performance appraisal template beginning in the Fall 2016 visiting cycle.

7           The Agency also informed institutions serving visa enrollment students  
8 that they would be subject to additional evaluation of their compliance with requirements  
9 of the Student Exchange and Visitor Program of the federal government. That enhanced  
10 review has begun with direct outreach to officials at immigration and custom  
11 enforcement and with officials at other accrediting agencies so that ACICS may better  
12 understand the risk factors involved and identifying institutions exhibiting those risk  
13 factors.

14           More recently and significantly ACICS has established a blue ribbon panel  
15 also known as the Special Advisory Committee to the Board that has the authority to  
16 methodically assess every aspect of the agency from top to bottom. The independent  
17 members of the panel will review and make recommendations regarding governance  
18 including the composition of the Council, policy including strength -- the strength and  
19 clarify of all ACICS standards.

20           Operations including the reoccurring methods and systems by which  
21 ACICS applies standards to campuses and programs; human resources including the  
22 qualification, training and performance of Council members, evaluators, administrative

1 leadership, accreditation coordinators and others and technical resources including the  
2 design and effectiveness of the information technology platform that supports all aspects  
3 of the Agency's data collection and data analytics.

4           The panel was established through an executive committee proclamation  
5 earlier this month and has been composed so far of four individuals with strong and deep  
6 knowledge of post-secondary education and accreditation.

7           These individuals whom are independent of the Council, their assessment  
8 and recommendations will become the basis for further fortification and renewal of  
9 ACICS. In summary, the initiatives and reforms undertaken by the Board of ACICS are  
10 substantive and immediate.

11           They will have great relevance to the issues identified in the Department's  
12 report. However, these initiatives and reforms are in the early stages of implementation  
13 and require more time to bear evidence of their effectiveness. It is in that context as  
14 Chair of ACICS that I respectfully request the Committee afford the Agency the  
15 consideration of the additional time of one year to demonstrate compliance.

16           My sincere request is that you carefully consider the merits of the case that  
17 ACICS has made for the recommendation of deferral decision and a requirement of a  
18 compliance report. With that Madame Chair I would like to turn to Mr. Tony Bieda to  
19 conclude our opening statement.

20           MS. PHILLIPS: Absolutely.

21           MR. BIEDA: Thank you Dr. Leak. Can everybody hear me okay?

22           Madame Chair, members of the Committee my name is Anthony Bieda. I have been

1 serving since April as the executive in charge of ACICS responsible for day to day  
2 operations of the Agency, liaison relationships with the Department and state approval  
3 authorities throughout the U.S. and internationally as well as the Agency's relationships  
4 with member institutions and the nearly 800,000 students served by our accredited  
5 colleges and schools.

6 My background includes 15 years in telecommunications administration  
7 followed by 8 years in county government and 13 years in various assignments related to  
8 higher education administration policy and accountability. I served as Assistant County  
9 Administrator in Lane County, Oregon before coming to ACICS in that regard I had  
10 authority over 1200 employees and an annual budget in excess of 400 million dollars.

11 I also served as primary legislative liaison for the Arizona Board of  
12 Regents and in that capacity I was instrumental in developing and publishing an  
13 accountability report card for the public university system which of course is University  
14 of Arizona, Arizona State and Northern Arizona University.

15 That was shared -- that report card was shared with the public and of  
16 course the legislature. Some of the metrics we identified and memorialized in that report  
17 card included graduation rates, drop-out rates, persistence rates, research grants and the  
18 enrollment profile of in-state students.

19 I helped the universities and their Board of Regents develop strategies for  
20 responding to and improving their scores on these metrics. My presence here today is to  
21 affirm and describe the capacity of ACICS to address the serious issues and findings of  
22 the Department. I am here today to answer your questions no matter how difficult those

1 questions may be.

2 Further I am here to assure you about ACICS's ability to remedy the  
3 outstanding citations within the next 12 months. ACICS was formed in 1912 by a group  
4 of private business college owners in the upper Midwest of the U.S. It has provided  
5 quality assurance to some of those institutions faithfully and effectively throughout the  
6 past 103 years.

7 ACICS was first recognized by the federal government as a reliable  
8 authority on institutional quality and integrity in 1956 and has been continuously  
9 recognized in that regard for the past 60 years. Three years ago ACISC received re-  
10 recognition by the Department after providing a compliance report. In addition -- and  
11 that was with my involvement -- in addition I led the Agency's effort for the recognition  
12 of ACICS by the Council for Higher Education Accreditation or CHEA by the Texas  
13 Higher Ed Coordinating Board, the National League of Nursing Accreditation now  
14 known as ACN and ARRT within the preceding 7 years.

15 ACICS colleges and schools include more than 800 campuses again  
16 serving nearly 800,000 students, 47 states, 10 international locations. More than 40%  
17 of those students are pursuing credentials at the diploma, certificate or Associate's  
18 Degree levels.

19 A typical ACICS campus enrolls about 500 students. The programs with  
20 the highest levels of enrollment include business administration, the allied health  
21 professions and information technology. While many ACICS colleges and schools serve  
22 students in large metropolitan areas, a majority of the campuses are located in secondary

1 and tertiary markets.

2           In many cases this means the schools are the only post-secondary  
3 institution within a reasonable driving distance. A substantial percentage of the students  
4 enrolled at ACICS institutions are working adults. The majority of them are women very  
5 few of them are first-time, full-time students. These are schools that offer working adults  
6 the opportunity to make their lives better.

7           We know, based on the Department's data, that 40% of the undergraduates  
8 are PELL recipients, 55% are undergraduates of color. Consistent with the practices of  
9 recognized accreditors ACICS performs its review of the accreditation worthiness of  
10 member institutions through a series of activities and procedures that deploy teams of  
11 evaluators and staff coordinators to each campus every three to five years.

12           In addition the campuses are subject to interim reviews by ACICS staff  
13 and evaluators for a variety of reasons including quality assurance monitoring of  
14 substantive changes with the receipt of adverse information from reliable third parties and  
15 for other reasons.

16           In addition ACICS collects and reviews from every institution each year  
17 student achievement data and institutional financial information. In short ACICS  
18 campuses and programs expect and receive ongoing in-person and remote monitoring of  
19 their effectiveness before, during and after each accreditation cycle.

20           Since our last recognition ACICS understands that the expectations and  
21 requirements for re-recognition have changed substantially. The Under Secretary's April  
22 2016 letter to federally recognized accrediting agencies laid out the Department's new

1 expectations regarding application of standards and institutional review processes  
2 especially with respect to standards related to student achievement and institutions or  
3 programs exhibiting higher risk.

4 ACICS takes seriously the concerns about the need for greater  
5 accountability and transparency in higher education. These issues have been raised by  
6 external stakeholders as well as the accreditation community. ACICS has listened to  
7 those concerns, participated in those discussions and has and will continue to take  
8 decisive actions to inform the organizations -- to improve the organization's effectiveness  
9 and fortify trust and confidence in the accreditation process.

10 Briefly I just want to give you a sense of what I have been up to since  
11 April with the support of Council. As Dr. Leak mentioned we have initiated a series of  
12 decisive and immediate reforms that are in effect now and will bear fruit this Council  
13 cycle. They include: temporarily suspending the acceptance of applications for initial  
14 grants of accreditation, implementing a number of policy changes that will strengthen the  
15 review of member institutions and fortify the principles of transparency and ethical  
16 conduct including the new data integrity standard, a review of the institution's written  
17 plans for recruiting and admitting students, strengthening the enforcement activities by  
18 removing of administrative barriers that have inhibited ACICS from applying more  
19 timely and direct sanctions to underperforming schools and programs.

20 And the requirement that each campus provide reliable student  
21 achievement data to the public and be placed in a prominent place on its website that it be  
22 reliable, accurate and up to date.

1           ACICS also has established and employed an at-risk institution group with  
2 the explicit purpose of applying greater review of programs for campuses identified as  
3 having quality or integrity issues. That work group executed at least 7 special visits to at  
4 risk campuses in the last two months encountering immediate evidence that will be  
5 reviewed by the Council in August along with the institution's responses in order to make  
6 an informed decision about their accreditation worthiness.

7           On June 3<sup>rd</sup>, ACICS also announced a new evaluator development and  
8 deployment initiative which Dr. Leak has outlined and that beginning with the fall 2016  
9 travel cycle includes re-screening of the currency and relevancy of credentials, additional  
10 training requirements, sign attestations about avoidance of conflict of interest and  
11 recurring performance evaluations through an enhanced appraisal process. Quality in  
12 evaluator deployment should also be a matter of continuous improvement.

13           We appreciate the critical role ACICS plays in reviewing the quality of  
14 education provided to the students at our institutions and we take great pride in the cadre  
15 of pure evaluators that ACICS sends to accomplish the peer review of education quality  
16 and effectiveness.

17           We believe our evaluators are uniquely positioned to make the qualitative  
18 assessments that they are asked to make because they are professional educators. We  
19 know the Department appreciates the role of peer evaluators and the role they play in  
20 assuring quality education ACICS's primary mission.

21           Simultaneous with these initiatives, ACICS made procedural  
22 enhancements to the site visit review process and implemented those enhancements

1 immediately. Those enhancements included a data integrity reviewer as you heard for  
2 every site visit, a pre-visit survey of students, faculty and staff to identify risk factors and  
3 quality issues and then finally requiring expanded narration in the team reports in order to  
4 enhance the quality and richness of information available to the Council for its review  
5 and decision-making.

6           Members of the community, Dr. Leak and I would like to be in front of  
7 you today with the recommendation for renewal of recognition and no finding of non-  
8 compliance as was the case in 2013. We are not asking for that. We fully appreciate the  
9 seriousness of the staff recommendation. In this regard ACICS recognizes the  
10 Department's interpretation, application and required documentation of compliance with  
11 such rules having changed significantly since 2013.

12           In fact the sheer volume of documentation requested by the Department in  
13 its final recommendations requires more time for ACICS to respond. ACICS previously  
14 requested an extension to respond to the Department's draft report in order to make or  
15 document all of the changes in policy and standards required by the Department's new  
16 interpretations of the regulations, apply them in a systematic and recurring matter to  
17 member institutions and then collect and provide evidence.

18           We renew that request to keep the record open until we can provide that  
19 additional information. We want to thank Mr. Porcelli for his candor and his concerns  
20 throughout this process and would also thank Mr. Bounds for his guidance.

21           For better or worse we have become the subject of intense political and  
22 public scrutiny and we believe many of the public comments directed to ACICS are not

1 well founded for reasons we have articulated throughout the process. We invite and  
2 remain open however to candid conversations with any and all parties.

3           However the real issue today we believe is the issue of whether we can  
4 come into compliance within one year or sooner. We have studied the staff report with  
5 great care and with many of our Commissioners who are here today and we sincerely  
6 believe we can solve and address the legitimate issues that the Department has flagged.

7           We do not say this lightly and we take the Department's concerns very  
8 seriously. As you can tell from Dr. Leak's comments we have already made much  
9 progress although it will take additional time to demonstrate the effectiveness of our  
10 actions. We welcome your continued input as we move forward. We are committed to  
11 continued progress on the initiatives under way and ACICS will employ whatever  
12 resources necessary to address and resolve these concerns. We only ask we be given the  
13 opportunity come back before you fully compliant within one year or less, thank you.

14           MS. PHILLIPS: Thank you, questions for the agency by the Primary  
15 Readers, Ralph?

16           MR. WOLFF: Thank you both for your presentations. Let me also say as  
17 Susan mentioned at the outset there are these pilot questions. Rather than focusing on  
18 them I'm just going to incorporate them and some of them I believe you have already  
19 answered but I just want to acknowledge that they are there but I think the issues are far  
20 more serious so thank you.

21           I would like to kind of divide a few questions on to the past and then really  
22 follow-up on the future. But as I have talked about in questioning Mr. Porcelli there are

1 real concerns around the way in which ACICS has responded to those categories that I  
2 mentioned particularly where your own teams found evidence of fraud or  
3 misrepresentation and there appear to be a failure to act and instances in which court  
4 decisions, legal settlements or the like and again failure to act.

5           And as some of the commentators or at least one of the commentators  
6 talked about institutions or campuses being placed on the honor roll even after serious  
7 findings have been made against these institutions -- so I wonder if you could respond to  
8 the how is this situation accurate as to support trade in the staff report and how the  
9 Agency represents what is at least addressed or identified as a failure to act under where  
10 there were serious findings of fraud and misrepresentation.

11           MR. BIEDA: Thank you I will respond to this the best I can and I will ask  
12 my colleague Ian Harazduk who is a senior accreditation manager to also join in to flush  
13 out the response. First I would like to say that to the degree we failed, ACICS failed to  
14 provide documentation that we took decisive action on the basis of those investigations or  
15 allegations.

16           It was primarily because we don't believe that documentation existed. In  
17 other words we did not deliberately withhold any documentation to the degree there were  
18 team visits and there are reports derived from those visits or there are other kinds of  
19 monitoring activities that produced an analysis that went to the Council.

20           To the best of my knowledge every bit of that evidence was sought, was  
21 packaged and was provided to the analyst in that spirit. On the other topic of was our  
22 pattern, was ACICS's pattern of response or depth of response to the concerns raised by

1 for example, state Attorney's General sufficient or appropriate given what we now know?

2 I think the answer is that we would have done things differently. It is also  
3 true that until those investigations produce not only a finding of wrong-doing but actually  
4 evidence of a wrong-doing or a fraud or abuse that we can get access to we are pretty  
5 limited and were pretty limited in being able to use any of those allegations as a basis to  
6 take formal adverse action.

7 What we were doing all along however and I think is clear in the evidence  
8 we provided is that from the beginning we learned about the first Attorney General  
9 investigation even though we knew it would be months or years before there was a final  
10 resolution of that investigation, we opened up our own formal adverse monitoring action  
11 with the school requiring them to document to us at least three times a year where they  
12 stood in that process, what additional information was being provided through the  
13 discovery process and to share that with us so that we could review that and our Council  
14 could review that in determining the ongoing ability of that institution for accreditation.

15 In all of those cases either the final outcome of the investigation was a  
16 settlement where there was articulated in writing no finding of wrong-doing but other  
17 factors or other elements that both the Attorney General and the institution agree to as  
18 part of the settlement or in some cases those investigations are still pending.

19 Not all of them are resolved but again looking back what that  
20 circumstance has enabled us to do is to revisit how we at ACICS view the oversight  
21 partners that are relevant to our effective review of these institutions.

22 I think prior to the emergence of these allegations we were pretty much

1 focused on effective relationships with state approval authorities, state certification  
2 authorities, Department of Education accreditation group and also Title 4 folks. Now we  
3 have been forced and I think for good reasons, for healthier reasons to expand that  
4 universe of oversight partners that we need to pay attention to more closely and on a  
5 more regular basis.

6           Before I close my comments I also want to point out to you that over the  
7 course of the last three or four years as those state Attorney Generals investigations were  
8 ramping up we received numerous and voluminous requests for information about the  
9 accreditation status of those institutions, their team reports, their school responses, the  
10 Council deliberations and action letters. I believe in every case we fulfilled those  
11 information requests according to a negotiated timeframe.

12           They were very voluminous, they were very numerous. I also believe in  
13 every case with the possible exception of one that I think was mentioned maybe either in  
14 the analyst report or some other extraneous piece of information -- in every other case  
15 those document productions did not produce a single follow-up inquiry from the  
16 Attorney's General in any way.

17           There was no follow-up request for additional information. There was no  
18 follow-up request to discuss what the information meant or doesn't mean there was no  
19 discussion about whether or not ACICS was applying its standards, particularly as it  
20 relates to some of the fraud and abuse issues in a manner that comports with state  
21 consumer protection law. Those discussions simply did not take place.

22           MR. WOLFF: Thank you. Others may wish to pursue but I appreciate that

1 hindsight gives you greater clarity and that you are really trying to respond. Let me if I  
2 can have that document -- a lot of the attention has been on the misrepresentation of  
3 placement rates where you do have a formal standard and a verification process.

4 I would just like to ask your response in the Department's score card data  
5 which I think you have a copy of as well as in one of the public comments and I am just  
6 trying to pull up from I think it was from Ben Miller where it tries to look at the  
7 relationship with respect not just to placement but default rates, graduation rates, and  
8 things of that sort.

9 And the Department's score card here or data here there are a number of  
10 institutions whose default rate is well over 10%, 20% or higher. Graduation rate is in the  
11 30% and in at least the data analysis that Ben Miller put across all institutions ACICS,  
12 ranks either at the bottom or close -- second to the bottom in its performance in  
13 relationship to overall institutions effectiveness if you will.

14 Could you talk about how you address not only the placement issue which  
15 I know you have added now a whole new set of criteria but the larger issue of completion  
16 and this whole issue of do students get through the program and then are they capable of  
17 paying off their loans.

18 MR. BIEDA: Yes I would be glad to. First of all let's talk about  
19 verification of placement data or verification really of any student achievement data that  
20 we request and receive. It's important to recognize I believe and I know many of you  
21 that are members of this panel have forgotten more about how accreditation works than I  
22 will ever know but the reason -- the primary reason we collect that data is to inform

1 Council decisions regarding the accreditation worthiness of our institutions.

2           And so the validity of that data, the depth of that data its applicability to  
3 those decisions is our primary consideration and to the degree that that self-reported data  
4 lacks integrity or lacks an ability to be verified it also undermines the effectiveness of the  
5 Council's review of these institutions.

6           So the expectation is that all information self-reported and if you think  
7 about the broader definition of self-reported data you think about what is provided in a  
8 self-study in an application for renewal grant of accreditation. Most of that is self-  
9 reported as well and that is verified routinely through a series of encounters by the  
10 accreditation team and the institutional representatives.

11           The data that comes from an annual campus accountability report is  
12 uploaded through a system into our IT platform. Our IT platform for the last two years  
13 has been fortified and enhanced so that it performs as Mr. Porcelli mentioned a series of  
14 data integrity protocols through an algorithm and determines if in there are anomalies in  
15 what has been uploaded that would then cause the system to reject that report and send it  
16 back to the school and make them fix it in some cases at their expense.

17           So that is our first defense that we have added in the recent past to  
18 strengthen that. Secondly is as the staff noted starting with this current accreditation  
19 cycle we added a dedicated data integrity reviewer to enforce and apply the expectations  
20 of our new data integrity standards so that we are not in a situation where members of the  
21 evaluation team are too compromised with other tasks to be able to do due diligence and  
22 make the calls to employers and students and look at the back-up documentation

1 thoroughly and professionally.

2           The third aspect that was mentioned in the analyst report is that we did  
3 beta test in 2014 and '15 a placement verification program, an additional enhancement  
4 which we had committed to back in our compliance report in 2013 but because of some  
5 of the testing results we needed to make sure we got it right before we put it in place in  
6 January of this year.

7           Since that time it has been used effectively to random sample placement  
8 data from a variety of our schools and test that accuracy through outgoing emails and in  
9 some cases through phone calls and that has augmented our ability to test the integrity of  
10 that data.

11           Finally this Council has always had and we have even employed this tactic  
12 very recently as well as back in 2011 the ability to require the schools to submit their  
13 student achievement data, including placement to independent third party verification.  
14 So it is really a portfolio of four tools that can be employed based on the risk factors  
15 associated with that data to make sure that the data that we are reviewing for making  
16 accreditation decisions is as accurate and reliable as possible.

17           I will stop there and get to the second part of your question.

18           MR. WOLFF: Thank you that's very thorough. Can you just help me  
19 understand when you say student achievement data I understand that includes certainly  
20 all of this attention you are giving to placement data. Would it also include retention,  
21 graduation, loan default rates, average loan amounts, what are you also including in  
22 student achievement that goes through this third party verification and your algorithm?

1                   MR. BIEDA: So the other student achievement data that we require  
2 collect and test includes retention. We do not currently have a graduation rate but we are  
3 working to add that to the portfolio and probably the last but most important is student  
4 achievement as it relates to licensure and certification pass rates.

5                   I emphasize that because as I gave you the profile of our member  
6 institutions and you -- I think you heard me say that Allied Health is one of those  
7 programs or family of programs that has enlarged enrollment. We find that more and  
8 more of our institutions are having success in offering those programs and more and more  
9 of those programs that at one point may have been a 12 month or an 18 month program  
10 there are now requirements that they become in order for certification that they have at  
11 least an Associate Degree because we encountered that in the past two years very  
12 robustly with ARRT the Radiologic and Technology Registry Association.

13                   So those trends in the work place -- the work force development  
14 community in many cases are driving our need to continually monitor and assess the  
15 student achievement effectiveness of our student institutions, particularly those that are  
16 offering programs for which licensure and certification is required in order for the student  
17 to seek and be employed in that state.

18                   That's how that particular student achievement metric ties back to the  
19 requirement for placement.

20                   MR. WOLFF: Thank you both of those areas graduation and licensure  
21 seem to be or at least are responsive to some of the findings of the staff report. I have  
22 two more questions one simple -- who are the four people on the Advisory Committee,

1 could you give us a description of who they are, their backgrounds?

2 MR. BIEDA: Yes so I think probably two of them are in the audience  
3 today but I am not going to ask them to stand. Alise Scanlon former Executive Director  
4 of the ACCSCT; Roger Williams -- Mr. Roger Williams former leader of ACCET, A-c-c-  
5 e-t; Dr. Paul Bot who is an education PhD at University of California Long Beach I  
6 believe and also former Commissioner for one of the other accrediting bodies and then  
7 last but not least Dr. Jim Johnson who is a demographer at the University of North  
8 Carolina at Chapel Hill.

9 Those are the four folks that we have recruited so far and we are open to  
10 adding some additional people to do the deep and persistent review of every aspect of our  
11 operations so that when we are done with this process we are a stronger more effective  
12 organization.

13 MR. WOLFF: Thank you its California and it would be California State  
14 University Long Beach, U.C. wouldn't claim Long Beach as one of its campuses. My  
15 final question for you and I will turn it over to Frank and others, you mentioned revision  
16 to the team -- site team reports -- the reports are not public and I am a fierce advocate of  
17 making team reports and actions public and would encourage that.

18 But apart from that fact I understand they are not, but having seen some of  
19 your reports they seem to be less evaluative than check-offs of a lot of boxes that teams  
20 need to verify with scant recommendations at the end and some descriptive information.  
21 And they represented at least a concern to me about the evaluative side demonstrating at  
22 least is evidence of deep evaluation and the thoroughness of recommendations for both

1 findings of non-compliance and improvement.

2           So my personal review and comment on it, but if you could explain how  
3 you see those reports -- how you are modifying the team reports.

4           MR. BIEDA: So the two immediate changes that we made to the team  
5 report for this cycle is number one to expand the section of the team report dealing with  
6 data integrity. If you have a dedicated person that is going to spend two to three days on  
7 site just reviewing data integrity, back-up information, calculations, spread sheets et  
8 cetera there also needs to be a stronger set of questions and a larger set of evaluative  
9 topics for that person to review and to memorialize either through the check boxes or  
10 through the narrative provided down below.

11           The second change that we have made this cycle is to require that at the  
12 end of each of those check box sections the team reviewer spends some time adding  
13 narrative to describe a variety of things including what specific evidence did they review  
14 in answering the questions up above. Were there any anomalies in the evidence they  
15 encountered or any other concerns that should be brought forth in memorializing the full  
16 team report.

17           That's the just the beginning. I know we don't like to talk about  
18 prospectively but I believe a much deeper dive into the depth and the breadth of our team  
19 reports is still necessary. We simple did what we could with this cycle reflecting the fact  
20 that there is need for more robust structure and content for those team reports.

21           MR. LEAK: I might also add that what we have done now is send out a  
22 survey to the staff, faculty and students of the school that we are going to visit so that

1 they have an opportunity to identify comments -- provide comments that identify  
2 concerns about any aspect of the school that we want our visiting team to know before  
3 they arrive so that they have more than just the self-study report document but they also  
4 have anonymous comments that they can follow-up on while they are on site to uncover  
5 anything that people may be uncomfortable to say in a group setting.

6 MR. WOLFF: That's currently being implemented?

7 MR. LEAK: Yes.

8 MR. WOLFF: That's being done and can I just ask as you respond is that  
9 to all faculty student staff or do you use a sampling methodology?

10 MR. HARAZDUK: Right now it is the responsibility of the  
11 administration at the school to send out that information. We expect it to be to all  
12 faculties, staff and students. We have numbers whereby we have gotten 4,000 comments  
13 back at the 30 or 40 visits that we have done so far. A large majority -- 3,000 of those  
14 comments are from students and we have taken and had examples of where we have used  
15 those comments -- the narrative comments that we have gotten back specifically from  
16 students and had accreditation findings based on those.

17 In one instance it was particular to administrative capability and we had a  
18 great concern on the visit of that and there is now a finding memorializing the team report  
19 with that information. I would like to answer your question too about the reports as well  
20 and the scant information that you mentioned was in that.

21 We evolved from a narrative process a few years before I had started so  
22 about 10 years ago we had a process whereby we had an entirely narrative process. But

1 that was obviously time-consuming and being on -- I've been on hundreds of  
2 accreditation visits now and it was difficult to get everything written up and completed  
3 while we were on site.

4 So the move was to go to a checklist not only to make sure we see  
5 everything because we obviously have hundreds of standards that have been mentioned  
6 that we need to look at so we felt the checklist approach would make sure that we get you  
7 know a view of all of those.

8 And I can tell you as I said of the hundreds of visits I have gone into there  
9 is a lot of review, interview and observation that goes into checking that answer yes.  
10 Though it may not be you know memorialized on the report and that's something as Tony  
11 said that maybe a better job especially with your recommendation to have reports be  
12 more public that is something that we can do and certainly enhance and are and have  
13 plans to enhance those reports having more information so that is certainly something  
14 that we take into account.

15 MR. WOLFF: Thank you my final comment is just to say that I want to  
16 acknowledge I went to your website and you have acknowledged the staff  
17 recommendation, made that public and the suspension is I think very thoughtful and  
18 helpful and just focusing on where you are now and how to move forward, thank you.

19 MS. PHILLIPS: Frank?

20 MR. WU: Good morning thanks for joining us. Let me start with just a  
21 hypothetical question. I am just curious if you were not recognized by the federal  
22 government for a gate-keeper role do you think you would have a continuing function in

1 the world?

2 MR. BIEDA: Mr. Wu I appreciate that question and thought about a  
3 response to that deeply as you had brought it up earlier with the representatives from the  
4 Department. So I would first just to not waste your time say we can't engage in  
5 speculation as you would imagine my answer would be.

6 But I think the rest of the answer has to be that there are many institutions  
7 that we currently accredit particularly international ones or those that serve a high degree  
8 of international students who are not Title 4 participants, number one.

9 Number two there are many other institutions who also rely upon our  
10 accreditation in order to gain access to certification and licensure eligibility --  
11 programmatic eligibility so now that may go away because some of those programmatic  
12 accreditors require that the institutional source of accreditation is recognized but they also  
13 view that as a gate or a hurdle they get over so they can get access ultimately to  
14 certification or professional participation.

15 And then thirdly there are institutions that in any event view accreditation  
16 from a U.S. based accreditor to be something of high value and whether or not we are  
17 recognized by the federal government may or may not be material to them.

18 MR. WU: Thanks that's a very thoughtful answer. Thinking through all  
19 of this I think highlights for all of us the gate-keeping function and how crucial it is and  
20 the tremendous amount of federal funds that flow through this whole process ultimately  
21 we hope for the benefit of students.

22 Let me turn to the past and then to the future. My sense is and I am very

1 roughly paraphrasing here but my sense of your opening statement is your strategy and I  
2 think it is a good one is to say mistakes were made we are going to be better. I see some  
3 nod okay so and I do want to focus on the future but before I get there just a question or a  
4 set of questions about the past because the past is prologue.

5           These are actual questions this is not a rhetorical question. I am just  
6 curious how would you describe because there has been regime change for you, how  
7 would you describe the past? Were the mistakes that were made a result of not having  
8 standards or having low standards or were they a result of spotty, erratic or lax  
9 enforcement of decent standards or another possibility were you systematically duped by  
10 bad actors out there in higher education?

11           How would you describe the past and I would like to offer also not in a  
12 rhetorical sense there has been scathing third party commentary and media commentary.  
13 I actually would invite you to speak to that. You have been very thoughtful and you have  
14 a forum here an opportunity -- it is not a court of law, it is not a criminal trial but if there  
15 is something that you want us to know if so and so said something about you that you  
16 mentioned some of the things are unfounded but if you want to point us to something  
17 concrete and explain how it is deeply unfounded.

18           I would actually be interested in hearing if you have an example  
19 somebody said "X" and you can show us that it is "Y" not "X" at all that would change  
20 my perception.

21           MR. BIEDA: Mr. Wu there's a lot of content in that but let me just start  
22 with one residual question from Ralph Wolff dealing with the Ben Miller report and his

1 interpretation of the college scorecard data as applied to accreditors. So number one and  
2 I don't think this will surprise anybody but I think it is important to get it on the record --  
3 number one in the development of the college score card data or the iteration of that  
4 instrument that came out in November of 2015 there was not to my knowledge any prior  
5 contact with ACICS.

6 I can't speak for the rest of the accreditation community with ACICS  
7 about how that data derived from performance of individual institutions was going to be  
8 aggregated and then rolled up by accreditor and therefore what that would indicate in  
9 terms of a rankings or a rating system nor was there an opportunity for us to weigh in and  
10 say we have some underlying -- notwithstanding the methodology we have some  
11 underlying issues with the quality and accuracy of the underlying data.

12 So those discussions never happened, we were not afforded that  
13 opportunity we simply had to live with the conclusions or the portrayal of the agency by  
14 that data after released on November 5<sup>th</sup>, 2015. I believe since it has been revised at least  
15 once maybe twice.

16 Back in January of this year because of our concern about the way that  
17 was portraying us but even more so we were concerned about the degree to which it had  
18 validity relative to the performance institutions. We, at our expense, hired a data  
19 analytics firm to do the deep dive into the underlying data to critique the reliability of the  
20 data sources and also to give us some perspective on the methodology itself.

21 That information was published in May, provided to the Department and it  
22 does in fact -- and I think it mimics or repeats a lot of the criticisms from other

1 accreditors of the limitations of that data as well as the short-comings of the methodology  
2 used.

3           So to the degree that we have common ground with the Department in  
4 seeking more numeric and quantitative ways to evaluate and assess institutional  
5 performance we would like to continue to work together and develop that capacity.

6 That's why in Dr. Leak's remarks when he is talking about ACICS aspiring to be more  
7 quantitative and more evidence based.

8           There is great interest in doing that, it helps all of us be more effective to  
9 the degree that what has already been published requires us to step back and figure out  
10 how to apply that to our institutions given the data limitations. That is work yet to be  
11 done.

12           I also want to point out that as far as I know among all of the other third  
13 party commenters and again we respect their right to give commentary and invite their  
14 participation in this discussion but to my knowledge not one of them with the exception  
15 of Mr. Miller on one occasion -- not one of them have ever come to ACICS and said we  
16 have questions or issues about your performance or that of your institutions.

17           We would like to sit down and talk to you about these patterns of concern  
18 that we have discerned and figure out and at least ask you how is your accreditation  
19 methodology affecting these either in a positive way or a negative way. Those  
20 discussions have not happened.

21           So we are kind of at a loss at this point to really understand exactly where  
22 the -- what the basis for the concerns are let along have a greater understanding of how

1 we might remedy those concerns which are legitimate concerns through changing our  
2 methods and our procedures.

3 MR. WU: So to follow-up about the past and I would invite you to  
4 consider this actually a friendly question and an opening. How did these things happen  
5 that have happened that have caused distress for many people? If you could just identify  
6 what is the cause of this pattern and you could for example say you were duped by one  
7 bad actor who is really bad. That's a plausible story.

8 MR. BIEDA: Well first I would stipulate because it was a friendly  
9 question that not all of our institutions are perfect or are as effective as they need to be  
10 and on any given day depending on the effectiveness of our review we ascertain and  
11 discover that there are deficiencies and put pressure on them to remedy them.

12 What were the more systemic or patterns that we discerned from the  
13 controversy and the criticism that is currently facing both the sector and ACICS colleges  
14 and schools -- I think three things. Number one as I reiterated in my testimony the  
15 expectations of the Department as it is reflected in the interpretation and application of  
16 the recognition guidelines have changed and I believe have changed substantially.

17 Number two the external dynamics of the marketplace -- what the  
18 workforce development community wants and expects, what students expect in terms of  
19 the educational experience and how those two come together in an effective educational  
20 enterprise. That has changed as well.

21 The third thing that I really want to point out and emphasize because this  
22 is an area that has great fertility for future research and more importantly for our own

1 continuous improvement and that is what is an effective art and science for accrediting  
2 large multi-campus institutions?

3           It's one thing to accredit an institution that is a main and a couple of  
4 branches. It is another thing to accredit an institution that may have one or two mains  
5 and 120 branch campuses and you know at that point that the institution is operating that  
6 way because its business model calls for scale for economies of scale.

7           So certain redundancies that otherwise may be manifested at the  
8 administrative level or even at the academic development level at each local campus have  
9 in fact been rolled up to a main campus or even at a corporate level. To the degree that  
10 our current methods of discernment can figure out the patterns of deficiency based on the  
11 review of a single branch campus they have been effective to the degree that they need to  
12 be improved so that we ask the question -- if we see this particular deficiency at one or  
13 more branch campuses how do we do a better job of figuring out what is in fact the cause  
14 of that deficiency at a main campus or the corporate level? We need to get better in that  
15 regard.

16           MR. HARAZDUK: I think I can say to your question as well, that I think  
17 it was a number of things. I think we can and have done now stronger enforcements, we  
18 have shown the process and have explained it with an adverse institution group where  
19 these issues come up.

20           We are now you know reviewing them we are going and doing further  
21 investigations, we are asking for written comments or we are doing effect visits or we are  
22 doing unannounced visits where we are showing up and we are seeing what the school is

1 doing. We already have implementation of that, we have done 7 specific visits and a  
2 number of those are unannounced.

3 A number have been related to student complaints and other issues with  
4 data integrity so I think -- you know I think further enforcement we are doing that we  
5 have also enhanced our processes as have been said with the data integrity review where  
6 we are now doing 100% attempt of these contacts to make sure that any time we are on  
7 site we are verifying all of these placements and I don't want to speak for the college and  
8 what information they gave but it is certainly possible you know that the information they  
9 were giving us was not correct and that is why we are dedicated to enhancing this process  
10 and verifying the information that we get.

11 MR. LEAK: The only thing that I would add is that the Board and the  
12 Commissioners on the Council are not tone deaf to the -- you know the voluminous  
13 outcry of these third party commenters and so we have directed really a serious look at  
14 how we do things and we are making changes so that we can be the accreditor that you  
15 expect us to be.

16 And we are in the process of making those changes but I want you to see  
17 that we have not been tone deaf and that we are serious about real change.

18 MR. WU: Thanks, you actually have an interesting, potentially persuasive  
19 argument that many of your institutions are structurally different -- they are just a  
20 different size, scale with a corporate structure compared to traditional non-profit -- that's  
21 actually a distinction that you could claim.

22 Let me turn though to the crux of that which is the future. Let me

1 characterize it this way. I have never met any of you, I have no knowledge of you other  
2 than in the past hour you seem smart, honest and credible -- why should we as a group  
3 trust you? That's what you are asking -- you are asking us to make a bet that in 12  
4 months you can turn this thing around and address these issues. You have pointed out  
5 that you have already started but what you are asking is for us to gamble with billions of  
6 dollars of federal money and you are very astute, you are recognizing the past is not a  
7 great record for us to trust you based on.

8           So you are saying you are new people you have new rules, you are  
9 revising you understand the environment and again think of this I say as a friendly  
10 question. What indicia could you point to and you have already pointed to one -- new  
11 people. So new personnel has come in and two -- you have adopted new rules. So that's  
12 pretty good.

13           But what about the enforcement of those rules because it seems that that  
14 may be an area -- actually you have pointed out that you have a new computer algorithm  
15 to try to spot the discrepancies in the data, that's good so you have identified a few. I  
16 invite you to list what are the other concrete initiatives under way that should give this  
17 body confidence that in the next 12 months if you were given 12 months that this would  
18 be taken care of.

19           And in particular I would direct your attention to an issue that caught my  
20 eye in reviewing all of the documents -- conflict of interest issues. Now accreditation is  
21 rife with those throughout. Everyone in higher Ed is connected in some way to some  
22 agency or services, a site visit team member or so and so but your conflict of interest

1 issues look more severe.

2                   How will that be changed -- so the question is in the future how will the  
3 enforcement of the regulations change such that we should recommend let's give them 12  
4 more months?

5                   MR. LEAK: Well I'll start with the Board itself. You know we recognize  
6 that there are potential conflicts of interest in Board members that are appointed to  
7 govern this agency and we have all consistently, if we have identified those we have dealt  
8 with them, but that is not enough.

9                   You know we need and we did take steps to establish an Ethics Review  
10 Board so that any question that comes up with a conflict we have a third party that looks  
11 at that, not us looking at it. We have a third party independent --

12                   MR. WU: Who is the third party?

13                   MR. LEAK: I'm sorry it's our Ethics Review Board meaning that they are  
14 made up the majority are people that aren't affiliated with any of the institutions that we  
15 accredit, never have been and they are totally independent public members and so we are  
16 taking steps to govern ourselves in that regard so that if there are members of the  
17 governing body that have any potential conflict that is addressed and taken outside of the  
18 you know the Council's decision-making and left to this independent group that you  
19 know we have put in place to settle those conflicts.

20                   MR. BIEDA: So I think it's a reasonable question both on the ethical  
21 considerations and also what evidence to fortify what we have already presented that we  
22 are worthy of your trust to complete the revamping, the fortification of this organization

1 in the next 12 month.

2           We also mentioned the formation of course the Special Advisory  
3 Committee that has the full authority -- I can certainly provide a copy of the executive  
4 order and Dr. Leak could probably recite it from heart but it clearly says their authority is  
5 to recommend to the Board of Directors every aspect of the organization, including  
6 governance, composition and structure of governance including the sufficiency of our  
7 standards including the dimensions of the way we operate and apply those standards  
8 through methodical and recurring protocols, including data, integrity, verification and  
9 including the efficiency of the training of our Commissioners, of our evaluators, of our  
10 staff and anybody else that is involved with developing the accreditation record.

11           So that is the second area and it will not bear fruit immediately but it will  
12 take a little bit of time to put that group together, get them going and then develop  
13 recommendations for the Council to encounter.

14           MR. LEAK: And we are committed to making those recommendations  
15 from the special advisory group public so that everyone knows what they have found so  
16 that it is clear.

17           MR. HARAZDUK: I think the other part of your question about what can  
18 we show that has changed to prove that we are doing it. We have evidence now we have  
19 already implemented these things. They have been implemented for a number of months  
20 now so we have data, we have evidence that we can provide to the Committee to show  
21 that we are doing the things that we said with the call for comment.

22           So I think we recognized some of the weaknesses where we weren't

1 finding information and getting enough information and are now acting upon that with a  
2 call for comment for students, faculty and administrators. As I said we have had 4,000  
3 comments already come in for that. We have an at-risk institution group that has already  
4 done a number of special visits that is certainly going to continue. I'm somebody that  
5 works in the weeds of these things so I can tell you having done those visits and having  
6 seen those institutions and gone out and written those reports I will continue to do.

7           And the data integrity review we have already made over 3,000 calls to  
8 students to verify placement so we have the resources and we are implementing these  
9 things already so.

10           MR. WU: That's all I have.

11           MS. PHILLIPS: Moving to questions for the Agency by Committee  
12 members I have Cam, Simon, Art, Jill and Bobbie so far.

13           MR. STAPLES: Thank you Susan. I'd like to ask you questions about the  
14 letter from the Attorney's General that we received and that you have received I'm sure.  
15 I think you would agree it is a pretty devastating reflection of a lack of confidence and  
16 trust in your agency by significant public officials.

17           And the concern that I want to pursue in the letter is around your response  
18 to litigation, legal actions, anything in the public view that raises concerns about the  
19 conduct of the institutions you accredit. And as you know in the letter there are several  
20 references to instances where the Attorney's General claims you did not take any action  
21 with respect to the institutions that were subject to their litigation or the case of some  
22 investigations by the AG's office.

1           And I guess I have also read the correspondence from the institutions or  
2 the entities named in the letter and one of the things I want to understand from you is  
3 what do you consider to be an appropriate trigger for you to conduct an investigation into  
4 a school that you accredit based on any sort of public information or whether it is  
5 settlement or pending litigation.

6           What in your mind triggers your responsibility independent of the entities  
7 that are pursuing their own investigations?

8           MR. BIEDA: Thank you I am going to let my colleague Ian respond to  
9 that because I think it is more responsive to talk about what we are doing now.

10          MR. HARAZDUK: So we have an at-risk institution group that looks at a  
11 number of factors. What you are saying is what we typically would refer to as adverse  
12 information so information from a third party and an oversight agency that we didn't get  
13 from someone specific not from a faculty or student or administrator.

14          We would consider those complaints that we would review so we certainly  
15 take those into account, we have our at-risk institution group have now done  
16 investigations visits, unannounced visits based on that information whether it be from an  
17 oversight agency or a media report.

18          We really do review all of these and where there are issues with our  
19 standards I mean obviously we have to determine whether the institution is meeting our  
20 standards or not and as it has been mentioned I mean I think our standards are strong and  
21 that has been mentioned and we have updated those where needed.

22          So we have other time where we would look at it or other factors that are a

1 part of that aside from just adverse I mean if there is poor student achievement indicators  
2 that could be a reason, if there is poor financial stability, if there is excessive growth at an  
3 institution or extensive changes happening at an institution -- all of these we have about 8  
4 I don't know if I named them all right now, factors of what we look at at this at-risk  
5 institution group and then that group makes a determination of an investigatory action  
6 that takes place to put information and findings and we already have as I said 7 of those  
7 with an average of 10 findings per campus that will go before the Council in August to  
8 make a decision on whether that institution is worth of accreditation.

9                   So we will obviously get the responses back from the institution on those  
10 findings.

11                   MR. STAPLES: And the letter from the Attorney's General claims you  
12 have taken no action in response to some fairly significant issues such as the 100 million  
13 dollar settlement in one particular case and the letter from the company that settled said  
14 there is no admission of wrong-doing or finding of wrong-doing. Do you consider that to  
15 be that sort of resolution of the case to be sufficient enough not to conduct your own  
16 investigation?

17                   MR. HARAZDUK: Not with this at-risk institution group. I mean if there  
18 is any sense that the institution may not be meeting our standards certainly something as  
19 serious as that we will do our own investigation. So we obviously can't take an action  
20 just based on what another entity that is not -- you know stating our standards has said  
21 explicitly, but we will do a review and have done reviews of those institutions and will  
22 make determinations on whether there are findings and have made determinations thus

1 far on findings of those.

2 MR. STAPLES: So I guess I just want to ask you is this letter inaccurate?  
3 Have you actually taken -- I mean this says that there has been no action taken in about 3  
4 particular instances. As I mentioned there are letters of explanation that I don't find to be  
5 sufficient from your perspective.

6 I understand that the institutions are saying we settled no claim of  
7 wrongdoing, don't blame us, don't blame our accreditor but that is not really relevant to a  
8 review of your standards and whether the conduct that came to light whether it was  
9 fraudulent or not or whether the claims were -- that's not necessarily relevant to where  
10 they are violating your standards.

11 So I guess what I am trying to understand is they are claiming pretty  
12 strongly that you have taken no enforcement action in several instances and that's why  
13 they have no confidence in you and that is why they are recommending that we not  
14 continue your recognition. So I guess I would like a more specific response to those  
15 claims.

16 MR. BIEDA: So the -- I think as I mentioned earlier from the first  
17 Attorney General investigation that we became aware of. Sometimes we were informed  
18 of those by the Attorney General, sometimes we were informed of those by the school,  
19 sometimes we learned about those from the media.

20 So from the beginning those schools were subject to heightened  
21 monitoring at least three times a year to update us on what information they had  
22 provided, what was the basis for the claim and all of that information was provided to our

1 Council so that they could take that into consideration regarding any other accrediting  
2 action -- accreditation decision that was pending. That happened in many of these cases  
3 for numerous years while the court cases played out, why there was additional legal  
4 procedure.

5 In no case did we have outreach from the Attorney General that said that  
6 based on our investigation here is evidence that is the basis for our claim that there has  
7 been some violation of for example a state consumer protection statute and ACICS you  
8 should take this into consideration.

9 We are sharing it with you so you can take it into consideration regarding  
10 the accreditation worthiness of the institution -- that did not happen. And I'm not sure  
11 that we would have had access to that information because in most cases the information  
12 that was requested for those investigations was information that we already had in hand  
13 which was namely the accreditation record of those institutions that we provided to the  
14 Attorney's General.

15 There was nothing coming back to us that said that now that we have done  
16 our own investigation ACICS here's some additional things you should consider. I just  
17 want to be clear that those exchanges of information never occurred.

18 MR. STAPLES: But absent that -- I mean absent them sending you a nice  
19 neat file of documenting what they found didn't you feel an independent obligation to  
20 make your own investigation? Here is a settlement for 39 states Attorney's General  
21 resulting in 100 million dollar settlement -- I would be very curious if I was in your shoes  
22 as to what was underneath that agreement to the extent that you could find that out.

1                   But I think -- I guess I'm just asking there is certainly concern that you are  
2 not taking action even after the conclusion of their investigation. I'm wondering when do  
3 you think it is appropriate for you to do your own investigation around violations of your  
4 standards?

5                   MR. HARAZDUK: Well I can say with respect certainly to the Attorney  
6 General's report that was certainly information from the past. We have taken action  
7 since then and had taken action at the April meeting for one of those institutions and put  
8 that institution on show case that's a matter of public record.

9                   And I can definitively say we are not waiting for you know a matter of this  
10 to be resolved in the court before we take our own investigation action. It will be a  
11 matter of that investigation and the information that we find based on our own resources  
12 and our own tools to determine whether the institution you know is meeting our standards  
13 or not.

14                   We will obviously take into account other information and are happy to  
15 work with those oversight partners to hear that information but particularly for the at-risk  
16 institution group we are making sure that we are doing our own investigation to see if we  
17 can find or that we find these you know instances of not meeting our accreditation  
18 standards.

19                   MR. STAPLES: In your earlier discussion about your expanding your list  
20 of partners based on your historical experiences and I was led to believe and I might be  
21 mistaken that you didn't consider your Attorney's General to be your partners prior to  
22 this that you were looking perhaps at other state agencies to other actors, is that a fair

1 statement or is that did I misunderstand you?

2 MR. BIEDA: No that's true. I think based on our experience we have had  
3 to expand the definition of our oversight partners to include state Attorney's General who  
4 we really had prior to the last couple of years absolutely no contact with. As you  
5 probably know every state has its own state approval authority or organization and those  
6 state approval authorities are considered a part of the triad and in every case those state  
7 approval authorities get their legal representation from the state Attorney General's  
8 office.

9 So our assumption is if there was to paraphrase some of the criticism if  
10 there was smoke the fire would have been discernable through interactions or discourse  
11 with the state approval authorities, those are the folks like us that are boots on the ground  
12 that visit the campuses, that interact on the basis of new programs, new campuses, other  
13 substantive changes and also have to process student complaints, employee complaints,  
14 community complaints.

15 There was not an alignment of those two sources of information in any  
16 case that I am aware of. So now rather than waiting to see if the primary source of  
17 information is from the state approval authority we have expanded to include state  
18 Attorney's General.

19 I want to make sure that there is clarify that this is not meant to be a  
20 perspective hypothetical -- we have made formal outreach in the last 6 months to the  
21 various state Attorney General's organizations to open a dialogue about how we can be  
22 more effective in our communications about institutions that are exhibiting some of these

1 risk factors.

2                   Those conversations have not borne fruit yet but they are open to that  
3 dialogue. We want to learn more about what are the more problematic aspects of state  
4 consumer protection law that they are investigating relative to career colleges and schools  
5 so that we can also be more aware of when we do a site visit or we review through the at-  
6 risk group what are the specific factors.

7                   What do their findings or allegations mean? That is work yet to be done.

8                   MR. LEAK: I also would like to add that in addition to those groups that  
9 we are reaching out to and as I mentioned in my opening remarks we have a number of  
10 schools that have these enrollments and we are now reaching out to officials at  
11 Immigration and Customs so that we can better understand what are the risk factors they  
12 look for.

13                   And we want to incorporate those risk factors in our thinking as we  
14 monitor those institutions.

15                   MR. HARAZDUK: I can also speak specifically as Tony mentioned with  
16 state approval agencies we have been in close contact with them you know we are  
17 reaching out to them we have always contacted them and asked for their participation and  
18 involvement in the process and with this at-risk institution group in at least one case we  
19 have done a site visit in conjunction with them to make sure that both oversight agencies  
20 are reviewing this information and you know agreeing or understanding each other's  
21 standards and agreeing with one another.

22                   MS. PHILLIPS: Just a reminder to all we will have an opportunity to

1 interact with the Agency again after the third party commenters so I am going to move  
2 along in our agenda. I have Simon next and on my list here thereafter is Art, Jill, Bobbie,  
3 Kathleen and Ralph.

4 MR. BOEHME: Thank you Madame Chair and thank you for your  
5 presentation. I have learned a great deal but as is often the case where with NACIQI  
6 meetings I am not pleased. I am not happy. I think for those of you who do come to  
7 NACIQI meetings and I am going to sound a little redundant in front of my colleagues  
8 but accreditation and this lethargic process and this lack of urgency from what I see in  
9 your presentation I think ACICS embodies that.

10 And as you said that the real issue today we believe is the issue of whether  
11 we can come into compliance within one year. I think the real issue today is confronting  
12 some mistakes that you have made, owning up to that and then also looking towards the  
13 future which ultimately my question will hopefully address that future, but I think first  
14 we have to glean and look into the past.

15 And I think I am following from Cam's question, is we have to look at  
16 what's happened in the past. The ITT failing fiscal responsibility test and documents you  
17 submitted to NACIQI it showed that you knew about the problems back in 2014 and that  
18 document was the business notes, the fast train using strippers for recruiting as was  
19 raided by the FBI and the school shut down, the Michigan Jewish Institute, my home  
20 state.

21 The Department of Education outlined more than 2,000 cases where PELL  
22 grant funds were sent to the school to pay for students who were in Israel studying and

1 never took one class and that is by the Detroit Free Press. And I could go on about  
2 Corinthian, but I really want to dig deep into Northwest Polytechnic University and there  
3 was a pretty damning Buzz Feed article about that which many people may not know  
4 about this school but I went on your website and I typed in Northwest Polytechnic and  
5 there it is it is accredited until 2018 so if I was a potential student it has your brand on it,  
6 6,000 students 99% of them are from overseas and there is no full-time faculty.

7           Buzz Feed discovered that they actually hired a fake librarian when  
8 ACICS went to review on their site visit. I'm not done -- this you know a fake librarian,  
9 there are no full-time faculty and when ACICS did not impose any sanctions on the  
10 university allowing it to maintain its full accreditation and this was the statement that you  
11 guys had released.

12           “Deeply troubled by the serious allegations confronting NPU and it takes  
13 quality assurance of its accredited institution seriously and will condition or withdraw  
14 accreditation from schools that fail to comply with Council standards or with local, state  
15 or federal laws.” That was your response to Buzz Feed.

16           And the icing on the cake was the faculty member from that university  
17 was due to speak at your conference I believe it already happened in Fort Worth, Texas  
18 on May 11<sup>th</sup> through the 13<sup>th</sup> and that faculty member withdrew from the conference after  
19 these allegations came about.

20           And I guess when I hear the response from Cam's or my colleague's  
21 question which he is absolutely right is at what point do accreditors start to take action?  
22 And this is where I really struggle with accreditation because we are moving into the 21<sup>st</sup>

1 Century where competition is increasing, where students have new needs you know --  
2 there is so much going on crushing that load.

3 This is why I was in favor of the actions taken against ABA yesterday is  
4 that we have to start addressing the needs of students and ACICS is not living up to that  
5 challenge and so I guess while I acknowledge this adverse action group but it just sounds  
6 like you are creating a committee, frankly and you are going to come back in another five  
7 years and we are going to have similar issues and I am tired of having this rubber stamp  
8 where people accreditors and I am not doing this to you.

9 If you are a follower of NACIQI I beat up on many other accreditors and  
10 because we have to start putting students first and the consumers first. And so I am  
11 encouraging the Committee to really think deeply about you know are we going to  
12 continue the cycle where we give everyone 12 months to figure it out?

13 And I think you guys are great people I like this action plan but we dig  
14 into the past about what's happened I need to hear more than you are creating a  
15 committee, you are going to potentially look to the New York Times and the Wall Street  
16 Journal and the Washington Post to address these kinds of things.

17 And I think my question piggy-backs off Cam of how many problems  
18 does it take for ACICS to kick off some sort of internal investigation? Because it is  
19 reported in your business notes which you submitted to NACIQI that you are aware of  
20 these issues but nothing seems to happen and we cannot be the best higher education  
21 system when accreditors are doing nothing.

22 And so I am worried, I am not happy and I am sure you guys are eager to

1 answer my question about that but I think essentially I want to push Cam's question even  
2 further and I'm not convinced to your response to him. When is action going to be  
3 taken?

4 MR. BIEDA: So I will let my colleague Ian respond to that in detail but to  
5 answer your broader question our tolerance for those kinds of activities or allegations has  
6 gotten very, very low. We have to be more sensitive, we have to be more responsive we  
7 get that, that's very important. Ian would you like to talk more in detail?

8 MR. HARAZDUK: Sure and I am happy to speak in depth, very in depth  
9 about Northwestern Polytechnic University. The reason we gave the answer that we gave  
10 to Buzz Feed is because we were working on an investigatory action that took place --  
11 that has now taken place since so one of that adverse institution group visits that I  
12 mentioned was an unannounced visit to that institution.

13 We looked into that institution we had 7 findings that have come from that  
14 -- some of them corroborated the information that was given so we not only had that  
15 media article we also had information of a complaint specifically that came to us in late  
16 May of 2016 this year and within three weeks or so we were at the campus reviewing it,  
17 have a report prepared and being sent to the institution for a response that has you know  
18 serious concerns that will require a response.

19 Obviously it is a pending current process so we can't say what action will  
20 be taking place but it will be before the August meeting and you know that report has  
21 been prepared and will be sent so I will be happy to answer any other specific questions  
22 you have certainly about that institution I am very familiar with it.

1                   MR. BOEHME: But my question was how many problems moving  
2 forward because I acknowledge I think you have a plan, I don't know if I agree with it  
3 but you have to convince me and you are not convincing me yet and I don't know maybe  
4 I'm just the stubborn goat on the Committee and I probably am.

5                   How many problems does it take you know -- when does this Committee  
6 get activated and I know and maybe it's great that Northwest Polytechnic -- the only  
7 thing comparable to that is Trump University and it is accredited by you and that is --  
8 that's a scam.

9                   I mean it is to some extent a diploma mill, Northwest Polytechnic.

10                  MR. HARAZUK: But have you visited that school?

11                  MR. BOEHME: No but I would love to go.

12                  MR. HARAZUK: I have.

13                  MR. BOEHME: I'd love to go.

14                  MR. HARAZUK: So go.

15                  MR. BOEHME: So I think again how we move forward is that action  
16 needs to be taken and I am not convinced that from looking at your past practices that  
17 you guys can keep up with the demands.

18                  MR. HARAZUK: And just to answer your question directly and then I  
19 will let Tony. It will take one issue we have proven that, we have information it can take  
20 just one adverse information report, one complaint from a student, we have a number of  
21 those visits that came from one complaint from a student that we will go and investigate  
22 as part of an interim review of the institution.

1                   So we are not going to wait until you know the institution expires as it  
2 does in 2018, we will go do an interim review that could be unannounced that could be  
3 limited announced. The at-risk committee has already you know provided action will  
4 continue and if given the chance we are happy and willing to give evidence of over the  
5 next 12 months what results have been produced from that committee.

6                   MR. BIEDA: And just for the record we do not accredit Trump  
7 University.

8                   MS. PHILLIPS: Thank you. I have Art –

9                   MR. BOEHME: Wait, wait I did not say that you accredited Trump  
10 University. Let me be very clear I am equating Northwestern Polytechnic University as a  
11 diploma mill and I think the Buzz Feed article and I would encourage everyone here to  
12 read that report, because what that reporter discovered should not be happening in the  
13 United States.

14                   And why I brought up Trump University is because and obviously there is  
15 all sorts of politically charged statements when it comes to that, but in essence that is also  
16 a diploma mill and we have to start taking actions to prevent these in what I would call a  
17 scam university.

18                   MS. PHILLIPS: Moving on I have Art, Jill, Bobbie, Kathleen and Ralph  
19 so far.

20                   MR. KEISER: Mr. Bieda I have a couple of questions but the first is a  
21 comment and I promise I won't be as long as Simon. I have been doing this for 38 years  
22 -- 40 years and 38 years ago you applied for accreditation. The first thing I learned is that

1 you don't tell them what you will do -- you tell them what you have done.

2           And you are judged on what you have done and what they can see the  
3 evidence of and I hear a lot of what will be done and that's a big issue here and it is a  
4 concern. One of the issues that were brought up where you did not meet the standards  
5 was an administrative capability and the staff mentioned that you had replaced Albert  
6 Gray. I am happy to see how effective you have been able to communicate with us but  
7 does and the concerns that have been continued echo -- does ACICS have the  
8 administrative capability to engage and it's your issues not our issues necessarily because  
9 there are more issues brought up -- ethics committees which is not required, all kinds of  
10 stuff that you are talking about.

11           The broad base change in culture, broad base change in processes -- can  
12 you do that? Do you have the administrative, financial capability to accomplish this  
13 task?

14           MR. BIEDA: Yes I believe we do and I believe it is not a matter of  
15 perspective. The Council has taken action not all of those actions have borne fruit yet but  
16 it has already taken action including a change in executive leadership, including the  
17 development and publication and enforcement of new standards including the  
18 appointment of the Advisory Committee that has the authority to bring back  
19 recommendations they get to the depth of how to strengthen and enhance the  
20 organization.

21           MR. KEISER: Now Mr. Porcelli mentioned that you may or may not  
22 have gone before the membership because many of the standard changes require

1 membership approval -- has that occurred?

2 MR. LEAK: That has occurred. The Board met in May and actually we  
3 adopted the changes at our April meeting. Put those changes out for public comment, the  
4 public comment was received and the Board met in May to adopt those and so they are  
5 effective July 1<sup>st</sup>.

6 MR. KEISER: The other issue that the group had was a financial  
7 capability especially in light of decreasing the membership. I looked at your financials I  
8 did not have that concern but may you can you know you have like 14 million dollars in  
9 reserves and could you explain what was the concern or how you responded to the  
10 concern that with declining membership you would have an economic challenge of being  
11 able to continue forward?

12 MR. BIEDA: Yes the staff analysis regarding administrative capacity of  
13 ACICS including its financial capacity was an interesting finding and it was interesting  
14 because it puts us I believe in an unenviable position where there is in some case  
15 acknowledgement by the staff that because the Council has made more rigorous its  
16 standards and has put in place processes to enforce those standards more rigorously it is  
17 also likely to be -- to see a decline in membership or confront more litigation or push  
18 back that would also exhaust those resources.

19 All I can tell you is I think that is a hypothetical situation that for which  
20 the Board is reasonably prepared but if goes to an extreme level I am not sure any  
21 accrediting body could prepare for that hypothetical. We do have sufficient reserves to  
22 sustain our operations at a level of more than a year's worth of operating costs and we

1 also have sufficient liability insurance including that which would cover legal costs for  
2 those other outcomes.

3 Is it -- could it be ultimately exhausted in a worst case scenario? Yes.

4 MR. KEISER: The third area Frank brought up was the issue of conflict  
5 of interest. In reading the staff report the conflict of interest was focused on your IRC  
6 which is an Intermediate Review Committee, what is that and where does that fit in the  
7 place?

8 It doesn't have to do with your Board and you will tell me how many  
9 public members you have and all of that but what is an IRC and why were you able not to  
10 get an appropriate attestation letter done at the time of the first review and then the  
11 second review?

12 MR. HARAZDUK: The Intermediate Review Committee is a committee  
13 that meets after a visit has taken place. It reviews the team reports and responses that  
14 come from institutions and provides a recommendation to the Council where by the  
15 Council would make an action based on that. We did provide sample conflict of interest  
16 documents for the next upcoming IOC which for us meets in July so we have participants  
17 which are experienced evaluators that work on that committee that have already provided  
18 conflict of interest.

19 Also our process before was when an individual became an evaluator we  
20 had them sign a conflict of interest document and we did an attestation. We did training  
21 based on conflict of interest each time the IRC Committee met so we didn't ask for a  
22 specific conflict of interest every time IRC met because we already have the evaluator

1 one on file.

2                   However, obviously moving forward we have already provided evidence  
3 that we will be doing that now and we will obviously continue to do that.

4                   MR. KEISER: Well again as professional process makers which you are  
5 it is really important that you be able to respond exactly to the response of the staff.

6                   The final issue I have is again a concern Simon had but in a difference  
7 sense. How many and you have done analysis of at-risk schools, how many institutions  
8 do you have categorized today as at-risk?

9                   MR. HARAZDUK: I don't have a specific number. I mean we have up to  
10 30 you know schools that have information either from adverse information or  
11 complaints or other issues that are considered at risk so.

12                   MR. KEISER: And is that 30 institutions or 30 campuses?

13                   MR. HARAZDUK: 30 campuses.

14                   MR. KEISER: So you do it so a Corinthian would be one of the 30?

15                   MR. HARAZDUK: Well Corinthian --

16                   MR. KEISER: Oh I know I understand but let's say ITT which is still  
17 accredited is that one institution or each campus is separately accredited?

18                   MR. KEISER: It would be 130 campuses because it is technically 2  
19 Institutions, they have two main campuses for us.

20                   MR. KEISER: So of the 30 complaints or the 30 at-risk --

21                   MR. HARAZDUK: That's 30 different institutions.

22                   MR. KEISER: But numbers of accredited institutions would be much

1 greater than that be closer to 200 - 300? Is that accurate? How many failed grants or  
2 probationary letters over the last well just even the last two years has the Commission  
3 offered where they have taken a negative action that is reported to the feds?

4 MR. BIEDA: I don't know about the last two years, would you go for the  
5 last five -- that was the data we provided.

6 So we looked at 2012 to 2016 and some of this was preparation to answers  
7 from the request from NACIQI that was in the federal register. In terms of adverse  
8 actions in that time frame 2012 to June 2016 this Council issued 40 show cause  
9 directives, 11 student achievement show cause directives in addition to the 40 that were  
10 for other reasons, 35 show cause directives that were related to financial issues, lack of  
11 financial capacity, 7 show cause directives that were based on adverse information such  
12 as those derived such as complaints and adverse information.

13 Applied probation to 15 campuses, withdrew by suspension 7 grants of  
14 accreditation and in 4 cases denied accreditation for a new applicant. So in aggregate  
15 whatever those numbers add up to that was the data that we were able to provide.

16 MR. KEISER: Of the failed grants how many have withstood appeal and  
17 have not been litigated?

18 MR. BIEDA: I'm not aware that any of them have been litigated. I  
19 believe the litigation has been on the denial of renewal grants not on initials but of those  
20 denials of renewal grants we have had at least one of recent vintage and probably have a  
21 second one that is pending that in fact do reflect that when the Council is emphatic in its  
22 request or its demand that an institution perform or face adverse action it recognizes that

1 those actions will likely be unchallenged through the legal process.

2 MS. PHILLIPS: Thank you I have Jill.

3 MS. DERBY: Thank you and thank you for being here to answer our  
4 questions. I am going to move away from a granular level because I feel like my  
5 colleagues Frank and Ralph and Cam and Arthur and Simon et cetera have asked very  
6 probing questions and drilled down so I am going to move up to a 30,000 foot level and  
7 ask you a broad question.

8 Understanding that as Frank mentioned trust is critical and when I think of  
9 trust track record weighs in more than promises but my question is this, it is hard to avoid  
10 a summation of too little too late. And maybe not too little because the reforms you are  
11 laying out sound to me unrigorous, but too late is way too late.

12 I heard one of you say that you are not tone deaf to the voluminous outcry  
13 that certainly all of us have heard but I am left with why did it take that? Why has it  
14 really been we are here in April that's only 2 months ago where there was a lot going on  
15 in the months and year that preceded it, that's my general question?

16 MR. BIEDA: So I would like to take a stab at that one. I think there was  
17 a confluence of concerns over the last couple of years some of them derived from  
18 external forces, some derived from the changes in the sector itself and changes in the  
19 economy and also a recognition that just because we have always done things that way  
20 wasn't going to be good enough anymore.

21 And it just took the confluence of those things earlier this year, both when  
22 we encountered discussions with the analyst in April and subsequent to that that

1 catalyzed that initiative for change. A lot of these things have been building but suddenly  
2 there was manifest a much more pronounced sense of urgency.

3 MR. HARAZDUK: If I can respond real quickly too. I'm only in the  
4 weeds so I can give you an in the weeds answer that you asked for a 30,000 foot answer.  
5 I think one of the things and I think it was mentioned when questioning the Department  
6 staff was that accreditation had been a program improvement model and I think that is  
7 accurate and I think we were in that context for a long time and I think we understand the  
8 changes now and understand that there is a compliance and you know reviewing  
9 institutions and enforcing actions is certainly something important.

10 Whenever we found an issue we always wanted to -- while we did work  
11 with the school to make sure that they can improve that process that was something that  
12 we had done. We understand you know that there's -- that accreditation and certainly the  
13 Department's view and perhaps this body's view is focused on enforcement and as I have  
14 said and continue to say I think we are there and will continue to be there.

15 MR. LEAK: And I think from a 30,000 foot level the Board has met more  
16 this year than it has in my experience and it is important that we as Board members  
17 become more engaged with leadership and the staff to provide our direction to what  
18 needs to occur to bring about the changes that we have put in place.

19 And to that regard we as an Executive Committee have met weekly with  
20 our executive in charge so that we are more in touch with what is going on with our  
21 Board and that is in my view very useful and has made at least under you know, in the  
22 year that I have been Chair a very important difference in our action and interest in what

1 is going on with our agency.

2 MS. DERBY: If I could just make a few comments from your comments.  
3 And that is certainly a failure of Board engagement and attention is one of the failures  
4 that happened in your past and part of that track record and I am glad to hear that there  
5 has been a change there.

6 The other thing we understand that the program improvement model is the  
7 traditional one that has been in place for so long but I have to say that many other  
8 agencies have figured out what their responsibilities are way ahead of you all and again  
9 late to come to the game.

10 MS. PHILLIPS: Thank you I have Bobbie.

11 MR. DERLIN: I'm almost embarrassed after that great 30,000 foot view  
12 to return to the weeds. But I have some specific questions related. First to reviewer or  
13 your evaluator training -- I would be interested in knowing how many reviewers you have  
14 to train, how many have been trained as of today and how you will complete the training  
15 of your reviewers?

16 MR. HARAZDUK: Sure so we -- we are currently in the process of  
17 vetting through our evaluators and re-vetting and re-training. We had upwards of 1500  
18 volunteer evaluators we have now have that down to 1100 based on information and  
19 updated information that we received. We have an updated training program that is  
20 going to be based on the new policies and new standards that have been discussed so the  
21 data integrity review process, the placement verification process moving forward, the at-  
22 risk institution group as well as the new standards that will be effective in July with

1 remissions in recruitment and other data integrity policies.

2                   So we have a program that will be put in place based on those new  
3 standards and these new processes.

4                   MS. DERLIN: And when will the training of the 1100 evaluators actually  
5 begin?

6                   MR. HARAZDUK: It has already begun and it will be begin before our  
7 next review cycle which is in the fall in September and October.

8                   MS. DERLIN: Right, right so how is the training being accomplished? I  
9 know you had your annual meeting recently I am assuming there was some sort of group  
10 grope for evaluators to learn about new things but tell me a bit more about the specific  
11 delivery of the training to the evaluators?

12                   MR. HARAZDUK: Currently it happens mainly through webinar, there  
13 are self-assessment and a review of our standards and policies and then a live webinar  
14 that happens with any evaluator. We have also provided already documentation and  
15 information that slides the evaluators and what we are going to do is have you know life  
16 training -- webinar training based on that so that the evaluators could get that  
17 information.

18                   We will also supplement that with documentation to all of the evaluators.

19                   MR. BIEDA: I just want to augment that -- the numbers can be daunting.  
20 The number of evaluators that we typically deploy in a given travel cycle is more like 150  
21 to 200 so it is those that will be deployed for this fall cycle that will get the most  
22 immediate and direct re-training and then as we can we will add other evaluators until we

1 expand it to the full pool.

2 But in the given cycle we are not using 1100 evaluators, we are using a  
3 much smaller pool.

4 MS. DERLIN: Thank you for that information and you obviously have  
5 already developed a sense of team because from Ian to you -- you have taken me to a  
6 transition to my next area of inquiry. I know you have about 50 or 60 visits, just regular  
7 visits scheduled in your fall schedule and I am wondering have those team assignments  
8 already been made. Are those visits scheduled or is that a bit ambiguous given the  
9 situation that we are all in today?

10 MR. HARAZDUK: Well we haven't changed anything with our process.  
11 We are finishing up our spring cycle which will be over at the end of this month and then  
12 we will start our fall review cycle. We start working on that and start planning on that  
13 and that will happen in the next couple of weeks and months when we schedule those  
14 visits, we find evaluators to go on those visits so nothing has changed in that respect with  
15 the upcoming fall cycle.

16 MR. BIEDA: But to your point there is concern by our institutions based  
17 on the staff recommendation that came out a week and a half ago about a denial. About  
18 to what degree will it be business as usual with ACICS and for what length of time and  
19 simply all that we can tell them is it is a week until we process and as we know changes  
20 in our status that will be communicated.

21 But even for those institutions that are up in the fall cycle if we were to in  
22 fact be denied and have to just start that 18 month clock they would want to have a

1 current grant of accreditation from ACICS anyway so that they can more effectively  
2 make a transition to a different accrediting body.

3 MS. DERLIN: Thank you for that clarification and I presumed that there  
4 is the challenge of addressing the particulars of the situation along with business as usual  
5 in terms of the activities of your agency so I did understand that component but I  
6 appreciate the clarification.

7 And then the last thing I would ask and this goes back to some inquiries  
8 others have made previously but I am not certain I am quite understanding -- you have an  
9 at-risk group, that at-risk group has completed 7 special visits. Those visits will be  
10 finalized and the outcomes of the visits will be known in the next month or so when the  
11 Board meets and the interim committee has a chance to make its review.

12 Is the at-risk group also -- well I guess I think the at-risk group is also  
13 meeting. They have identified about 30 institutions which represents may more  
14 campuses so what I am trying to get my brain around is how many additional special  
15 visits -- do you have any sense for how many of those additional special visits are also  
16 going to be coming at you in the fall?

17 MR. HARAZDUK: I can't give you a specific number and it could  
18 change with new information that comes. I would say that all those 30 that are at-risk  
19 institutions in some cases where we will find responses and we will review those  
20 responses to determine whether further review is needed including a visit.

21 So not in every case will a visit occur depending what the information we  
22 receive are but I can certainly tell you that in the fall cycle there will be additional visits

1 but to give you the number I can't do it right now.

2 MS. DERLIN: And then last but not least just help me understand how do  
3 you handle the situation of multi-campus institutions? So if I am an institution with  
4 multiple campuses and I am selected for a special visit in the fall is that for my multiple  
5 campuses and do you visit the corporate office or do you go to all of the campuses? Just  
6 give me a little bird's eye view of that, not quite 30,000 feet that bird's eye.

7 MR. HARAZDUK: I can't get up that high so. No I have felt like it since  
8 I have been on planes all cycle. We could do both you know for multi -- in cases of  
9 complaints it usually stems from a specific campus and obviously that campus would be  
10 at risk and that would be the campus that we would want to see exactly what is going on.  
11 When we have the information that comes in we identify what the issues are related to  
12 our standards and we always look at the overall performance and effectiveness of the  
13 institution but we obviously hone down on certain concerns that have been expressed to  
14 us either through a complaint or adverse information or if it is an issue of financial  
15 stability we will certainly conduct a review to determine that they have you know,  
16 sufficient financial resources on site to make sure that the campus is viable.

17 MS. DERLIN: Thank you very much.

18 MS. PHILLIPS: I have Kathleen, Ralph and Paul if that is the conclusion  
19 of the initial queries for the regency I will plan to break after Paul again who seems to be  
20 always getting that opportunity, sorry, so Kathleen?

21 MS. ALIOTO: Mr. Bieda thanks to the three of you for your presentation.  
22 Mr. Bieda you have indicated that you have concerns with the Department's score card.

1 Do you disagree with any of their figures of approximately 336,000 students that you are  
2 the gate-keeper for 336,000 students and 4.76 billion dollars in Title 4 money?

3 MR. BIEDA: Ma'am I have not had a chance to review that information.  
4 I have no reason to believe it is inaccurate but I don't have an authoritative review of the  
5 source of their data to be able to say is it low, is it high or something else so I am going to  
6 defer.

7 MS. ALIOTO: Well I assume that the data perhaps we can get a  
8 clarification -- I assume that the data comes from the amount of taxpayer dollars that  
9 have been sent to the 245 institutions at 674 locations I assume that is what it is.  
10 Is that correct?

11 MS. HONG: That's correct. This figure -- these numbers are from our  
12 Office of Federal Student Aid and that number actually only includes a degree-seeking  
13 undergraduate so the figures are actually larger when you include the Department  
14 certificate-seeking students and graduate pardon me.

15 MS. ALIOTO: So if you were going to add the diploma-seeking students  
16 that you are overseeing do you have figures on that?

17 MR. BIEDA: I have not seen those figures ma'am no.

18 MS. ALIOTO: Well I am kind of curious as accreditors that you would  
19 not have control of those kinds of figures when we are talking about billions of taxpayer  
20 dollars which makes me and I assume other colleagues wonder about the in depth  
21 analysis that you actually do have of the institution that you are now running?

22 MR. BIEDA: I would just stipulate that we -- our institutions currently

1 enroll in aggregate close to 800,000 students. Some high percentages of those students  
2 also participate in Title 4 PELL grants and federal student subsidized loans. The exact  
3 magnitude of that I'm sorry I just don't have that number.

4 MS. ALIOTO: As Dr. Keiser and Dr. LeBlanc have both indicated the  
5 past is a prologue to the future and the past for me coming from San Francisco involves  
6 Corinthian and Heald College and thousands of students. Heald College students were  
7 told that they had 100% rate of employment when they graduated from Heald.

8 As accreditors I would find that very curious if I were on an accreditation  
9 board that any school would have that kind of employment statistic and I am curious  
10 about why that wasn't a red flag for ACICS at that time?

11 MR. HARAZDUK: I think it's important to note that we did not accredit  
12 Heald College they are accredited by another agency so we didn't have review over that  
13 school.

14 MS. ALIOTO: So Corinthian College all be Corinthian -- I know that  
15 WASC was in charge of Heald. I had thought that you had taken over.

16 MR. HARAZDUK: No, we have never accredited Heald College.

17 MS. ALIOTO: Okay but the other Corinthian institutions?

18 MR. HARAZDUK: Yes we had other Corinthian that were named Everest  
19 College. And another accrediting also oversaw.

20 MS. ALIOTO: Well I guess I am thinking about the colleges that you  
21 were overseeing and what that says to us as people who are going to at least suggest to  
22 the Department of Education how they should proceed in regards to your being in charge

1 of I would gather if you have 800,000 students with 336,000 it's 4.76 billion that with  
2 800,000 we are at least talking about 6 billion dollars here if not more.

3 MR. BIEDA: Yes again I stipulate that ACICS institutions enroll a high  
4 percentage of students who are participating in federal student aid and that we have a  
5 very serious obligation to protect the federal treasury, the investment of taxpayers in that  
6 education as a Title 4 gatekeeper.

7 MS. ALIOTO: So I would have thought that when Corinthian went belly  
8 up over a year ago that you did not at that point start looking at your policies and it was  
9 only this year that you put everything into high gear maybe that was because of your  
10 leadership. Can you tell me why that didn't happen a year ago or a little over a year ago?

11 MR. BIEDA: Reflecting back we should have taken more of those risk  
12 factors into consideration and that is one of the reforms that we have put in place with the  
13 at-risk group that my colleague Ian has mentioned is that our tolerance for those types of  
14 indicators of problems has to go to a very small amount so that we can integrate that  
15 more effectively into our review of institutions.

16 MS. ALIOTO: My final question could you tell me what your overall  
17 budget is?

18 MR. BIEDA: I believe our current operating budget is around 10 million  
19 dollars.

20 MS. ALIOTO: Okay and Dr. Keiser had gone into some of that before so  
21 thank you very much.

22 MS. PHILLIPS: Ralph?

1           MR. WOLFF: Thank you. In the interest of full disclosure as a former  
2 President of WASC I can say that Heald College had long been accredited by the WASC  
3 Community College Commission, ACCJC and then it transferred to the Senior College  
4 Commission in 2012 maybe 2013 because of its desire to initiate bachelor's level  
5 degrees.

6           We focus heavily on retention and graduation did not have standards on  
7 placement. So I will say full disclosure learning a lot here. And it is more difficult for a  
8 large university with multiple degree programs where placement is but I think the  
9 increasing emphasis that we have been discussing the last two days -- seems like a week  
10 but the last two days I think raises questions -- what role do all of these benchmarks,  
11 retention, graduation, completion and placement have in large institutions but I think it is  
12 important to state that I was involved with Heald.

13           But I was not involved at the point which the closure occurred, I had left  
14 WASC. I have several questions just trying to find out informally the additional campus  
15 locations and the institutions. You have 245 campuses, 700 plus additional locations. If  
16 a problem is found at a campus how does it -- do you act on the campus, do you act on  
17 the whole institution, how do you connect the dots between the two?

18           MR. HARAZDUK: It would be dependent upon the issue. Some issues  
19 are campus specific so we could and would take an action based on the campus and have  
20 done that however there are some issues that my colleagues could speak to too that are  
21 kind of systemic to all campuses and the institution and therefore we have taken actions  
22 and have shown that we have taken actions on the entire institution and system.

1           MR. WOLFF: Thank you. I have been trying to read through your  
2 criteria, particularly around decisions so let me just say at WASC we had a standard on  
3 institutional integrity and a provision that where there was fraud or serious violations of  
4 institutional integrity that we made public the ability to act to impose a sanction or even  
5 terminate or withdraw accreditation based on fraud or serious violations of institutional  
6 integrity.

7           And we were advised by our counsel that we didn't have to go through a  
8 multi-year process where there were serious actions and I will tell you under my watch  
9 we did take action very quickly when we found serious cases of fraud.

10           I think Simon if I can rephrase what Simon was asking is what does it take  
11 to terminate accreditation at ACICS and if I look at you know the public issues beyond  
12 the staff report the way it looks at from the public perspective is here there are a lot of  
13 these major multi-campus publically traded institutions who are found to be defrauding  
14 students, this is the way the public would describe -- through very active  
15 misrepresentation of placement rates, inadequate information provided or in fact  
16 misleading information provided on the recruitment side.

17           So on the front end misrepresentation is made and the incapacity of  
18 students to complete their jobs. This information comes out and then it looks like ACICS  
19 is sitting on its hands and not taking action. What I understand is that you have put into  
20 place multiple procedures in the future.

21           What I also understand is that the very active court decision or legal  
22 settlement on its own would not be a basis for you to withdraw or any agency to

1 withdraw accreditation absent some kind of review and due process provided by the  
2 Agency.

3           So I want to stick with the question what does it take to lose accreditation  
4 or to have it terminated and when I looked at your decision tree and when I read the staff  
5 report going back to that I am trying to understand that show cause again looks like it is  
6 not a substantive action. It is notice that some further action might be taken. I would like  
7 you to walk through what would it take to terminate accreditation if a team or your own  
8 data matrix found that there were serious cases of systemic misrepresentation and fraud?

9           How long would it take? What would the process that you would go  
10 through -- would you show cause, probably to one year take action which could be much  
11 longer or do you have the capacity and have you enacted something on a much more  
12 accelerated timeframe?

13           MR. HARAZDUK: Yes we have I can speak of specific instances and to  
14 answer your question specifically what would it take -- sometimes it is the egregiousness  
15 of a specific standard -- obviously they have to not meet our standard but it could be  
16 something where it is so serious like an integrity issue.

17           We have evidence that we you know, that information was seen at  
18 institution that was you know, we did have a serious finding of integrity, we show cause  
19 at institution had a hearing based on that and took action within a few months to  
20 withdraw accreditation. There are other instances where it could be a numerous amount  
21 of findings and the institution cannot you know provide information or evidence that they  
22 can come into compliance with our standards so it would take action based on that.

1           We have another one which I think has been mentioned previously going  
2 through a legal action that we denied accreditation because of not only serious but  
3 numerous amounts of findings. That total took approximately 6 months and the  
4 institution argued that even that wasn't enough time to provide an answer and obviously  
5 the court agreed but the Council disagreed.

6           MR. WOLFF: Thank you the second question for me and I think I just  
7 have one more but relations with the Department -- in the staff report it would appear at  
8 least in going through this process over the last several years that the I don't know if the  
9 right term would be that ACICS was uncooperative or not providing information when  
10 the Department shared information.

11           I would say the Michigan Jewish Institute would be a case where the  
12 Department and under 602.27 there are Title 4 responsibilities in both directions. You  
13 are responsible to act when the Department gives you information and you are supposed  
14 to notify the Department when you have information so can you describe going back a  
15 little bit to the past this whole issue of failure to cooperate, failure to act on let's just say  
16 that kind of information directly from the Department and your relationships with the  
17 Department in providing information where you find Title 4 violations, past and present  
18 thank you.

19           MR. BIEDA: Yes Michigan Jewish Institute of course is still pending  
20 before us they are facing an expenditure cause directive and will be before our Council in  
21 August for a final determination. That particular case involved many complexities I think  
22 as was outlined in the staff report. Probably the most salient issues that we encountered

1 when we did our last review which I think was in 2013 was the degree to which their  
2 programming fully complied with our scope of recognition as an accreditor.

3           So because their program is a mix of religious programming, religious  
4 content as well as secular content if we can call business administration and IT secular  
5 content. There was a question about do they still not their quality -- but do they still meet  
6 eligibility to be accredited by ACICS?

7           We went through a fairly arduous and long process that involved -- that  
8 not only renewal visit but also a special visit and a lot of subsequent back and forth on  
9 documentation and requests for information before the Council finally was satisfied and I  
10 think the Department staff was in some cases taking issue with that decision but was  
11 satisfied that in fact the mix of programming at MJI still allowed them to be eligible for  
12 our accreditation which I think is a threshold question.

13           It's only after that then you say okay and are the programs that they are  
14 providing of sufficient quality to meet our standards. Beyond that was the third issue  
15 which was to the degree that we encountered the fact that a great deal of their enrollment  
16 was participating in Title 4 programs or PELL grants. Did we uncover any evidence or  
17 sufficient evidence that caused us concern that needed to be reported to the Department?

18           I think there is great ambiguity there and I think the staff's report has some  
19 credibility that we could have done more or should have done more but it wasn't because  
20 we were trying to withhold anything. The way that that Title 4 money was being utilized  
21 by students who were in fact mostly attending participating in overseas' programs in  
22 some cases defied our ability to really be able to figure out was this in fact Title 4 as we

1 know it or was there some other considerations that need to be brought forward.

2           So that was a huge issue for us. I am still not convinced that we have  
3 totally got our arms around that. It is certainly a situation that was unique to that  
4 particular campus but no we have made phone calls in the past to the Department. We  
5 don't do emails and we don't do correspondence when we believe there is an instance of  
6 fraud or abuse of Title 4 money. We make those phone calls to the Title 4 folks in the  
7 FSA division and that is our policy we will continue to follow that.

8           MR. WOLFF: Thank you and one other question. I'm looking at your  
9 website it is clear that you denied accreditation to institutions. You have a number of  
10 sanctions and I look at it and it says operations suspended, campus closed and you have a  
11 whole list of institutional closures.

12           So what responsibility or how do you get involved in protecting studies or  
13 working with students both when a campus closes of a larger institution and when the  
14 whole institution closes?

15           MR. HARAZDUK: So we have policies on requirements for campus  
16 closure and teach-out. Our process is that when an institution determines that they need  
17 to -- that they will close, that they made a voluntary decision to close their institution that  
18 they need to notify us as soon as possible.

19           We have an application form and that requires a substantive amount of  
20 evidence for the institution to provide that for each student they are providing an  
21 appropriate outcome whether that be providing a refund of that student, whether it be a  
22 teach-out agreement with another institution.

1                   Sometimes if it is a specific campus of a multi-campus institution they  
2 could transfer that student to another campus. In some instances they are transferring --  
3 students are providing transfer arrangements with other institutions to ensure that all of  
4 these students are providing an appropriate outcome.

5                   In cases where that doesn't happen which has happened and you will also  
6 see on our website there are cases of that the Council can take action to debar the  
7 individuals or governing Board members or entities that are overseeing that agency when  
8 they don't provide an appropriate teach-out plan and we have done that and have  
9 evidence of de-barring them.

10                  MR. WOLFF: I appreciate that having worked with teach-out myself and  
11 I know in the staff report there is that you need to clarify language and make it fully  
12 corresponding to the statute. But that is a separate issue for me of these instant we are  
13 going out of business closures where there is no notice to anybody and an institution  
14 shuts down or where you know the case of Corinthian is huge in terms of follow-up but  
15 when a whole institution shuts down either with or without notice it is not a teach-out  
16 situation it is a real closure situation which your leverage is completely different.

17                  There is no continuing relationship and if any your relationship is with the  
18 students who were affected not with the entity which has gone out of business and in  
19 some cases gone out of sight. How do you work with those in those situations?

20                  MR. BRIEDA: My colleague Ian is being way too modest. If we went  
21 down the list of campuses, particularly single campuses or the small institutions that have  
22 closed precipitously in the last five years where basically Ian and some of his colleagues

1 have had to put on their fire hat and go and try to help in real time, the state approval  
2 authority, any programmatic accreditors and institutions that we accredit that are in close  
3 proximity that might be eligible to take some of those students in transfer.

4           If I could down the list of the times that has happened you would be  
5 amazed but that is pretty much what has to happen and so it starts out with whether or not  
6 their teach-out plan was approved or the teach-out plan is being followed.

7           At that point it is everybody roll up your sleeves and figure out how we  
8 can minimize the damage to students and that is always our response.

9           MR. LEAK: And from the Council Board level we go after those owners  
10 and as Ian indicated we have had those owners before us in the debarment hearings to bar  
11 those people from being ever in the business for a certain period of time and we do that.

12           We take teach-out and the responsibility for making sure those students  
13 have a way of continuing their education -- very seriously.

14           MR. WOLFF: Do you also work with the Department to -- and I'm not  
15 quite sure in the post Corinthian era where there is forgiveness of the loans and the like is  
16 that purely done by the Department or are you continuing to work in the follow-up of  
17 cases like Corinthian or others. Or is that just it is a cut-off and you are out of the picture  
18 and they are working on the loan forgiveness issue and the like?

19           MR. BIEDA: I'm not sure Mr. Wolff that we have had an inquiries about  
20 the loan forgiveness issue as it relates to Corinthian or otherwise but I can tell you we do  
21 work closely with Title 4 folks. In terms of the timing of the withdrawal of accreditation  
22 to make sure that again a precipitous closure doesn't result in a precipitous accrediting

1 decision that then leaves students who are in their last semester, for example, without the  
2 ability to graduate and acquire that degree.

3           So we do coordinate the timing of all of these actions very closely with  
4 Title 4 and with the state approval authority so that it is done in an orchestrated and  
5 deliberate sequence of events so that it minimizes the collateral damage to students.

6           MR. WOLFF: Thank you.

7           MS. PHILLIPS: Thank you, I have Paul and Federico gets the last word -  
8 - mindful of the time anybody who would like to speak after that I will put you first on  
9 the next opportunity to speak with the Agency, so Paul.

10           MR. LEBLANC: I am just going to build the next narrative is it fair to  
11 say and I don't mean to recite the events of the last few years but it is not a pretty picture.  
12 It is filled like as I described it earlier a kind of systematic failure with AG's and lawsuits  
13 and Corinthian's closure and strippers and other things it is a pretty disastrous little run  
14 that we find ourselves culminating in kind of unprecedented as I understand it -- staff  
15 recommendation and certainly a dramatic one to not continue.

16           I mean we would agree on that. We could differ on how that happened  
17 how it came to be. I said I was a student of disasters I also was a student of turn-arounds  
18 and have presided over a couple of them.

19           And what you have described going forward is a pretty dramatic  
20 turnaround right, substantial I think people have said that we have repeated it.  
21 Those who may be a little more skeptical are saying yep if you could deliver then that's  
22 huge. Here's my issue and I don't think I'm being unfound in this but we could talk

1 about processes and Steve at one point said you know on paper these standards are great.

2 Great teams can do good things with bad processes and effectual teams  
3 can have poor performance with the best of processes. Are we being asked to trust that  
4 the team that was largely in place over this bad run is the team that will now do this  
5 traumatic turnaround in an in-ordinarily short period of 12 months?

6 If I'm not wrong and I didn't realize until I was looking I said wait a  
7 second I thought you came in from the outside but you have actually been part of this  
8 agency since 2008?

9 MR. BIEDA: Since 2008 yes.

10 MR. LEBLANC: You've been compliance manager since 2012?

11 MR. BIEDA: Correct.

12 MR. LEBLANC: You were a VP of accredited operations that have been  
13 in place since 2014, you are senior accreditation coordinator since 2013 -- these are  
14 people's livelihoods and people who I will give the benefit of the doubt but at the end of  
15 the day you have to look at the past performance and say fundamentally we are being  
16 asked to take a leap of faith and that leap of faith in my view is that the team that was part  
17 of this colossal failure in my view, let's not be overdramatic.

18 The team that was part of the systematic failure more fairly is now going  
19 to be the team that can turn this thing around and do incredibly hard work, the very  
20 substantial work if delivered on and to do it in a very short period of time. Am I being  
21 unfound saying that that is what we are being asked to do?

22 MR. BIEDA: No I think you raise a legitimate question so I want to

1 emphasize a prior response in the context of that question. So number one when we  
2 commissioned this Special Advisory Committee, this blue ribbon panel when the Board  
3 did that and granted them the authority it includes every aspect of the operation including  
4 the composition and the structure of the Council, the Board of Directors itself.

5           It includes all of the current personnel so human resources has to be  
6 looked at, sufficiency of training and sufficiency of skills and it also includes something  
7 that we already put in place which I think is really the core of our accreditation enterprise  
8 and that is a reset button for evaluators.

9           So the evaluator re-screening and re-training that we are going through  
10 and that we are requiring will in and of itself screen out evaluators who are no longer  
11 interested in participating in that process for a variety of reasons. Maybe they have been  
12 deployed too much in recent years and they have burned out. Maybe they are not  
13 interested in submitting their resumes to a currency test, maybe they don't want to go  
14 through the new training, maybe they don't want to be submitted to a different evaluative  
15 tool.

16           For whatever reason we believe there will be going forward very  
17 immediately substantially different people involved in every aspect of this operation to  
18 your point. It does involve that level of depth and breadth in order to pull this off.

19           MS. PHILLIPS: Federico last word.

20           MR. ZARAGOZA: Yes and I will be brief. I have two basic questions.  
21 One of them is basically a follow-up to Paul's observation in the amount of work that  
22 needs to be done, over 20 items that must be addressed in 12 months plus basically

1 continuing to function as an accredited entity.

2           And I just want to clarify so capacity is going to be an issue? And in the  
3 staff report it was noted that this is projected to be a tough year for the organization with  
4 about 20 million dollars in predicted losses and a predicted expenditure budget of  
5 reductions of 1 million dollars.

6           And so staff raised the concern of possible staff reductions so I just  
7 wanted to get some clarification on your end with all of these additional work that needs  
8 to be done where are you in that capacity issue and will there be additional staff added or  
9 status quo or will there be reductions?

10           MR. BIEDA: We are in the process of putting together and finalizing our  
11 fiscal year 2017 budget which runs July 1<sup>st</sup> of this year through June 30<sup>th</sup> of next year.  
12 Based on what we know now with current level of schools and the demand for team visits  
13 and the sustaining fees that they pay once a year as part of our fee structure, we believe  
14 that we can scale our operations appropriately without profoundly displacing folks and  
15 accomplish that level of review within that fiscal cycle.

16           But as I also mentioned earlier we cannot plan for every hypothetical  
17 possibility so I can't offer you that with a guarantee only based on what we currently  
18 know. We believe we have a very strong chanced of being able to apply resources  
19 necessary to continue our accreditation program at the level that meets all of those  
20 requirements.

21           MR. ZARAGOZA: My second question the Attorney Generals also kind  
22 of voiced their observation that ACICS's representatives of problem schools on its Board

1 and committees raised serious questions about potential conflict of interest and therefore  
2 ACICS's ability to impartially evaluate those in other schools. My question is very  
3 simple -- do you have policies in place that would limit the engagements of ad-risk  
4 school representatives on the Commission itself and thereafter on committees?

5 MR. LEAK: As a member of the Board we do look at those issues very  
6 seriously when we entertain new members for the Board and so we definitely do a  
7 thorough analysis of the individuals that we invite on the Board so that there is no  
8 inherent conflict of interest that we are introducing to the governance body.

9 Secondly we do from time to time recognize that issues come up with  
10 members that are on the Board and the schools that they work at and we make sure that  
11 that conflict is articulated and talked about and in the past we have put people off of the  
12 board because of that and brought on new members.

13 But with the introduction of our Ethics Review Board we are taking an  
14 additional step to make sure that we are doing this the proper way and so not that -- we  
15 just want an independent set of eyes on how we do this and so it is very important that we  
16 don't create conflicts and it is very important that when the conflicts arise and we  
17 recognize them and deal with them immediately.

18 MR. ZARAGOZA: In the current composition of the Commission Board  
19 are there any at-risk schools represented?

20 MR. LEAK: No, in fact at the April meeting we had put a school on  
21 probation and a member -- for student achievement -- and a member from that school was  
22 on the Board and that member was asked to submit his resignation.

1 MR. ZARAGOZA: Thank you.

2 MS. PHILLIPS: We have one clarification from Jen?

3 MS. HONG: Yes a point of clarification on that accreditor dashboard -- so  
4 the Title 4 volume that is encompassing of -- that's the total title for volume of all  
5 institutions and their programs. However the number of degree-seeking undergraduates  
6 and the corresponding metrics about repayment and completion rates apply only to  
7 degree-seeking undergraduates.

8 So hopefully that clarifies things and that is why we had the volume for  
9 the American Bar Association as well, where all the other metrics showed zero.

10 MS. PHILLIPS: Okay it is now 1:30 we are going to take a break for  
11 lunch. I am going to ask everybody to be back at 2:30 at which point we will begin the  
12 third party comment and I will see you at 2:30.

13 (Whereupon a lunch recess was taken, to be reconvened at 2:30 p.m. on  
14 this same day.)

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AFTERNOON SESSION

1 MS. PHILLIPS: Welcome back to our post-lunch portion of our agenda  
2 today. As you all know the schedule is a bit off of what we had anticipated. Nonetheless  
3 we want to make sure that we have time for a fulsome discussion and hear from all of the  
4 third party commenters as well as the staff and the Agency itself again for the ACICS and  
5 for the rest of our agenda.

6 So this afternoon I am going to keep on the strict but not rude way of  
7 doing the third party comments. I have got a bit of an expedited process for you to  
8 consider. We begin now with the third party commenters for the ACICS Petition. For  
9 each of these commenters they will have three minutes to speak just a reminder you press  
10 to talk, you will see your three minutes will ping on the item before on the box on the  
11 table indicating that the time is up and in advance I will thank you for your help in  
12 keeping it from being necessary for me to be rude to interrupt you.

13 To help us move along I am going to not only ask for commenters to be up  
14 towards the front to be able but I am going to ask one commenter to be at one end of the  
15 table and the next one to be at the other. We will then replace so that we don't have  
16 transit time in between. We will see how this works, it is a bit of a choreography  
17 challenge but with that in mind our first commenter is Robert Shireman and our second is  
18 Christopher Madaio with Ben Miller on deck.

19 So what I would ask is Robert Shireman or who is speaking before him to  
20 be at one mic, Christopher to be at the other and Ben to be on deck, thank you Ben. I'm  
21 sure I am going to stumble in this choreography so forgive me now. Speaking for Robert  
22 Shireman.

1 MR. KABARSH: Tara Kabarsh.

2 MS. PHILLIPS: Thank you very much. Again we have three minutes you  
3 will hear that little box in front of your colleague just a reminder we aren't able to accept  
4 additional materials at this time but let me welcome you and thank you for coming and  
5 sharing your comments for Dr. Shireman please proceed.

6 MR. KABARSH: Thank you. My name is Tara Kabarsh I am a Policy  
7 Associate at the Century Foundation and today I am representing Mr. Shireman as he was  
8 unable to travel. I have brought copies of his written statement but will summarize.

9 Because ACICS decided not to provide visiting team documents I have  
10 also brought with me reports from 17 California campuses. Their yes/no checkboxes are  
11 a very simplistic approach to accreditation as if the entire form was designed to eliminate  
12 any possibility of critical thinking.

13 There is no curiosity or nuance allowed. This has produced a pattern at  
14 the very least of negligence and at worst of collusion and corruption. Let's look at  
15 recruitment as an example. In 2010 ACICS used only yes/no questions to evaluate  
16 student recruitment.

17 The next year one short answer question was added to describe the process  
18 and ethics. While still simplistic this short answer created an opening for evaluators to  
19 look into the possibly problematic area yet there was still no evidence of a quality check.  
20 This is important because the Senate Committee investigation also revealed at that time  
21 that training manuals for ITT and Kaplan recruiters encouraged pain funneling techniques  
22 to enroll students.

1                   Despite these revelations teams visiting ITT campuses just three months  
2 later continued treating the recruitment question and everything else as a checkbox  
3 exercise. One team dedicated all of two sentences to recruitment. Their only analysis  
4 was in the response to the question are practices ethical simply answered yes.

5                   The other two reviewed were suspiciously similar to one another. They  
6 described initial contact with a student, an interview, a tour, taking a wonderlic test,  
7 providing financial aid information. Is the process ethical? Again -- simply yes.

8                   One year later three more ITT campuses were up for review and the  
9 descriptions are again remarkably similar. One team even answers the question with a  
10 bulleted list: contact, tour, interview, financial aid, wonderlic, is it ethical -- yes.

11                  This odd repetition was not just an ITT phenomenon. In September 2012  
12 at Le Cordon Bleu Pasadena the same process was described. That same month ACICS  
13 held an accreditation workshop in Chicago that was attended by executives from all  
14 Kaplan Higher Education campuses in order to switch to a less stringent process.

15                  Evaluation teams then visited two Kaplan campuses in California. Can  
16 you guess what their processes were described as? Contact, interview, tour, wonderlic,  
17 financial aid, are they ethical -- they still said yes. And just last year when another ITT  
18 campus came up for review the visiting team described the same structure.

19                  How can we trust an accreditor that does not demand detailed and rigorous  
20 analysis of high quality practices? It is difficult to tell whether ACICS is just poorly run  
21 or a corrupt organization -- either way it is evident that these documents and that the  
22 process is not a serious attempt to promote quality and higher education. In fact it is not

1 even a serious effort to prevent bad quality therefore we recommend that ACICS should  
2 not be renewed for recognition thank you.

3 MS. PHILLIPS: Thank you Committee member questions for this  
4 speaker? Hearing none, I'm sorry Frank Wu?

5 MR. WU: So we have heard from the Agency which has acknowledged  
6 that mistakes were made and they are determined to do better. Why are you skeptical?

7 MR. KABARSH: I think that over the years that we have seen same  
8 practices, checkboxes over and over there has been no real change to improve the quality  
9 at the institutions. No real actual checks -- and I think that to completely change the  
10 process that we have seen time and time again at over a dozen institutions just here along  
11 in one state.

12 There are hundreds of other institutions that are also being checked in the  
13 same way. It would be extremely difficult to completely up end that process in a year's  
14 time and expect better results.

15 MS. PHILLIPS: Arthur?

16 MR. ROTHKOPF: Do you believe that any for profit institution should be  
17 accredited?

18 MR. KABARSH: Am I under investigation here? I think there are good  
19 for profit actors and those who meet the qualifications of a rigorous quality check should  
20 have some level of accreditation. There's no problem with that.

21 MR. ROTHKOPF: Thank you.

22 MS. PHILLIPS: Other Committee questions? Thank you for joining us.

1 MR. KABARSH: Thank you.

2 MS. PHILLIPS: Our next speaker is Christopher Madaio, Ben can move  
3 to the table and Steve Gunderson is on deck, next speaker Steve Gunderson if you could  
4 be at the side of the room thank you. Welcome thank you for joining us. We have a mic  
5 problem try the next one over.

6 MR. MADAIIO: Good afternoon Miss Chairman and members of the  
7 panel. My name is Chris Madaio from the Consumer Protection division of the Maryland  
8 Attorney General's office speaking on behalf of the other state Attorney Generals  
9 referenced in the letter dated April 8<sup>th</sup> and I believe you have all seen.

10 The reason I think our testimony holds some extra weight perhaps is that  
11 accrediting standards you could say sing from the same hymnal as consumer protection  
12 standards and we believe that the state Attorney General's analysis of issues related to  
13 misrepresentations to students and that is what this really should be about is the students  
14 is relevant to the analysis that ACICS did and more importantly what it failed to do.

15 It is clear to us the state Attorney's General that ACICS failed to follow  
16 the monitoring and enforcement standards as the gate-keepers to billions of dollars of  
17 student aid. Accrediting schools is a judgment call and ACICS has exhibited such lax  
18 enforcement in the past in the largest schools in the largest contexts that it is clear that it  
19 is excuse me -- not deserving of any trust in the future.

20 ACICS's attempts to change their standards at this late point after the  
21 horse is out of the barn you could say is acumen simply to rearranging deck chairs on the  
22 Titanic. It may look better sitting here but it won't have any practical affect and it

1 certainly will have no affect for the thousands of students who have been defrauded by  
2 the schools under ACICS's purview.

3 I want to make clear one point that was discussed earlier. When a state  
4 AG files a case or a lawsuit against a school like what has occurred in Corinthian, ITT,  
5 Brown Mackey Art Institute campuses, West Wood to name the larger ones, vast  
6 amounts of resources have been expended in investigation, collection of complaints,  
7 analysis of documents and interviewing witnesses.

8 State AG's do not take this lightly. To even initiate an investigation  
9 beyond just bringing a complaint is not something that states take lightly. However  
10 ACICS has shown that it does not take substantial action when it knows or should know  
11 that either an investigation has been initiated, a case is filed or the public inclusion of a  
12 case where even without a finding of guilt or an admission of guilt there is still any  
13 indication of a problem.

14 Schools aren't going to settle and forgive millions of dollars in debt, pay a  
15 penalty, agree to high injunctive provisions and make other measures if there is not  
16 something there and it is at least worth it for ACICS to investigate. It was at least worth  
17 it for them to look at Corinthian which they didn't do. They maintained accreditation  
18 until Corinthian's collapse.

19 So our point is a settlement with the state AG may not be an admission of  
20 guilt but it is an analysis that something is needed. ACICS cannot fix itself in 12 months  
21 it does not deserve your trust, the past is prologue as many have said here and it deserves  
22 not to be renewed, thank you I will take any questions.

1 MS. PHILLIPS: Thank you Frank?

2 MR. WU: So in more concrete terms why shouldn't we believe credible  
3 sincere honest appearing people who are professionals with a lengthy background in  
4 higher Ed who appeared before us and told us about dozens of changes. I know you have  
5 said it is too late, the horse is out of the barn but what if we found them credible and  
6 reasonable and would like to give them a chance -- what would you say to that.

7 MR. MADAIO: To that I would say that there are agencies that have been  
8 doing this right for years ACICS has proved that it doesn't understand how to do this for  
9 the largest of schools and for thousands of students. I think it is evidenced a little bit by  
10 when they tell you their role only used to be program improvement -- well even if that  
11 was the case program improvement should involve encouraging misrepresentations and  
12 fraudulent behavior not to occur as compared to enabling such behavior.

13 MR. WU: And could you tell us about your office or the other offices that  
14 you are speaking on behalf of? Do you have any current pending actions that you are  
15 able to describe involving institutions overseen by ACICS? At this moment -- I'm not  
16 talking about prior cases I mean right now.

17 MR. MADAIO: Well certainly ITT is one that is a publicly filed lawsuit  
18 by the CFPB and ITT has stated in its 10K and 8K's that it is under investigation by state  
19 Attorney's General, that certainly is one that is long standing conduct that I believe only  
20 now when it feels the pressure ACICS feels the pressure on itself is it bringing a show  
21 cause against ITT however it never did so in the years -- over a year or two years in  
22 which the public lawsuit was filed by the CFPB and over a similar amount of time that

1 the investigations have been going on by the states.

2           So it appears almost transparent this is a safe itself mode as compared to a  
3 legitimate investigation.

4           MS. PHILLIPS: I have Ralph and Anne?

5           MR. WOLFF: Thank you. Looking at the letter that the Attorney General  
6 signed and in reference to page 2 you actually cite a number of settlement findings and  
7 the like. Could you help us understand were the documents sealed -- I mean the press at  
8 least reported there was a settlement of this amount or the like but help us understand -- I  
9 mean you are citing information here let's say Day Mark College employed dozens of  
10 unqualified faculty determined by the Kentucky Council and the Kentucky Attorney  
11 General, the post-secondary education Council.

12           ACICS took no action -- I mean each of these items that you cited what  
13 kinds of specifics were made available at the time the settlement -- I am trying to  
14 understand when the -- was there a sealing of the documents when an agreement is made  
15 and saying we admit to no wrongdoing, help us understand what is publicly available to  
16 be known?

17           MR. MADAIIO: Thank you Mr. Wolff. Well first of all Attorney  
18 General's settlements consent orders, things in court are public many of which list a long  
19 laundry list of allegations made against the school yes. And most if not all of the  
20 settlements also contain a denial of liability. But there is at least often pages of  
21 allegations related to misconduct that was investigated and alleged by the state Attorney's  
22 General.

1           So that is certainly one piece of it. Obviously there are injunctive  
2 provisions relating to certain of those allegations which again can be read as something  
3 the school was taking some action that it clearly wasn't doing before or is agreeing to do  
4 and that relates to some conduct.

5           And I think our point is with the settlements ACICS it should be the first  
6 piece of a long road of investigation. It shouldn't be the final piece of simply reading a  
7 settlement, not seeing any finding of liability and saying well they must be fine. There  
8 should be a lot more to it of them requesting information relating to the allegations.

9           Requesting information unrelated to the allegations -- I mean if there is a  
10 settlement with the state Attorney's General we believe that should trigger some serious  
11 monitoring and deep investigation by ACICS.

12           MR. WOLFF: Thank you really helpful. Secondly the Agency indicated  
13 that either during or after the investigations or upon the settlement no comment was made  
14 with the Agency. So I am curious how are these settlements made public? Obviously the  
15 press reports them, do you send them out to relevant parties or is it just on your website  
16 that people would need to have access to but do you have any formal contact with the  
17 accreditor when these particular findings are made?

18           MR. MADAIO: So I'm sorry I can't speak for every single case. I think  
19 certainly settlements are made known to the media, are made known and posted on  
20 Attorney's General web pages are filed in court as most attorneys know there are ways  
21 to track court filings, there are ways to track Attorney General's settlement filings.

22           As far as it being mailed directly to accrediting agencies I guess that I

1 can't speak to however state Attorney's General think that accrediting agencies like  
2 ACICS shouldn't sit and wait for our letter before doing anything. There's much more of  
3 a proactive role that they have as a member of the triad whereas consumer protection  
4 divisions aren't enforcement agency to correct harms that were done to consumers.

5           Accrediting agencies should be preventing harms proactively. So there  
6 are certain steps that they need to take that are much more in depth, proactive and  
7 widespread than waiting for us to mail them something and then reading it.

8           MR. WOLFF: Thank you one more question. In the settlements at least  
9 you know about is there follow-up action from let's say your department or is it just left -  
10 - I mean once the institution agrees to stop doing something and pay a settlement what  
11 type of typical follow-up would be done?

12           Is there further monitoring that's done or is that expected of other third  
13 parties?

14           MR. MADAIIO: Of course that depends on every settlement as the  
15 lawyer's answer but certainly many settlements include a monitor, an administrator  
16 related to claims, most of them include claims have to be made by students, they include  
17 monitoring as far as injunctive provisions related to the changes that go on either in the  
18 school's recruitment, financial aid practices or what have you.

19           So yes many of them do involve some aspect of follow-up and continued  
20 follow-up by state Attorney's General and we think again that is something that ACICS  
21 and the accreditors need to be following and be aware of again not because the monitor  
22 reaches out to them but because they are taking their own pro-active steps which ACICS

1 has shown is not and does not do.

2 MS. NEAL: I want to follow-up with that on Frank's question. Has the  
3 Maryland AG brought a suit or taken any specific legal action of its own against any of  
4 these schools in the state? And I don't want the CFPB I'm asking about Maryland.

5 MR. MADAIO: And you are talking about schools accredited by ACICS?

6 MS. NEAL: Yes.

7 MR. MADAIO: Okay so as publicly in ITT's 10K's there are  
8 investigations going on by Maryland into ITT. Maryland has been involved in the EDNC  
9 action, the Art Institute and Brown Mackey College.

10 MS. NEAL: In what way have you been involved?

11 MR. MADAIO: So states are a part of the negotiation of any settlement  
12 part of the investigation, parts of the way that state Attorney's Generals work together,  
13 divide ourselves into leadership groups, Maryland takes leadership roles in many of these  
14 groups.

15 MS. NEAL: But you have not specifically in Maryland taken any action  
16 by yourselves?

17 MR. MADAIO: Separate and apart from any other state Attorney  
18 General?

19 MS. NEAL: Yes.

20 MR. MADAIO: I guess I can't speak to that personally. I am not aware  
21 there may be.

22 MS. NEAL: But you don't know of any?

1                   MR. MADAIO: I will have to get back to you with that information. I  
2 think that it is important to state that when -- the reason that states group together in  
3 multi-state actions is because these are large national campuses taking similar things  
4 against students in all 50 states so I don't see a difference between a state acting on its  
5 own and a state acting in a multi-state context, especially as Maryland often acts as a  
6 leadership role in those contexts.

7                   MS. NEAL: Did I hear you correctly that as a member of the AG's office  
8 that when you look at accreditors you effectively feel that they are Consumer Protection  
9 Bureau's in and of themselves?

10                  MR. MADAIO: I wouldn't say that. I certainly would say that  
11 accrediting standards have similar consumer protection standards that consumer  
12 protection UDAP unfair deceptive acts and practices have. That was the point I was  
13 trying to make and why state Attorney's General to me when they are bringing an action  
14 against a school, investigating a school or settling with a school is something that should  
15 be of a special interest to accrediting agencies.

16                  MS. NEAL: So do you think accrediting agencies need to have subpoena  
17 powers and all sorts of additional legal authority in order to be able to do the kinds of  
18 things that you do?

19                  MR. MADAIO: Well no I don't I think they have all the power that they  
20 would need. I think they have the authority that they need to be able to go into the  
21 schools and request information and do site visits because of their relationship with the  
22 schools. I don't think that anything needs to be changed in that regard I just think that

1 accrediting agencies need to follow their own regulations and insure adherence by the  
2 schools to those regulations thank you.

3 MS. PHILLIPS: Cam?

4 MR. STAPLES: Thank you, were you hear earlier for the testimony that  
5 was around this subject?

6 MR. MADAIIO: Yes.

7 MR. STAPLES: And you -- I don't know how much you were aware of  
8 changes they have made since your letter, the letter in April. The made some changes  
9 more recently in their procedures have you had a chance or anybody had a chance to look  
10 at the actions they have taken to modify their monitoring and compliance procedures?

11 MR. MADAIIO: I mean I have heard about them today. I think we are  
12 generally aware as much as public but we don't feel that that is sufficient especially as far  
13 as what has happened in the past. We have no confidence that they will effect and  
14 implement those standards in a way that will solve the problems that they have created  
15 before and will create in the future we don't think they can fix what's happened in the  
16 next 12 months.

17 MR. STAPLES: And I assume that nothing you have heard from them  
18 today changes that impression?

19 MR. MADAIIO: Correct.

20 MR. STAPLES: Thank you.

21 MS. PHILLIPS: Simon?

22 MR. BOEHME: What's the Attorney General's response to the potential

1 fall out of thousands of students who do not go to an accredited university? I think  
2 sometimes when we have this debate we oversimplify the idea that it is just very easy to  
3 find a new accreditor when realistically it could be a very hard and difficult process and  
4 thousands of students could be left behind.

5           Especially when we get into details if ACICS schools accredited to a  
6 master's degree program there may be national accreditors that don't have the capacity  
7 not only in personnel but have the scope to take on these types of programs.

8           MR. MADAIO: First I would say certainly the Attorney's General are  
9 concerned about the students, number one. Number two, accrediting shouldn't be easy --  
10 gaining accreditation should not be an easy thing it should be something that the  
11 worthwhile and performing schools that meet the standards are able to obtain and schools  
12 that don't meet the standards need to either get to those standards or not.

13           Or if they don't they should not be able to obtain accreditation. I think  
14 that the Department of Education can work with the schools and work with the students  
15 to ensure that the transition goes smoothly for students but the state Attorney's General  
16 are confident that the triad can work and that there are accreditors that can accept schools  
17 that are worth of accreditation and for schools that aren't we think that speaks to why  
18 ACICS is such a big problem.

19           If there are thousands and thousands of students in such a high number of  
20 schools that will not be able to find accreditation anywhere else clearly that's a problem  
21 with ACICS and those students perhaps need to obtain relief.

22           MS. PHILLIPS: Art?

1                   MR. KEISER: If the Attorney General in Maryland has not done a  
2 specific investigation do you have primary knowledge or specific knowledge of the  
3 failures of ACICS or is it more just from the numerous reports and articles that have been  
4 written. Do you have specific knowledge any, especially in Maryland any issues that  
5 have shown a failure by this agency?

6                   MR. MADAIO: I want to make it very clear that we have been involved  
7 in specific investigations. I was clarifying before that there was none to my mind  
8 personally where which no other state was involved however a multi-state investigation is  
9 an investigation by the state of Maryland into those schools and Maryland has been  
10 involved and is involved in the ITT case as well as excuse me the Education Management  
11 company related to Brown Mackey and Art Institute.

12                  MR. KEISER: But has the Maryland AG done a specific investigation  
13 whether it be go to a campus or to do a review of the activities of ACICS that you are  
14 aware of?

15                  MR. MADAIO: Our role is to investigate consumer fraud so we do not do  
16 site visits, at least the consumer protection division. I mean obviously there are  
17 differences between the consumer protection division and Attorney's General who may  
18 be counsel to a Maryland regulatory body which I think was referenced before.

19                  But speaking as the consumer protection division our only ability and role  
20 is to subpoena, investigate, review documents, speak to witnesses, obtain complaints,  
21 investigate those complaints and litigate when necessary.

22                  MR. KEISER: Has the Maryland licensing agency taken action about any

1 of the ACICS schools based on the documentation that you are talking about?

2 MR. MADAIO: I can't speak to that I don't know.

3 MS. PHILLIPS: Other questions of this speaker? Thank you very much  
4 for joining us.

5 MR. MADAIO: Thank you very much members of the panel.

6 MS. PHILLIPS: Our next speaker is Ben Miller with Steve Gunderson  
7 joining us at the front and Seamus Ware on deck.

8 MR. MILLER: Thank you. By every available measure ACICS has  
9 demonstrated a repeated pattern of failure and neglect and this is about much more than  
10 Corinthian. For starters look at the sea of red on the repayment rates and earnings on the  
11 score cards the Department gave you.

12 Look at the choice to laud fast train colleges and honor roll school a year  
13 before the FBI raided it over recruitment practices that ACICS should have caught  
14 sending its President to jail for 6 million dollars in federal fraud.

15 Look at the decision to do nothing when told by a whistle blower in 2014  
16 that Northwestern Polytechnic University was a contempt college and even stranger  
17 invite an adjunct faculty member to speak at its 2016 conference. Look at the inability to  
18 catch two completely fraudulent employers when verifying the job placement rates at  
19 Computer Systems Institution.

20 Look at how an accredited West Wood and Kaplan campuses who ran  
21 from other accreditors who were setting and enforcing tougher standards and look at how  
22 it has the weakest student achievement measures of all but one main national accreditor.

1           The decision you make today on ACICS though is not just about this one  
2 agency. It affects the credibility of the entire quality assurance system. Kicking the can  
3 down the road here with yet another compliance report and 12 month extension is an  
4 admission the Committee will tolerate even the most egregious instances of failure.

5           It would further erode public confidence in accreditation and more  
6 importantly be an insult to the accreditation agencies that are enforcing and trying to set  
7 high standards. In the fact of damning evidence of its negligence, ACICS is engaged in a  
8 series of cosmetic reforms that are little more than last minute promises of half-baked  
9 changes.

10           Almost none of them have been implemented and many have zero  
11 substance behind them right now. They still don't even touch fundamental problems like  
12 low thresholds and measures for student achievement.

13           ACICS had years to get better. If these reforms are so serious why did  
14 they only start two months ago and why should the public or this committee trust that  
15 ACICS will do what it says? There were over a dozen problems with it in 2011, NACIQI  
16 gave it a year and said it was fine now it is back with over 20 problems some of which  
17 are in the exact same regulatory areas as before.

18           It made promises and then it turned out those promises were too  
19 expensive. What happens if that happens again? Now ACICS and its defenders will  
20 appeal to you in terms of the agency's size. They argue it is too big to fail. But its size  
21 makes your action all the more urgent to prevent more students from being harmed and  
22 millions if not billions of taxpayer dollars from being wasted.

1           And while I 100% agree that questions of transitions are important, Ed has  
2 already signaled awareness of this issue and the desire for an orderly process and it  
3 contains the ability to extend that 18 month clock so that it doesn't start until later giving  
4 schools more time.

5           The Committee's mandate with ACICS is clear. You must decide whether  
6 it is suitable for federal recognition. For the sake of students, taxpayers and the  
7 credibility of the entire accreditation system you must send a decisive signal by  
8 terminating its recognition, thank you.

9           MS. PHILLIPS: Thank you questions for this speaker? Go ahead Frank.

10          MR. WU: So I would like to ask you the same question I have asked  
11 some of the other third party commentators. Why are you not persuaded they came to us  
12 and offered concrete examples of a dozen different changes in their governance, their  
13 processes, how they monitor employment rates, they appear to be reasonable, contrite,  
14 honest individuals -- why not give them one more chance to get this right.

15          MR. MILLER: So let's talk about words and let's talk about actions. So I  
16 visited the ACICS annual conference this year and I realize my pen is from that  
17 conference right now. While I was there they had a session where an individual from  
18 Day Mark College which settled with the Kentucky Attorney General and the lawyer  
19 representing it spoke for about 90 minutes talking all about how to defeat the AG's in  
20 settlements.

21          They talked about how AG's go home at 5, they don't know what they are  
22 doing, they have no idea what is happening -- that to me is a very strong signal about

1 your actions right? You are making all of these promises of contrition and then people  
2 speaking to your members in a key note session are all about ways to avoid problems  
3 with the AG's.

4           But let's even talk a little bit more about the substantive standards right --  
5 so to be clear what ACICS is saying now is that they could request the independent  
6 verification of things -- it is not requiring it in advance and up front. That is different  
7 from how other agencies operate.

8           So for example you will hear later today from ACCSC. ACCSC for years  
9 has required 50% independent verification prior to the arrival of the team visit. So that  
10 means when the team gets there they have a little box that says this is the person that was  
11 paid to this work, this is how many we verified, how many we knew were right, things  
12 like that.

13           Here we are talking about basically having someone whose job is not to do  
14 trained calls, they are going to give them some sort of training but that is not their day job  
15 to sit in a room for two to three days and make two calls. One to the student and one to  
16 the employer to try to verify it -- what happens if they happen to call while the student is  
17 not on shift or they don't answer the phone? Your guess is as good as mine.

18           And so I just think like it all has the veneer of change but it is not  
19 implemented and it is still not going as far as what other agencies do. Again this agency  
20 uses a retention rate for student achievement, four the main national accreditors use a  
21 graduation rate which is tougher. It has lower thresholds for placement and retention  
22 than others that use those measures. It is not touching those things.

1                   MR. WU: So after a half a dozen of years I just returned to being a law  
2 professor so I am going to do what law professors do. I am going to proposed a  
3 hypothetical to you, alright -- let's suppose and I am not saying this I am just saying  
4 hypothetically let's suppose I believed that the new standards that this agency has put  
5 forth are actually pretty good and I said that to you.

6                   I said you know I've looked at this which I have done, this actually looks  
7 like an improvement it looks different it might not be the best but it is in the ballpark, it is  
8 in the range and on some specifics they are actually going pretty far and would be  
9 comparable to other agencies.

10                  So let's say I said that to you, what would your response to that be?

11                  MR. MILLER: I would disagree with you on a few issues. For example  
12 again they aren't touching the student achievement measures, so they are still not as  
13 strong as those used by other agencies. The other thing that we haven't got into here but  
14 they are still accepting attestations from students that they have a high school diploma as  
15 sufficient evidence they have a high school diploma.

16                  That is why people have gone to jail for fraud. It is often around faked  
17 high school diplomas, they haven't touched that and they are still allowing it. The  
18 ACCSE in particular explicitly bans that practice so I would say to you that I think it  
19 sounds great but some of the nitty-gritty things that actually affect opening the door to  
20 fraud in the bars you are holding schools to have not been changed.

21                  MR. WU: Okay but let's just take something specific were I to look at the  
22 new rule compared to the old rule that they have and I say this one is pretty good. I

1 understand you are saying we haven't addressed all of these other things but as to the  
2 handful of things that they have done let's say a conflict of interest, that's pretty good,  
3 they have a third party you know -- not bad at all. What would your response be to those  
4 specific revisions that they shared?

5           Why is that not persuasive and indeed indicative of a broader change?  
6 Institutions do change -- this is an institution there is tremendous public scrutiny and  
7 pressure in this little world of higher education accreditation is quite well-known now,  
8 they are being watched, presumably they will not continue to behave the way that they  
9 have in the past.

10           MR. MILLER: So I would say a couple of things. So one on the sort of  
11 Ethics Board in particular -- one of the things important to note they use the word  
12 independent and what they really mean by that is its public members of their Board, not  
13 actually like members who have nothing to do with the organization at all.

14           Because that's how I tweeted -- so anyway they will answer and talk about  
15 it later so you know again this is an agency that doesn't currently have an Executive  
16 Director, the person running it and making all of these changes is someone who has been  
17 at the agency for years.

18           You know we don't see a replacement of top leadership besides that  
19 person, we don't really see major changes in terms of the Board apart from the one  
20 individual who was removed, the Board sets the standards -- you are talking about  
21 changing the ship on a ton of things in a very, very short amount of time and you don't  
22 even have the executive director who is supposed to come in and set the rules on all of

1 these things right now.

2 MR. WU: One more question. What if we did something that I presume  
3 would be really sub-optimal from your perspective -- what if we said they need a little  
4 more time, we will give them a couple of years -- you are really saying it is not just they  
5 can't do it in 12 months you are suggesting that for some reason this institution cannot  
6 and should not be given time to make these changes?

7 MR. MILLER: Yes.

8 MR. WU: And you should infer nothing from my questions, just genuine  
9 questions.

10 MR. MILLER: Yeah of course.

11 MR. WU: I want to know what evidence can anyone point to that would  
12 lead a reasonable neutral, open-minded observer to conclude, yeah they just can't do it?  
13 Even if we gave them two or three years if we gave them more time it would just get  
14 worse right? What evidence is there of that?

15 MR. MILLER: So I think here you have to go back to what happened in  
16 2011 and 2013 where there were promises made to you all about how they were going to  
17 implement all of this great verification stuff and as I believe Mr. Porcelli said earlier it  
18 started out pretty well then they decided it was too expensive and when sort of the  
19 spotlight was gone they said alright well it's too expensive we are just going to bring it  
20 into the house and we are going to do it differently.

21 And you know that's the problem. This is a body that meets twice a year,  
22 they only debate around agencies you know every few years and so the scrutiny will fade

1 and they know that. That is why they are asking for a year because they know the more  
2 they kick the can down the road the less the attention will be paid on it.

3 I mean I would ask you how many times have you all given someone a  
4 compliance report and then come back and really continue to put the screws to them and  
5 continue the scrutiny?

6 MR. WU: Just a final question. There is an aspect of this to what you  
7 submitted which has not only been read by me but I believe read by everyone in the room  
8 so that's what third party comments should do, they should cause people to pause and  
9 think.

10 There is an aspect of it though that gives me pause. It is I would not feel  
11 quite right saying or thinking hmm we need to make an example of them because  
12 otherwise it is an indictment of all of the higher education accreditation system of  
13 NACIQI itself and so on.

14 That argument far from being persuasive to me strikes me as an  
15 inappropriate basis for our action. That is that we would pick one agency out of 6 dozen  
16 and say this is the agency we are going to make an example of and boy this is going to  
17 show everyone.

18 So tell me why this agency and not x y or z?

19 MR. MILLER: Yeah to be clear I see it less as the example and more as  
20 this one you will not find a better example of a place with so many clear problems so it is  
21 just that I think that you have faith in a lot of tough challenges. I am just saying in my  
22 mind I don't think this one is a hard call. I think this one is clearer.

1           The other thing I would just say is I think if you are going to think about  
2 this in terms of the example part of things it is also then worth thinking about how do you  
3 then build in the calculus about the agency's size?

4           Because I would argue that if the concern is not about this as an example  
5 then I would argue the concern about its size is also somewhat irrelevant to your decision  
6 too because your concern is about the application of the standards and things of that  
7 nature.

8           MS. PHILLIPS: I have Cam and Rick, Ralph and Rick, sorry, Ralph?

9           MR. WOLFF: I have to return to becoming a law professor again with  
10 hypothetical words and the like. I refer to your report as the Ben Miller report so earlier  
11 today -- I have a few questions about the data that you have gathered because you are  
12 correct they came up ACICS came up in 2011 and when I read the transcript a number of  
13 promises were made.

14           I don't know what happened in 2013 but it was given a clean bill of health  
15 it would appear. Your data largely, not entirely but largely is 2009, 2010 around such  
16 things as the honor roll versus sanctions. You have one with Globe University 2012 and  
17 then you go forward with other actions around Corinthian and the reconstituted data.

18           The claim that is made by the Agency is that we got the message I'm not  
19 quite sure when that message was gotten but we got the message and we have already  
20 started to implement changes. I'm just wondering if your data analysis went into 2014-  
21 2015 or you know how current it would be and if so, did you notice any change in the  
22 kinds of things that you are describing here?

1           MR. MILLER: Sure so to be clear there are a lot of different data sources  
2 going on here. So the placement rate data where it talks about how this was like the  
3 reported one and the real one, all of that came from a press release in the Department of  
4 Education's website between the Department and Kamala Harris the Attorney General  
5 from California. So that is basically limited to the time period in which they had it so I  
6 don't have access to that, that's just from there.

7           The honor roll data I went all the way to 2015 so for example I can tell you  
8 that there were several campuses from Corinthian colleges that were named to the honor  
9 roll in I believe November 2014 -- for those of you keeping track of the calendar the  
10 Department's action against Corinthian and its failures to place in like June, July 2014.

11           So actually after all of that had been exposed and had been going down  
12 campuses were named to the honor roll.

13           In terms of the cohort default rate data and things like that I used that from  
14 the most recently available year at the time which I believe because I did that analysis  
15 originally in the fall of 2015 it would have been the three year rates for students who  
16 entered repayment in the 2011 federal fiscal year.

17           There has since been released federal fiscal year 2012 but I have not read  
18 the numbers on them. So I can just tell you that in every instance I used the most recently  
19 available data at the time and you know some of these things are just indicators.

20           So for example we are going to get FY13 cohort default rates in the fall. I  
21 used the most recently available repayment rates, everything like that.

22           MR. WOLFF: Then going on let me ask in your report you actually

1 compare ACICS schools versus other accreditors and I just wonder what did you include  
2 in the universe of the other accreditors for comparative purposes.

3 MR. MILLER: So those are the -- it depends a little bit on the measure  
4 but so in terms of default rates and default rates is basically everybody who is a main  
5 institutional accreditor with the exception of AB pass just because they are kind of both  
6 so I didn't want them in there.

7 In terms of repayment rates and graduation rates and things like that I  
8 believe it is just the main national accreditors again without AB pass included.

9 MR. WOLFF: And I have just one other question -- Frank asked in a very  
10 general way I would like to make it a much more concrete way to the extent you may  
11 have knowledge, what we heard this morning was there is a new algorithm for actually  
12 not just placement data but there are a number of steps taken not just the onsite reviewer  
13 that the agency said has been recently been put into place.

14 And I just wonder in -- have you -- other than hearing it been able to see  
15 or study these kinds of actions, the algorithm, the new processes that they put into place  
16 not just for the placement data to verify it -- you have commented on that briefly just  
17 earlier but also on the other data about completion or graduation not just retention as well  
18 as placement.

19 MR. MILLER: So first of all some of these things can't be studied  
20 because they don't really exist yet but second of all I had a short conversation with Mr.  
21 Bieda at the annual conference about some of their algorithm stuff but nothing more than  
22 that.

1 MR. WOLFF: Thank you.

2 MS. PHILLIPS: Rick.

3 MR. O'CONNELL: Ben, thank you. Earlier I heard staff comment they  
4 thought the standards of ACICS were fairly good and they may be getting better. I take it  
5 from your comments you think their standards aren't very good, particularly compared to  
6 other national accreditors. I would just be curious on your take why did you not include  
7 any regional accreditors because they don't have student achievement standards and  
8 would you advocate that regional accreditors and others who accredit public institutions,  
9 non-profit institutions and many in my case which have very low student achievement  
10 should have student achievement standards so NACIQI and the Department could hold  
11 the creditors accountable for enforcing those standards?

12 MR. MILLER: So yes you are correct. There are no as far as I am aware,  
13 no clear bright line standards for student achievement at all of the originals. I have not  
14 checked that 100% but I believe that is right I think they should adopt them.

15 MR. O'CONNELL: Thank you.

16 MS. PHILLIPS: I have Simon and then Arthur.

17 MR. BOEHME: Like I asked the last speaker what is your response to the  
18 students being placed and you are very familiar with the accreditation system and you  
19 know that it is not as easy as you know -- there's all different limitations, the scope  
20 especially ACICS they accredit all different types of degree granting programs that COE  
21 for example they may not be able to absorb some of these institutions and other regionals  
22 may not be able to take them on, what is your response to that and what would you

1 recommend to us when thinking about you know our vote?

2 MR. MILLER: You know I would say you should as much as possible  
3 focus your vote about do you think this is a reputable agency and I think you should send  
4 a strong signal to the Department of Education that you will be watching its work in  
5 terms of working on this transition issue because it has the staff and the time to be  
6 assisting with that as much as possible.

7 I would say I think it is worth keeping in mind that this is not a one size  
8 fits all transition question right so you have some students who are currently enrolled in  
9 short term programs who will easily complete their programs during the 18 month  
10 window. The second thing is as noted by the Department earlier it has the ability during  
11 an appeal to the Secretary to allow that clock to run as long as possible so the faster you  
12 send a strong signal that you would like the Agency to be terminated the sooner schools  
13 have certainty and they can know to start looking.

14 I think if you leave them in sort of this in between place of should we look  
15 or not it is arguably worse.

16 Third, I think it is worth looking at who the actual schools they accredit  
17 are. You know some of them are part of corporate entities that do have accreditation  
18 from other accreditors and I would imagine the move there is a little bit different. I mean  
19 we already saw this when West Wood and Kaplan campuses ran to ACICS because of  
20 problems that the movement when you already have accreditation from some of your  
21 campuses might be slightly different here.

22 And also keep in mind you know of the 200 and some odd campuses some

1 of them are owned by a single corporate entity so they are all going to move in mass and  
2 it is a little bit different than saying there are 250 mom and pops that are all going to  
3 move individually.

4 MR. BOEHME: And going to Northwest Polytechnic which has been  
5 accused of changing grades, I call it a diploma mill read the article and make your own  
6 decision -- you heard their response and the back and forth. I have a pre-standing invite  
7 to visit the university.

8 Do you feel confident in this new action committee and their game plan to  
9 proactively prevent or start to tackle these very serious issues that happened at northwest  
10 and are potentially happening elsewhere?

11 MR. MILLER: I don't think there is any evidence to draw that  
12 conclusion. I mean I think it is clear that they are going to take action against Northwest  
13 because they have been called out by Buzz Feed on it and so the optics of it are such they  
14 have to take action.

15 I think that is what we are seeing now right the schools that have gotten  
16 the most scrutiny are the ones that are being placed on show cause and things like that  
17 right now because optically it matters. The ones that fly under the radar like what is the  
18 Michigan Jewish Institute or what is the next Northwestern Polytechnic I don't think  
19 anybody in this room knows who they are so I don't know that we would have any faith  
20 in whether they would catch them.

21 MR. BOEHME: But you don't have confidence that these new measures  
22 would be able to catch them under the radar?

1                   MR. MILLER: I don't see how they would especially with the VISA  
2 problem so for example when I was at the annual conference there was the whole back  
3 and forth about the placement rates and things like that and someone from Northwestern  
4 Polytechnic actually asked the question like just to be clear people who are here on a  
5 VISA you don't include in the placement rates right?

6                   And so I mean that one is going to have a hole in it kind of no matter what  
7 I think.

8                   MR. BOEHME: Thank you.

9                   MS. PHILLIPS: Arthur?

10                  MR. ROTHKOPF: I know that you have done a good deal of research in  
11 this area and have looked at various institutions and I think a very excellent and complete  
12 job there. Are there other accrediting agencies that you would suggest should get the  
13 same treatment as ACICS based upon your analysis of what these agencies have done  
14 over the past several years?

15                  MR. MILLER: I think there probably are but I will be honest I have spent  
16 most of my time looking at the comparison between ACICS and ACCSC because they  
17 seem to have the most number of schools in common and are closest in size to each other  
18 and I would say in that case I did see demonstrable differences in terms of the level of  
19 thought put into the standards, the verification processes, the standards they used and  
20 things like that.

21                  I do think there are probably questions to be asked about some of the  
22 others you know they are not up now, I plan to continue to do this work and I think there

1 are ones coming down the pike in a few years that are worth investigating further.

2 MR. ROTHKOPF: Thank you.

3 MS. PHILLIPS: Any final comments, questions for Ben Miller, Anne?

4 MS. NEAL: Ben I will second Arthur's comment that you are definitely a  
5 student of accreditation and I think we can both agree that students have been disserved  
6 in this case but would you not agree with me as well that the monopoly on poor quality --  
7 this particular accreditor doesn't have a full monopoly on poor quality institutions?

8 MR. MILLER: No of course not. I think the thing that surprised me here  
9 though was sort of the plethora of actually not the big chains because those are sort of  
10 spread throughout but the number of ones that people have sort of never heard of that  
11 landed here.

12 So Fast Train, Computer Systems Institute, Northwestern Polytechnic,  
13 Michigan Jewish Institute, Anamarc College, there's kind of bunch of those also here  
14 which struck me as a little bit strange. I don't necessarily know what to make of it but I  
15 really agree with you.

16 I mean there are problems in the public sector, there are problems in the  
17 non-profit sector, there are problems with other accreditors it is just that it seems that  
18 when you look at the confluence of standards and results here it is worse here than  
19 elsewhere.

20 MS. NEAL: Now I know you have set out in your report various aspects  
21 of the data that you researched and I looked at some of that data and I mentioned this this  
22 morning and ACICS and while you take it that they have some problems but it is also

1 possible to look at the data and to conclude that they accredit only 6.6% of institutions in  
2 the bottom third compared to SACS with 23% or HLC with nearly 32% and I think it is  
3 also possible to take a look at that data and to conclude that ACICS institution's single  
4 digit graduation rates which are 13 are less than half accredited by Middle States which  
5 has 34 or HLC with 51 or SACS with 35.

6           So having looked at that and knowing that we have to grantors of  
7 educational quality and that these issues go directly to that is there any justification for us  
8 to continue extending renewal to the regionals?

9           MR. MILLER: So the first thing I would say on the data -- I would  
10 actually suggest cutting it a slight different way which is rather than look at the number  
11 of schools across the different agencies that are in that status because they are all  
12 different sizes I would say within that agency was is the percentage breakdown of how  
13 they fare.

14           So for example if you look at ACICS according to the data from the  
15 Department 82% of its schools are in the bottom one-third nationally for repayment rate,  
16 62% are in the bottom one-third nationally for earnings. So I think we should be asking  
17 tough questions about what the regionals are doing here but I would say in this case the  
18 regionals do not have nearly as large a percentage of their schools in the bottom as this  
19 agency does.

20           MS. NEAL: And when we look at that and we look at the repayment rates  
21 should we also take into account that in most instances ACICS was dealing with PELL  
22 recipients and low income students to a greater degree in many respects than the

1 regionals and that yes while they do have higher debt in fact that does not take into  
2 account the fact that when we are looking at the regionals and the non-profits there are  
3 vast amounts of subsidies that are going there so is that entirely fair?

4 MR. MILLER: So I think the problem here right is you can't input adjust  
5 how much money you make the students pay back. You can let them go on income base  
6 repayment but they still have to pay it regardless if they are a PELL student or not and so  
7 in this case I would say it is not sensible to bake in kind of how the rest of the system  
8 struggles on things like repayment rate because there are real people behind those  
9 numbers who have to pay those back.

10 And so if you just inflation adjust it you will sort of wave away abysmal  
11 repayment rates and say that's okay just because everybody does poorly here.

12 MS. NEAL: And again when we are asked to review accreditors it says  
13 reliable grantor of educational quality and it's a difficult task we have when we look at  
14 the regionals which thankfully have no real quality reference whereas obviously the for-  
15 profits do have bright lines.

16 And so when we try to hold entities accountable we have a set of entities  
17 that have bright lines that they put forth and then must abide by and then we have a set of  
18 far larger regional accrediting bodies with in-precise diffuse, undefined standards, and no  
19 repayment rates or other instances. So in this world it seems pretty hard to be fair.

20 MR. MILLER: I think the issue here is that again I agree with -- I don't  
21 think the problems with accreditation are not a zero-some game. There are issues  
22 throughout the system. There are massive incentive problems, there are massive

1 problems about sort of what is the role, how do they operate things like that. I 100%  
2 agree with that but I don't think that sort of this decision is saying -- oh the regionals -- if  
3 we say ACICS is bad then it means the regionals are okay, that is not what this decision  
4 says.

5 This decision says this is an instance of an accreditor behavior beyond the  
6 pale and we are going to take action here and then when the regionals are up we are going  
7 to give them the same level of scrutiny because you know now you have got these score  
8 cards. You can ask the regionals how they did, you know you can ask them about the  
9 patterns of problems and why they didn't catch anything and things like that.

10 My understanding is several years ago when there was problems with  
11 HLC you all did do that and the challenge is that they are just not up right now.

12 MS. PHILLIPS: Last call for questions for Ben Miller. Thank you very  
13 much for joining us. Our next speaker is going to be Steve Gunderson. I'm not sure if  
14 Mr. Ware is here if not then I am going to go with the next one up is Aaron Shenck to  
15 invite you to the table and on deck if you could be sitting on the side of the room is Doug  
16 Seelbach -- so coming back to Steve Gunderson thank you for your patience, thank you  
17 for joining us.

18 MR. GUNDERSON: Members of the Committee thank you for the  
19 opportunity to share the views of Career Education Colleges and Universities  
20 representing a sector of just over 3 million students involved in post-secondary career  
21 education.

22 Personally I come to you both as a former member of Congress serving 16

1 years on the Education Committee and as a graduate of this sector's schools. The  
2 recommendation of the Department to no longer recognize ACICS has the potential of  
3 dislocating 800,000 students at 850 campuses in the next two years.

4 This one bold action by the Department has the potential of reducing our  
5 sector by 25%. Now I have been told a normal accreditation review will cost the school  
6 between 50 and 100 thousand per campus. Using the conservative \$50,000 cost for these  
7 850 schools to seek accreditation elsewhere is a minimum of 42.5 million dollars.

8 National creditors require a minimum of 18 to 24 months for such a  
9 process meaning if the Department gave the schools a full 18 months to find a new  
10 accreditor and you need to know that language is discretionary, he doesn't have to give  
11 anybody 18 months. Others don't have the capacity to handle such a request in this time.

12 No sector of higher education has been confronted with greater challenges,  
13 economic, political and regulatory than our sector. Accreditors have been challenged to  
14 insure academic quality in the face of unprecedented growth during and after the  
15 recession, unprecedented enrollment declined with no recovery of middle skilled jobs and  
16 a dramatically changing employment skill demand.

17 Our sector has been asked to change its focus from one of access to one of  
18 outcomes. ACICS may have deficiencies. The Department has recommended however  
19 that every other accreditor with deficiencies including one with 17 such deficiencies be  
20 given 12 months to come into compliance.

21 The accreditor's score card produced by the Department for your meetings  
22 puts all of this in proper perspective. The graduation rates of 60% or higher is achieved

1 by 21% of the regionally accredited schools, 40% of ACICS schools and 65% of all  
2 nationally accredited schools. 38% of the students at regionally accredited schools are  
3 PELL recipients compared to 64% at nationally accredited schools and 74% at ACICS  
4 schools.

5 Students of color comprised 39% of the students at regionally accredited  
6 schools, 55% at nationally accredited schools and at ACICS. Such statistics make clear  
7 that ACICS serves more at-risk students with better academic outcomes than regionally  
8 accredited schools. How then can they be set up as the sole target for elimination?

9 My hope is that you will place the academic interests and outcomes of the  
10 students in the front of your deliberation. They don't know what NACIQI is, they don't  
11 know what accreditation is, they are just pursuing their career academic skills.

12 ACICS and those student deserve 12 months to make the changes that  
13 have been suggested, thank you.

14 MS. PHILLIPS: Thank you questions for this speaker? Thank you very  
15 much I'm sorry -- Ralph, I'm sorry.

16 MR. WU: So I would like to ask you the opposite of the question that I  
17 have asked some of the other third party commentators who have been skeptical that we  
18 should trust the leadership of this agency. Is there anything concrete that you could point  
19 to not just what we have seen here but what would you point to in concrete terms that  
20 would give us confidence that if they have 12 months that they would not just have the  
21 standards but enforce them in an appropriate manner?

22 MR. GUNDERSON: It's a great question and I think the most important

1 thing to understand is two dynamics. Number one our sector has been asked to change its  
2 focus from academic access to academic outcomes. That's now the mission of our  
3 accrediting agencies -- that becomes very, very important.

4           The second one is to understand the dynamics of what has happened since  
5 the recession. Our sector grew exponentially in the recession we saw a similar decline  
6 when there was no recovery of middle skilled jobs -- our sector has moved from open  
7 access to very careful I know very few schools if any that today pursue any kind of open  
8 enrollment so they are focused on those academic outcomes.

9           You are now seeing from the accrediting agencies the mechanics that  
10 reflect that programmatic focus change.

11           MR. WU: Could I follow up with a question about this sector -- ACICS  
12 noted that its accreditation challenge might be different because so many of the  
13 institutions that it looks at have a corporate structure whether they are for-profit or not,  
14 their scale is different, many campuses et cetera. What's your view of that, is this a  
15 fundamentally different accreditation process or is it the same?

16           MR. GUNDERSON: It is different because the constituency and the  
17 programs are different. For the most part our schools are not what you and I would call  
18 four year liberal arts programs. They are primary two years some up to four years but  
19 primarily two year and less programs that are focused on career skills.

20           The second thing that becomes really important here because I have talked  
21 to some of my members who are accredited by ACICS over the last 10 days and because  
22 they are a private sector school they are not able to even seek accreditation today with a

1 regional accreditor because many of those regional accreditors have requirements that  
2 governance structures such as Board composition et cetera, have to be in place up to two  
3 years before you can seek that regional accreditation.

4 So the opportunity for these schools to go elsewhere is very narrow.

5 MR. WU: One last question I don't mean to ask you to speculate but since  
6 you do represent an entire sector what would happen do you think if for whatever reason  
7 ACICS just went up in a puff of smoke, what would happen?

8 MR. GUNDERSON: I think you heard the answer to that this morning. A  
9 few of those schools would be easily accepted by somebody else but no other accreditor  
10 is going to accept anyone quickly without appropriate due diligence in the current  
11 environment.

12 So if you are a school that is challenged at all in terms of outcomes and I  
13 plead with you look at the outcomes of our sector from 2012 to now -- everything before  
14 then was a different business model of open access, open opportunity not focused on  
15 outcomes and so as a result of that we would have -- I would say a significant decline in  
16 our sector.

17 When you combine that and to give you some sense between 2010 and  
18 2014 our sector on an annual basis decreased by 572,000 students but we increased in  
19 academic awards by 20,000. That is the best set of numbers I know that reflects the  
20 changing focus programmatically of this particular sector. But you take that 572 you add  
21 let's say 50,000 from Corinthian you are at 625 you look at this with the potential of up  
22 to 800,000 -- you are going to see and this doesn't count -- gainful employment which the

1 Department says will reduce 24% of our programs and defends the repayment which will  
2 probably reduce a similar number of schools.

3           You can combine all of these efforts and you will see the elimination of  
4 post-secondary career education in this country.

5           MR. WU: Thanks.

6           MS. PHILLIPS: Ralph?

7           MR. WOLFF: Thank you let me play the other side. We have asked  
8 people who would like to see revocation occur you know what's good or what could be  
9 done. Let me take this position -- first I want to saw that the shift to outcomes I don't  
10 think is as recent as you would say. In law school we put outcomes in our standards in  
11 1988 and have been moving forward in that without benchmarks or precise lines but --  
12 ACICS itself committed itself on placement in 2011 so how long given the findings --  
13 how long do you think any responsible reviewing agency should give an agency to make  
14 that commitment real?

15           Because we are now in 2016 and being asked to be given 12 to 15 months  
16 more and I think by the Agency's own admission and certainly by the Department's  
17 findings they did not implement and fully enforce what existing standards they had.

18           MR. GUNDERSON: First of all the Department would be the first one to  
19 tell you that we have to come up with a common metric definition of placement. We  
20 don't have one. Everybody defines it differently which is part of the problem.

21           Second if you look at what happened during the recession we lost 9.1% of  
22 middle skilled jobs. In the 4 years after the recession we had a 1.9% recover of middle

1 skilled jobs. You know to be honest with you some of these schools who had placement  
2 projects in their marketing and advertising based on traditional economics probably were  
3 accurate for what had happened previously economically.

4 But wouldn't happen when we have seen no recover of middle skilled jobs  
5 and we have seen a 1 to 2% GNP in the last two quarters. I mean there is a lot of this that  
6 is beyond a school or accreditor's control and we have to find a way to quit the fights and  
7 all work together for the common interest here of the students.

8 MR. WOLFF: I share your concern about the larger economy and the  
9 need for jobs and particularly for under-represented students. At the same time what is at  
10 issue here one could argue is misrepresentation of statistics, fraudulent representation to  
11 students by enough institutions to a significant category or quantity of students to move  
12 this from an individual institution to a question of whether it was systemic or endemic to  
13 the ACICS process.

14 So I don't think it is a larger economic issue it's a question about failure  
15 the allegation of serious failure to act when appropriate information was available. So  
16 while I appreciate the larger economic situation we are dealing with findings at least on  
17 the part of the Department, some acknowledgement by the Agency itself that it did not --  
18 if failed to act rapidly enough and effectively enough where there were clearly stated  
19 evidences of fraud and misrepresentation by more than one or two institutions.

20 So I want to kind of set aside the larger economic side and to ask would  
21 not the failure to act create a distinctive with respect to this agency than the larger  
22 question of what are good placement statistics and metrics.

1                   MR. GUNDERSON: I don't really think so because there was as  
2 referenced this morning the guidance letter from the Department on accreditation to  
3 accreditors came out in what April of this year -- and I think that was the first time that  
4 we have seen the Department officially communicate with accreditors to say here are the  
5 metrics that you ought to be using moving forward and specifically those of you who are  
6 doing either occupational programming or nationally accredited you need to look at what  
7 your colleague accrediting agencies are using for their metrics because we need to have  
8 some kind of consistency in those metrics.

9                   I think moving forward from April makes a lot of sense. I would tell you  
10 that as recently as Monday in a conversation with the Under Secretary in his office this  
11 issue of defining what constitutes placement is still a very real concern for them and for  
12 us.

13                   MR. WOLFF: Thank you.

14                   MS. PHILLIPS: I have Art and Kathleen and we just want to make a  
15 comment about the time. At the moment the clock shows 3:49 p.m. and we still have 25  
16 public commenters.

17                   MR. KEISER: Mr. Gunderson the Wall Street Journal today had an article  
18 about this particular hearing and kind of it said very specifically that this is kind of -- part  
19 of a program to hurt the career education sector. Could you comment on that?

20                   MR. GUNDERSON: I can only comment on the experience I have had in  
21 the last 4 years as President of this Association and you need to know that Monday was  
22 the first time in those 4 years that we were able to have a meeting with the Under

1 Secretary to discuss these issues.

2 I don't think it is being political to say that there is an ideological belief in  
3 this town today that believes the private sector ought not be involved in the delivery of  
4 education at any level and in particular at the post-secondary career level. And so I think  
5 when you combine all of the issues I have mentioned earlier and you look at gainful  
6 employment 24%, you look at the defense to repayment and what's going to be impacted  
7 by that, you look at the ACICS and you begin to bring all of these things together and  
8 you know in all due respect to the Attorney Generals I mean we admire should I say the  
9 strategic collaboration that has occurred by those who are opposed to this sector.

10 We know they meet and they say you go after that school, I'm going to go  
11 after this school, you go after that school, I'm going to go after this school -- we know  
12 that all is happening. Some people have said to me this is a war on your sector. I have  
13 tried to avoid that use of terms because I think there is something on a positive proactive  
14 which is as community colleges deal more and more with articulation agreements, with 4  
15 year liberal arts programs -- if you eliminate this sector those students, those adults, those  
16 citizens most dependent on some type of post-secondary education as a career path to a  
17 real job with real wages and a chance for the middle class will be non-existent and that's  
18 my passion.

19 MS. PHILLIPS: Kathleen?

20 MS. ALIOTO: You're very articulate. I'm wondering in terms of your  
21 association of private sector colleges and universities how many community colleges are  
22 you representing?

1           MR. GUNDERSON: Well not enough. And it's a really great question  
2 because we used to be called the Association of Private Sector Colleges and Universities.  
3 I could tell you a great story over a beer of how that happened but I won't use the time  
4 now. But the reality is that we changed the name and the by-laws of the Association  
5 because we don't want to be known by the corporate structure any school, we want to be  
6 known by the mission of who we are and what we do.

7           A large number of our schools that were private sector have converted to  
8 non-profit. The academic programming has not changed one bit, they are still dealing  
9 with post-secondary career education, they belong with us.

10           I will probably give the first 10 community colleges that want to join my  
11 Association free membership just so that we can begin to have one place and one frankly  
12 post-secondary institution or association that deals with this issue of career education.

13           MS. ALIOTO: When you talked about the 24% are those schools  
14 represented by ACICS, did I get that mixed up? How many of your colleges and  
15 universities accredited by ACICS?

16           MR. GUNDERSON: 30 of my members with 100 different schools  
17 represented by or accredited by ACICS today.

18           MS. ALIOTO: So is that -- what is the percentage of those I mean what  
19 numbers of students are we talking about?

20           MR. GUNDERSON: That would be 20% of my current membership. My  
21 membership has declined by over 50% in the last four years.

22           MS. ALIOTO: And why is that?

1                   MR. GUNDERSON: Well that's because of the economic, regulatory and  
2 political attacks on the sector resulting in most schools either downsizing or economic  
3 problems so that they can't afford membership in any way.

4                   MS. ALOIOTO: And the final -- let's see what was my final question.  
5 Oh when you said that open enrollment is gone well I don't think that's true of  
6 community colleges?

7                   MR. GUNDERSON: No and you know when I was interviewed for this  
8 job I told my Board my 16 years on the House Education Committee made me a strong,  
9 passionate advocate of every sector of higher education. Our diverse economy and  
10 diverse population demands the diversity of our post-secondary system. I told my Board  
11 I will never, ever criticize any other sector of higher education and for 4 ½ years I have  
12 never done that.

13                   But I will tell you that if you look at the Department's data on graduation  
14 rates you will see that our sector does far better than any other sector including the public  
15 2 year system.

16                   MS. PHILLIPS: Thank you for joining us. Our next speaker is Aaron  
17 Shenck. I would invite Doug Seelbach to join us at the table and Allan Hancock to be on  
18 deck. Again we have three minutes and I do want to remind everyone about the clock.  
19 Okay -- Mr. Shenck.

20                   MR. SHENCK: My name is Aaron Shenck I am the Executive Director of  
21 PAPSA we are a state-wide association in Pennsylvania that represents about 150 career  
22 colleges and other post-secondary technical schools. PAPSA represents a broad range of

1 institutions including both for-profit and non-profit schools and we have everything from  
2 very large technical institutes to very small career schools in every size and shape in  
3 between.

4 Our schools focus on a huge diversify of careers just to name a quick few,  
5 age fact welding, construction, allied health, culinary arts, auto mechanics, CDL and  
6 many, many, many more. What I came here to talk about today is my visits to some of  
7 these schools.

8 I joined the Association approximately 2 years ago as the Executive  
9 Director. I made it my primary mission for at least the first year and onward to visit as  
10 many campuses as possible. I have been to approximately 100 different schools in the  
11 state of Pennsylvania over the last two years and out of those visits approximately 25 of  
12 them are ACICS accredited schools.

13 I would like to -- the rest of my testimony is focused on some of the  
14 observations of those visits, I want to side track briefly to a conversation that I heard  
15 about five hours ago. When the Department staff was testifying one of the panelists  
16 asked him a question of have they ever gone with an ACICS visit team to a school.

17 If I heard things correctly I heard yes one time the staff member testifying  
18 said they were on a visit. The follow-up question was what was your experience was it  
19 good or bad, what did you see and the response was essentially what they saw was very  
20 good and they said but that was a good school.

21 I am here today to tell you that a large, large majority of the schools are  
22 good schools. I am not naïve nor ignorant to think that every single one has no issues and

1 there may not be problems with some institutions but overall on par the schools -- the  
2 career and technical schools that will focus on that the ACICS accredits -- a very large  
3 majority of them are good schools.

4           Now back to what I want to talk about today. I have personally been to as  
5 I said about 100 campuses, 25 of them ACICS accredited I have walked the halls and  
6 spoken to hundreds if not thousands of students and I can tell you they overwhelming tell  
7 me all of the positive experiences they have had.

8           These are student populations many of which come from low economic  
9 backgrounds, minority, maybe single moms trying to raise a family as they go to school  
10 part time. You name the issue, the case and these schools are helping those students with  
11 a better path forward. I have also spoken at some of the schools I have spoken to many  
12 of the faculty. They tell me the good culture, the good atmosphere of many of these  
13 schools and I can tell you one question I ask every single visit I go to -- to the faculty I  
14 said just a general question of how long have you been here and usually the answers I get  
15 back are 5 years, 10 years, 15 years, 20 years, 25 years -- it's long tenured people.

16           And these are people that are at-will employees, could go to other schools,  
17 could do other things but they like the school and they choose to educate there. I have  
18 also sat in many employer round tables. I can tell you without a doubt the employers  
19 have told me overwhelmingly the graduates of these schools are employees they seek  
20 regularly.

21           Should I stop?

22           MS. PHILLIPS: Thank you.

1 MR. SHENCK: Thank you.

2 MS. PHILLIPS: Questions for this speaker? Oh Hank sorry.

3 MR. BROWN: What were you about to say?

4 MR. SHENCK: I have two other observations if you defer me the time to  
5 give them I can be quick if that is okay. I was going to basically say also that I talked  
6 about the employers and they tell me that what they commonly say is the graduates of  
7 these schools are not only trained in the skill in the career field that they have been taught  
8 in but they are employable individuals.

9 These career schools teach them about soft skills, about being dependable.

10 MS. PHILLIPS: Quickly, thank you.

11 MR. SHENCK: Okay the last comment I will say and last point I have  
12 also sat in many veteran's roundtables our sector educates a high, high number of  
13 veterans the veterans tell me they choose our schools a large number of times for very  
14 specific reasons. There used to being in the military with hands-on technical based and  
15 they transfer those skills in to an educational career that is hands-on technical based.

16 They like the flexibility of the schools, the calendars are a little different  
17 and candidly many of them tell me in their 20's and 30's when they leave service that  
18 they would rather go to a career school as opposed to a 4 year school with a lot of 18 year  
19 olds and 19 year olds so I have a few other things I want to say but I know you are short  
20 on time so I will leave it at that, unless there are other questions.

21 MS. PHILLIPS: Thank you very much, other questions for this speaker?

22 Thank you very much for joining us. Our next speaker is Doug Seelbach. Allan

1 Hancock I would invite you to join the table and Joshua Renicker on deck Mr. Seelbach  
2 welcome?

3 MR. SEELBACH: Well apparently I walk a different path than everybody  
4 else that has spoken in front of me so I guess you could say I am an Ambassador of the  
5 ITT student graduate classes. My story is a little bit simpler a little bit -- not nearly as  
6 exciting as everyone else that has spoken so far so -- in short the ITT staff is the most  
7 caring staff I have ever had the luxury of encountering.

8 From the very beginning they were there for me with warm open arms and  
9 asked me how my classes were every single day. They always asked me if I needed  
10 anything, if there was anything that they could do. The faculties were outstanding and  
11 always had everything that I needed to grow. While attending ITT I learned skills that I  
12 never fathomed existed from a highly qualified faculty that truly cared about my personal  
13 well-being, excuse me.

14 They taught me to believe in myself and apply myself. It is because of  
15 them that I have thrived post-college in almost every aspect of my life. ITT taught me  
16 the principles of 3-D design and the fundamentals of the manufacturing. Because of the  
17 principles that they taught me I have a job designing factory machinery of which  
18 sometimes becomes integrated within robots, it is also so globally.

19 As not to waste my talent I found an outlet to give back to the world as  
20 much as I feel ITT has given to me. I work part-time for UPS designing small plastic  
21 items for customers. It doesn't sound like much but today I am able to print pictures that  
22 the blind can now see.

1 I proudly say that I am an ITT graduate. The echoes of the classes that I  
2 have taken and the information that I have learned will forever be a part of me, that's it.

3 MS. PHILLIPS: Thank you very much, question Ralph -- Frank, sorry?

4 MR. WU: I am flattered to be confused with Ralph. Thank you I am glad  
5 that we hear from students and the voice of students that is so important. And I am glad  
6 that your training has worked out so well. I do have a question it is just a normal  
7 question that a lawyer would ask of a witness in a circumstance such as this -- the  
8 question is --

9 MR. SEELBACH: I don't feel intimidated at all.

10 MR. WU: It's very straight forward it is just what brought you here today.  
11 Were you asked to testify or did you of your own accord decide?

12 MR. SEELBACH: It was all on my own. They asked if anybody would  
13 like to do it and I submitted a paragraph or two and I think it was about 900 people that  
14 had submitted they had chosen a few people and said if you would like to go, good. Here  
15 I am, a fish out of water.

16 MR. WU: When you say they who would they be?

17 MR. SEELBACH: That would be ITT Corporate of Indianapolis.

18 MR. WU: Okay thank you.

19 MS. PHILLIPS: Other questions? The real Ralph?

20 MR. WOLFF: Just call me Frank. I actually -- I just want to make a  
21 statement and thank you for your comments that whatever action this Committee takes  
22 and really whatever action the Department of Education takes doesn't mean that every

1 student was either defrauded or misrepresented.

2 MR. SEELBACH: I absolutely agree.

3 MR. WOLFF: And that's just true for Corinthian as well. Some may  
4 have been and I think we need to acknowledge that we are trying to deal with not every  
5 student but systems but I think it is important to acknowledge there are many, many  
6 schools that are providing the services that you received so thank you for coming.

7 MR. SEELBACH: I couldn't agree more that was easy.

8 MS. PHILLIPS: Thank you very much for joining us. To all of you yes  
9 we are trying to do something about the temperature. It seems to be a challenge. Our  
10 next speaker is Allan Hancock with Joseph Renicker joining at the table and Mark  
11 Lunghofer on deck -- Mr. Hancock?

12 MR. HANCOCK: Thank you very much I am also coming from a  
13 different perspective. I'm here as a volunteer for a career college under ACICS  
14 accreditation. I'm Allan Hancock, owner of the Hancock Group a financial service  
15 organization and as a business owner for over 50 years I have served as a volunteer on  
16 numerous boards, educational, community, charitable, professional, retirement, nursing  
17 home boards, some were local, some state, some national, some international.

18 I served as Mayor of Altoona and traveled to many foreign countries to  
19 help those in need. I have three points. The need for private career education, 2 --  
20 students need to have options of all types of education, 3 -- vocational technical career  
21 education in my opinion is the backbone of America.

22 As an Advisory Board member of a private career college for over 15

1 years I have had the opportunity each year to sit in on classes, observe the instruction,  
2 meet with graduates, attend graduation, meet with faculty members and staff to discuss  
3 curriculum and speak to students in classes.

4 Many of the graduates are the first in their family to graduate from  
5 college. It is exciting for me to see education and actions, students learning, changing  
6 and being transformed into professionals who are eager to join the work force or in many  
7 cases get back into the work force.

8 Being involved with the faculty administration who care about their  
9 students, their graduates and the employers is very rewarding. This college puts a high  
10 priority on having Advisory Board meetings throughout the year. At one of the Board  
11 meetings the graduates are all invited to attend and the Advisory Board members are able  
12 to interview them about their current employment, the value of their education and what  
13 improvements the college can consider for future graduates.

14 Witnesses the impact of these students now graduates have in our  
15 communities is encouraging, it is a tremendous impact. It is so important to have  
16 students have a choice in selecting the education that works for them and enables them to  
17 succeed in their careers.

18 Education is not one size fits all, private colleges offer the opportunity for  
19 students who want hands-on skills training in order for them to become employed. I  
20 believe the American dream. ACICS is before this Department of Education for renewal  
21 recognition. I strongly encourage the Department to consider renewal of the recognition  
22 because of the positive impact they have had on hundreds of institutions of higher

1 education, accredited by them, the thousands of students in our nation currently pursuing  
2 their education and thousands of successful graduates who have benefited from private  
3 career education.

4           There are advantages and benefits in both private and public education. I  
5 think competition is still very healthy and I believe that if ACICS lose their renewal  
6 application -- if they lose it it will be a very harmful situation for not only the students but  
7 also for the communities in which these colleges are located thank you very much.

8           MS. PHILLIPS: Thank you questions for this speaker? Bobbie?

9           MS. DERLIN: Thank you for being here and I just wanted to ask have  
10 you as a volunteer at the college been involved in preparing for a site visit from the  
11 accrediting agency in any way?

12           MR. HANCOCK: No I haven't but I was speaking to our President just  
13 yesterday and she has just gone through one and she said it was the most intensive,  
14 difficult one she has ever faced and she believes it is because of the scrutiny that is going  
15 on that they really are lowering the hammer that was yesterday.

16           MS. DERLIN: Thank you for that insight.

17           MS. PHILLIPS: Thank you very much for joining us. Our next speaker is  
18 Joshua Renicker with Mark Lunghofer joining the table. I also have Larry King on deck.  
19 Mr. Renicker?

20           MR. RENICKER: My name is Joshua K. Renicker I am in attendance  
21 today to give testimony regarding the education I received from ITT Tech and how the  
22 approach has changed my life. I earned my Bachelors of Applied Science and Technical

1 Project Management in 2007 as well as my MBA in 2011 through the ITT tech campus  
2 and online programs.

3           Being a non-traditional student finding a school that could support a full-  
4 time work schedule was paramount in me furthering my education and in turn my career.  
5 I will offer my testimony on four main ideals including education, classroom setting,  
6 support excuse me and leadership.

7           Education -- the education material I learned in the classroom was relevant  
8 and taught by professionals in the field who brought real world daily experiences into the  
9 classroom to relate them to the material that was all part of the curriculum of the program  
10 of study.

11           The discussions in the classroom setting revolved around what was  
12 happening in the world not just what a textbook was written to share.

13           The classroom -- classrooms at ITT tech closely represented diversity and  
14 challenges of the work place. People in ITT classrooms come from sorted and diverse  
15 backgrounds, educations, experiences and generations much like the work place these  
16 students brought a different dynamic to the classroom based on the day's experiences and  
17 challenges of living a non-traditional student life.

18           Support -- the campus and online setting allowed for resources of support  
19 related to finding gainful or more gainful employment through career service teams that  
20 worked tirelessly to better our resumes, show our value to potential employers, in fact my  
21 last two opportunities for employment were gained directly through ITT Tech.

22           Leadership -- the classroom setting allowed for autonomy and leadership

1 to blossom. I found myself taking ownership of projects and the instructors allowed this  
2 to occur organically. Nothing ever felt forced -- much like the work place the leaders led  
3 and the followers followed. I feel that my experiences in the classroom directly relate to  
4 my successes in business since I started attending ITT Tech.

5           While attending classes in Indianapolis I found that the education I was  
6 gaining far outweighed the value of the degree I earned at the end. I found myself  
7 applying what I learned sometimes within hours of learning it in real time in my position  
8 at work.

9           During my time at ITT Tech I grew in business from a draftsman to  
10 quality manager to operation's manager, to direct and now COO. This happened  
11 organically and 100% due to what I gained as experience through the ITT Tech approach  
12 to education. ITT Tech taught me valuable skills that I used to grow.

13           At ITT Tech I got an education not just a degree, thank you.

14           MS. PHILLIPS: Thank you very much questions for this speaker? Thank  
15 you very much for joining us. Our next speaker is Mark Lunghofer. I don't see Larry  
16 King so I am going to move to the next one to join us Quirt Marlon Collins with Jim Bare  
17 on deck, Mr. Lunghofer.

18           MR. LUNGHOFER: Good afternoon. My name is Mark Lunghofer I am  
19 the Production Manager at Sensit Technologies. I would like to stress how valuable ITT  
20 and its graduates have been to our company -- the students who come from ITT show  
21 more commitment and are far more prepared for jobs in electronics manufacturing than  
22 graduates from traditional colleges.

1                   I have been hiring and managing employees for 18 years and my  
2 experience with ITT graduates has been positive and extremely rewarding. Traditional  
3 schools do a wonderful job teaching their graduates. ITT on the other hand in my  
4 experience is very adept at training its graduates to be ready to succeed in the careers that  
5 they have chosen to pursue.

6                   Within the last 4 to 5 years I have hired 5 ITT graduates, 2 of those  
7 through my promotion had been promoted to enter departments 1 of our engineering and  
8 1 through our product development. The other 3 remain in electronics manufacturing and  
9 1 of those has been promoted to my production engineer, I believe this because ITT's  
10 instructors and career service personnel do such a great job nurturing these non-  
11 traditional student's passions.

12                   When it is time for me to hire new employees I prefer ITT grads because  
13 they are excited to work and are interested in learning every aspect of our products and  
14 the manufacturing of it. When promotions are available in the company I am the first to  
15 champion their abilities to other department heads such as service and engineering. They  
16 aren't just here to collect a paycheck until something better comes along they continue to  
17 work here because ITT career service personnel do a great job at matching their students  
18 with companies like Sensit Technologies.

19                   They are able to do this because they know their student's passions and  
20 match them with companies that will nurture them in the learning and career just as ITT  
21 did. I am quite impressed with ITT as an educational organization. Their focus is not  
22 only on educating their students but preparing them for the work force, including

1 reaching out to industries like my own to help them find employment.

2 I believe so highly in ITT that for the last 4 to 5 years I have volunteered  
3 my time to do mock interviews for their students and I sit on the Advisory Committee.  
4 While traditional colleges prepare students for many career paths, I believe ITT takes  
5 their students one step further.

6 MS. PHILLIPS: Thank you very much, questions for this speaker -- Frank  
7 or Ralph?

8 MR. WU: Just we are the same -- just the same question that I asked of  
9 the first student speaker which is how did you come to be here today?

10 MR. LUNGHOFER: I was approached and asked if I would be willing to  
11 do this. I basically gave them this and said this is what I would be willing to do and so  
12 here I am.

13 MR. WU: That's great thank you, it's moving -- it is great to know that  
14 the programs have worked for some students and they have found gainful employment  
15 and it is great that it has worked out for you as well, thank you so much.

16 MR. LUNGHOFER: Thank you.

17 MS. PHILLIPS: Bobbie?

18 MS. DERLIN: You mentioned you served on an Advisory Committee for  
19 the collect?

20 MR. LUNGHOFER: Correct.

21 MS. DERLIN: And it sounds like you have been involved with them for  
22 some time. Can you tell me -- were you ever invited or did you ever just have an

1 opportunity to participate in any of the accreditation or self-study activities of the  
2 college?

3 MR. LUNGHOFER: No ma'am.

4 MS. DERLIN: Okay thank you.

5 MR. LUNGHOFER: You're welcome.

6 MS. PHILLIPS: Thank you very much for joining us.

7 MR. LUNGHOFER: Thank you.

8 MS. PHILLIPS: I am guessing that you are Mr. Collins?

9 MR. COLLINS: Yes I am.

10 MS. PHILLIPS: Okay one moment please. Our next speaker will be Mr.  
11 Quirt Marlon Collins with Jim Bare joining us at the front table and James Harsh on  
12 deck. Mr. Collins, welcome.

13 MR. COLLINS: Thank you very much for having me here. I am also a  
14 graduate from ITT Tech. I graduated in December of '13 -- December of 2015. I started  
15 in 2013 and I came here from a background of being I was in the service. I studied  
16 electronics while I was in the service and I spent 18 years doing electronics.

17 When I got out of the service my guess was that I would be able to go  
18 right into the public and get a great job in the electronic field which didn't happen. It  
19 turns out that the civilian populous does not recognize the education that we receive in  
20 the military as accredited though I have had a lot of background in that field and worked  
21 in that field for the 18 years that I was in.

22 I gave up. Though I gave up my wife pushed me and urged me to

1 continue forward and try to do something. I finally decided that I would try ITT because  
2 I knew ITT had a reputation for electronics and through the courses that I experienced  
3 there I was given an opportunity for many different jobs and stood many different  
4 interviews of accredited jobs that I was very interested in and I have presently started  
5 employment with Hela Electronics which is a German based company and we work on  
6 most of the vehicles that most of you probably have driven here or drive when you get  
7 home.

8           And we are responsible for those things working safely and they do. I am  
9 very happy to be a part of a large electronics field that is so involved with the  
10 advancement of technology. My dream had been research and development which was  
11 far beyond the reaches that I could have ever acquired other than having gone through  
12 ITT in order to get the paperwork that said that I could do the electronics that I had been  
13 trained for.

14           So the staff that I have experienced at ITT -- have been people that are  
15 working in the field and have been for years, most of them have a Master's Degree. I  
16 was very impressed with their willingness to help, stay after class, even at times when  
17 they had to go to work right afterwards.

18           So it has been nothing but a great experience for me. Thank you for the  
19 opportunity.

20           MS. PHILLIPS: Thank you, Federico?

21           MR. ZARAGOZA: Thank you for your words. Can you tell me a little  
22 bit about the process kind of by which you were approached to become a student -- their

1 recruitment? And then secondly the tuition how much tuition, how long was your  
2 program and do you have a student loan, those three things?

3 MR. COLLINS: Okay I'll address the last first because it is the easiest for  
4 me to remember. Yes I do have student loans. I am presently not going to school at ITT  
5 I have taken a break. The student loans -- I have government loans as well that are  
6 helping me along with my education and I do foresee in the future continuing my  
7 education.

8 MR. ZARAGOZA: Tuition amount?

9 MR. COLLINS: Tuition amount -- actually I don't know what my tuition  
10 is.

11 MR. ZARAGOZA: Any idea, high -- low?

12 MR. COLLINS: It's an affordable one, one that I definitely would not  
13 have been able to afford going to a university because I do have a family and I also have  
14 jobs and I am trying my best -- they don't pay you a lot in the military contrary to popular  
15 belief they don't pay you enough that I would have been able to spend the time to go to a  
16 university.

17 So having something like ITT was a blessing for me and it made it  
18 possible for me to get the credibility the credentials for the jobs that I was looking for.

19 MR. ZARAGOZA: And the first question was how did you become  
20 aware of ITT the recruitment process?

21 MR. COLLINS: When I was younger there used to be a lot of ITT  
22 commercials and throughout my life --

1 MR. ZARAGOZA: Yes there are.

2 MR. COLLINS: And throughout my life I have seen that that's a place to  
3 go and in actuality when I went to ITT I was not expecting to get a job. I had already  
4 given up and fallen into the routine of okay you go to work, you do the best you can and  
5 you come home. I just went to ITT to see that my education that I had experience before  
6 was something that was valid and once I did go to ITT and found that yes indeed you are  
7 valid, now you also have the paperwork to show it, that opened up doors beyond belief  
8 for me.

9 MR. ZARAGOZA: Thank you so much.

10 MS. PHILLIPS: Bobbie?

11 MS. DERLIN: Thank you very much for being here. I wanted to ask one  
12 question. In terms of your being admitted to ITT and the fact that you had prior  
13 experience through your military service which we thank you for -- how was that  
14 reflected in terms of your academic progress at ITT?

15 Were you given credit for prior military experience or was it just  
16 something good to have?

17 MR. COLLINS: Well unfortunately like I said before a lot of the things  
18 that we did was not considered as far as the civilian life goes but there were some classes  
19 that they did take. My education and experience did help me through academically  
20 however going through the course and learning from people that were actually practicing  
21 in the electronic field was greatly beneficial to my education.

22 It brought me up to speed and I got out of the service in 2000 and this was

1 2013 so a lot of things had changed if you know the electronic field so it was very  
2 beneficial for me.

3 MS. DERLIN: Thank you very much.

4 MS. PHILLIPS: Thank you very much for joining us and thank you for  
5 your service. Our next speaker is Jim Bare, with James Harsh joining us up front and on  
6 deck is Xavier Ferguson -- Mr. Bare thank you for joining us.

7 MR. BARE: Thank you Miss Chairman. As a graduate of National  
8 College and a member of my campus Advisory Board and Coordinator of internships for  
9 students to a variety of education institutions I know first-hand that National College  
10 students receive an excellent education.

11 The preparation of the students, the professionalism of the faculty and  
12 staff and the success of our graduates more than validate the effectiveness of ACICS as  
13 an institutional accreditor. I graduated with an Associate's Degree in 2014 majoring in  
14 Medical Assistant Administration from Balamy Tech. I currently work with a  
15 community health center serving the uninsured and poor.

16 I am currently going back to school after taking a year off to get my  
17 Bachelor's in health care management. I could have chosen any other school that I  
18 wanted to go to for my Bachelor's but I chose to go back to National simply for their  
19 small classroom sizes and the professionalism of our faculty.

20 MS. PHILLIPS: Thank you questions for this speaker? Thank you so  
21 much for joining us. Our next speaker is James Harsh with Xavier Ferguson, Mr.  
22 Ferguson, Mr. Harsh, thank you -- Mr. Ferguson to join us if Mr. Ferguson is not -- is this

1 Mr. Ferguson -- okay and Kevin Gratz on deck, Mr. Harsh welcome.

2 MR. HARSH: Thank you. I would like to thank the Committee here for  
3 allowing me the opportunity to speak. My name is James Harsh I am a proud graduate  
4 and employee of ITT Technical Institution. I began my pursuit of an Associate's Degree  
5 in network systems administration in September of 2013.

6 I graduated in June of 2015. During this time I had the privilege of  
7 attending the classes of some very qualified instructors, many of whom are still working  
8 in the IT field. This brings real work experience to the classrooms. Each course taken on  
9 the way to a degree provided valuable tools that can be utilized for the rest of your life,  
10 whether it be the core classes or course that is designed to develop soft skills such as  
11 composition and communication.

12 These tools have enabled me to continue learning in the ever-changing  
13 field of IT. Mine is a rather unique story -- during my time as a student I was presented  
14 with the opportunity to be a federal work study. This position allowed me to work  
15 alongside and shadow the current system support technician at Charlotte North Campus  
16 in North Carolina.

17 I gained valuable experience in this role, both through interaction in the  
18 corporate network as well as being able to assist other students that may arise. In  
19 February of 2015 the SST at the North Campus who was also in the Navy Reserve  
20 received orders to deploy for a duration of 13 months. This opened up a temporary full-  
21 time position as the SST at this campus.

22 I was still attending classes at the time and had one and one-half quarters

1 until graduation but I was able to be hired on to fill this position. In November I was  
2 offered a permanent full-time position at the South Campus in Charlotte and I am very  
3 fortunate that those two campuses are only approximately 18 ½ miles apart and I have  
4 been supporting both campuses from November until the beginning of May.

5 I attribute my success in this field partially to my interest in it but mostly  
6 to the training and the instruction that I received at ITT. I'm looking forward to returning  
7 for a Bachelor's Degree in information systems and cyber security and that will be  
8 starting up in September of this year.

9 MS. PHILLIPS: Thank you, questions for this speaker? I have Simon and  
10 Frank.

11 MR. BOEHME: Thank you for your service and thank you for coming.  
12 It's interesting to me that we have quite a few ITT people here. When ACC I believe,  
13 there was a negative action taken against a school the City College of San Francisco,  
14 many students showed up.

15 And if ACICS were to lose their accreditation ITT could potentially apply  
16 through a different accreditor. And so I guess my question to you is, why are you -- and I  
17 appreciate your comments and I echo what Frank has to say about these third party  
18 comments, but what do you have to specifically say about ACICS that we can use in our  
19 deliberations when discussing the merits of this accreditation agency?

20 MR. HARSH: Well, being that I am also an employee of ITT I have had  
21 many run-ins, many of our meetings around the campus involve ACICS requirements so I  
22 am sitting in the meetings of a lot of these and I have found that lately I don't know, like

1 I said I have only been an employee of theirs since February of 2015 but the more recent  
2 inspections by ACICS have been more strenuous. I know they applied a lot more I'm not  
3 even sure -- I'm sorry they have put more thought and more effort into meeting the  
4 requirements that ACICS has brought to them.

5 So as far as if they lose their accrediting ability and ITT being able to go  
6 somewhere else I don't have an answer to that. I really wasn't aware of what was  
7 happening here today when I was asked to come and speak I'm sorry.

8 MR. BOEHME: But you feel confident and it sounds like you have very  
9 positive experiences of ITT that if ACICS were to lose their accreditation that you feel  
10 confident from your experience, your personal experience, that they would easily get  
11 accreditation elsewhere?

12 MR. HARSH: I don't know how easily like I said I was not sure what was  
13 involved with what was going on here today. I don't know what is involved in finding  
14 accreditation from another Council. I would hope that they would be able to get  
15 accredited from someone else.

16 MR. BOEHME: Thank you.

17 MS. PHILLIPS: Frank?

18 MR. WU: Just a few quick questions. As a graduate and someone who  
19 now works at the school I am just curious what is your understanding of what  
20 accreditation means?

21 MR. HARSH: Well it is my understanding that you are looking to make  
22 sure that the instructors are qualified to teach, that the information as far as the placement

1 goes when a student graduates and they are placed in a career or a job in the field that the  
2 information is being reported correctly.

3 That there is no falsifying of records and that financial student aid is not  
4 misleading the students.

5 MR. WU: And just one more question. Things have worked out very well  
6 for you. You have been trained, you have a new skill set you have a new job how typical  
7 are you of your classmates? The people that you started school with, are there others  
8 who work there on campus now or have other types of jobs -- did many drop out, the  
9 friends that you made, where are they now?

10 MR. HARSH: Many of the people that graduated with my class are  
11 working in the field at other companies. I have found that across the United States at  
12 other campuses for ITT a lot of the SST's the people that are in my position are also  
13 former graduates.

14 I had electronics experience -- I was in the Marine Corps back in '89 to  
15 '93 and I had electronics experience there but I waited so long from that time until I  
16 started going back to school that none of that transferred into college credit hours and I  
17 really didn't want to go into the electronics fields again anyway so that's why I went to  
18 ITT.

19 MS. PHILLIPS: Any further questions for this speaker? Thank you very  
20 much for joining us and for your service. Mr. Xavier Ferguson is our next speaker with  
21 Kevin Gratz joining us at the front table and Bobbie Casteel on deck. Mr. Ferguson  
22 welcome.

1           MR. FERGUSON: First I would like to preface my comments by saying  
2 thank you for allowing me the opportunity to be here and it is an honor to be in the  
3 presence of so many successful people. My name is Xavier Ferguson, I am a full-time  
4 student currently at ITT Tech local institute in Kennesaw, Georgia two terms away from  
5 completing my Bachelor's program. Also I am a full-time worker at Labor Ready, a true  
6 blue company I am a marketing recruiter coordinator, also a full-time father and currently  
7 in the Reserves I did 12 years active and you know I am in the Reserves still.

8           After I arrived on the campus of ITT in March of 2014 I immediately  
9 noticed a high level of professionalism. After exploring a bevy of options I knew that I  
10 had found a home. I was introduced to every staff member in the building and I received  
11 a complete tour of the entire facility.

12           I have been a student at ITT since the spring of 2014 and I can personally  
13 attest that this educational institution truly cares for its student. The staff here at ITT  
14 Tech is committed to excellence. I love the hands-on approach that is taken involving  
15 each and every individual. Because it is more of a hands-on environment it also allows  
16 the instructors the flexibility to apply real world business scenarios to their teaching  
17 curriculum.

18           Every instructor professor will go above and beyond to assist his or her  
19 students. All of this is made possible because of the leadership at the top levels to  
20 include the Director and the Dean they will go do whatever is necessary to accommodate  
21 their students and facility what is necessary to accommodate their students and facilitate  
22 the learning process.

1                   Last but not least certainly there is the career service department. This  
2 program is the reason why I am currently employed. The amount of time and dedication  
3 to duty is truly amazing. They made sure that I had a professional resume built that  
4 proved to be instrumental in my success and to enter today's competitive business sector.

5                   The Kennesaw branch is lucky to have such experienced personnel  
6 running its career service department and I will be forever indebted to this wonderful  
7 institution.

8                   MS. PHILLIPS: Thank you. Questions for the speaker, Simon?

9                   MR. BOEHME: Thank you for coming and like you I also value strong  
10 vocational programs and it sounds like you had a great experience. But I am going to be  
11 blunt and I appreciate your honesty. Were your expenses paid for?

12                  MR. FERGUSON: Yes they were.

13                  MR. BOEHME: Thank you.

14                  MS. PHILLIPS: Other questions for this speaker, Federico?

15                  MR. ZARAGOZA: So from the student perspective you have had a very  
16 valuable experience at ITT because they are currently accredited by ACICS. Would it  
17 matter to you as a student consumer if the ITT was accredited by a comparable  
18 accrediting entity?

19                  MR. FERGUSON: I don't believe that it would because the institution  
20 has a foundation of dedication to their students so I don't think it would be that difficult  
21 for ITT to get picked up by another accrediting agency.

22                  MR. ZARAGOZA: Thank you.

1 MS. PHILLIPS: Any other questions for this speaker? Thank you for  
2 joining us and thank you for your service.

3 MR. FERGUSON: Thank you for having me.

4 MS. PHILLIPS: Our next speaker is Kevin Gratz with Bobbie Casteel  
5 joining us at the table and Terrence Smith on deck, Mr. Gratz?

6 MR. GRATZ: Thank you for allowing me to speak to you today. My  
7 name is Kevin Gratz and I am Talent Acquisition Specialist for Dean Clinic part of SSM  
8 Health located in Madison, Wisconsin. Dean Clinic has experienced a dramatic shortfall  
9 of qualified medical assistants our public non-profit schools are unable to produce  
10 enough graduates to meet the demands of the area.

11 At the same time we are increasing the number of medical assistants that  
12 we are trying to hire making the shortfall larger. This has allowed us to go to extreme  
13 measures including hiring of more expensive LPN's and RN's this raises the cost of  
14 health care.

15 We work closely with Globe University in Madison. They produce about  
16 40 medical assistant graduates in Madison each year and honestly I wish they would  
17 graduate three times that number. Their graduates come ready to hit the ground working.  
18 Globe University offers options that our public schools do not including smaller class  
19 sizes and an evening option.

20 This option allows someone working full-time during the day to still go to  
21 school to learn skills to further their career and help them earn a living wage. Globe  
22 University is not the right option for everyone but for some it is the perfect option. The

1 medical assistant graduates are highly sought after in the greater Madison job market,  
2 most of their graduates are finding good jobs with strong wages including hiring bonuses.

3 Many are hired before graduation. If Globe University was forced to close  
4 their doors in Madison it would hurt an already weak labor pool for these trained medical  
5 professionals, once again thank you for your time.

6 MS. PHILLIPS: Thank you questions for this speaker? Thank you very  
7 much for joining us. Our next speaker is Bobbie Casteel with Terrence Smith joining us  
8 at the table, not seeing Terrence Smith I am going to invite Joshua Mann to join us at the  
9 table, not seeing Joshua Mann I am going to invite Stefany Ward to the table. Not seeing  
10 Stefany Ward I am going to invite Lovell Walls to the table. Not seeing Lovell Walls I  
11 am going to invite Joseph Fernandez to the table. Not seeing Joseph Fernandez I am  
12 going to invite Mendi Goble to the table.

13 Not seeing Mendi Goble I am going to invite Deanna Henley to the table.  
14 Miss Goble okay thank you and that means that Deanna Henley on deck and Paul Mazza  
15 to follow. Okay with that in mind Mr. Casteel thank you for joining us.

16 MR. CASTEEL: Thank you everyone for having me. My name is Bobbie  
17 Casteel. I am also a former student of ITT Tech. I am an instructor at ITT Tech as well  
18 and I received my Bachelor's from ITT Tech in information security and cybersecurity.

19 Myself, and my employer, Perkins Cybersecurity & Advisory Service all  
20 feel very strongly about vocational schools. You know we really like the hands-on  
21 approach the vocational schools have out in the real world. They seem to -- you seem to  
22 be able to get more hand-on experience from vocational schools than you do from

1 standard community colleges or universities.

2           And that was one of the problems that I even had when I approached  
3 looking for a college is that when I looked at community colleges or universities I  
4 couldn't get the hands-on experiences that I could get when I was in the Marine Corps  
5 four years before I started college.

6           So it was a journey just to find a vocational school that was able to give  
7 you the hands-on experience and I feel that that is one of the major players in today's  
8 market especially in the technology market is that most employers want that experience,  
9 they want the hands-on experience not just the theory based experience that you get from  
10 your standard, more traditional colleges.

11           They want that more what have you done, can you set this up, can you  
12 administer this -- it's what can you do right now because most employees do not have  
13 that time to sit and train you from the ground up in order to get you up to speed or get  
14 everyone else up to speed and I feel that is what a vocational school comes in good play  
15 with and I feel that you know I have different stances that I feel if ITT Tech did lose its  
16 accreditation from the ACICS is that I am not saying that they wouldn't get another  
17 accreditation but I would say it would be another black mark against the school.

18           Even though it is the accrediting body that lost it -- it could also impact the  
19 school in a negative way because then they lost their accrediting body. And then also  
20 thinking about it from just an outsider looking in perspective -- you know if the ACICS  
21 has a plan laid out and the plan -- no plan is perfect.

22           I work in cybersecurity and I see risk assessment plans all day. I do a lot

1 of HEPA assessments and you know I don't think I have ever seen a company 100%  
2 HEPA compliant and I would say it is the same with accreditation. It is going to be a  
3 long road but if there is the foundation in place and the foundation is there then allow  
4 someone to grow on that foundation, just don't let them crumble, thank you.

5 MS. PHILLIPS: Questions for this speaker? Art?

6 MR. KEISER: Thank you for your service and thank you for being here.  
7 You were in the service and you went to school why did you choose ITT and secondly  
8 did the approach at ITT work well with you as a veteran and did you use your veteran  
9 benefits at that school?

10 MR. CASTEEL: So I did use my veteran's benefits at that school and  
11 their approach was that I had approached them and they actually laid out in my campus  
12 they laid out everything in front of me including what the cost of the program was going  
13 to be and I do know the standard costs of what the Association for my Associate Degree  
14 cost and also the total of what my Bachelor's Degree costs in conjunction with my  
15 Associates.

16 It is honestly not a -- it is priced a little higher than probably some  
17 community colleges that are out there but I feel that the trade-off of that price and the  
18 experience you get, you get farther.

19 MR. KEISER: Did ITT serve you and meet your expectations as a  
20 veteran?

21 MR. CASTEEL: Yes, 100%.

22 MS. PHILLIPS: Other questions for this speaker? Thank you for joining

1 us and thank you for your service.

2 MR. CASTEEL: Thank you for having me.

3 MS. PHILLIPS: Are next speaker is Mendi Goble. Inviting Deanna  
4 Henley if here to join us at the table, not seeing Deanna Henley -- Paul Mazza could you  
5 join us at the table? Carrie Wofford? Sara Nolan Collins? Walter Ochinko? Okay --  
6 thank you. Back to Mendi Goble thank you for joining us welcome.

7 MS. GOBLE: Thank you very much for having me. Hello my name is  
8 Mendi Goble and I am the Executive Director of the Richmond Chamber of Commerce in  
9 Richmond, Kentucky. Why in the world would I fly all the way to Washington, DC to  
10 speak on behalf of American National University?

11 It is to tell you about the impact that this university has on our community.  
12 ACICS accredited institutions provide the education Chamber members need and their  
13 employees if the ultimate measure of institutional quality is how well their graduates  
14 perform in the work force then in Richmond we see this every day.

15 A&U has been a key player in the Richmond community since its  
16 inception. Their leadership has always understood the importance of what community  
17 means and in turn how being a part of your community makes you a better university as  
18 well. From a Chamber standpoint A&U is involved in our organization because they  
19 truly understand the concept of when the tide rises, all boats rise.

20 They have always focused on improving the business climate of our town  
21 and they recognize that these businesses are what make them successful. American  
22 National University is an asset to Richmond, Kentucky as they educate and train their

1 students, our citizens to be able to place them in our local work force.

2                   One of our Chamber members a major manufacturer of industrial  
3 absorption equipment has had a long-standing partnership with A&U and their Human  
4 Resources Director works closely with A&U's career center when looking for new  
5 employees.

6                   Another Chamber member a local pharmacy that was new to the area  
7 quickly discovered the value of working with A&U and the two organizations have a  
8 partnership that provides externship opportunities for A&U pharmacy technician students  
9 as well as employment opportunities for graduates.

10                   The pharmacy benefits by getting the chance to see perspective employees  
11 on the job through the externship program a win/win for our local economy. A third  
12 Chamber member the local office of our state Kentucky center career benefits in a  
13 different way.

14                   Work study students from the local A&U Campus provide administrative  
15 support to the center's staff giving the students an opportunity to work toward their  
16 education while gaining valuable experience in a professional work environment while  
17 assisting the center in its mission to match job seekers with available positions within a  
18 local economy.

19                   In fact the work force development specialist at the Kentucky career  
20 center is a graduate of A&U. I'm not an educator. What I do know is that ACICS  
21 accredited institutions like American National University and provide our community  
22 with valuable resources in many ways. That to me would seem to be the ultimate

1 judgment of institutional quality.

2 MS. PHILLIPS: Thank you, questions for this speaker? Thank you very  
3 much for joining us. You will have to help me with your name at this point I'm not quite  
4 sure who is on deck.

5 MR. MITCHELL: My name is Matt Mitchell I am speaking on Carrie  
6 Wofford's behalf.

7 MS. PHILLIPS: Okay so our next speaker is Carrie Wofford in multiple  
8 identities we would invite Sara Nolan Collins to join us at the table and Walter Ochinko  
9 to be on deck okay.

10 MR. MITCHELL: So my name is Matt Mitchell. I come at this issue  
11 from a couple of different perspectives. I am formerly a recruiter for ITT Technical  
12 Institute. I worked there for 8 months prior to attending Brown Mackey College also  
13 accredited by ACICS as a student in the nursing program.

14 The reason I was only employed at ITT Tech for 8 months is after the  
15 unethical behaviors that were requested of me I had to leave the organization. We were  
16 consistently trained on how to go verbally around the requirements of ACICS in our  
17 recruitment practices on a regular basis.

18 There were meetings on verbiage and while this doesn't exactly mean this  
19 it implies this. This is what you can say -- this is what you can't say. So there was a lot  
20 of training and weekly sessions to that effect.

21 Veterans -- it's no surprise that ITT brought a lot of veterans here today  
22 because veterans statistically have the integrity and work ethic to complete a program no

1 matter how hard it is, that is what we are trained to do. Also they come with a GI Bill  
2 most of the time and we were definitely asked to pursue veterans specifically because  
3 they were an easy close. It is an easy close when you can look at somebody and say,  
4 “The VA is paying for it what do you care how much it costs,” whether it be 50 grand, 56  
5 grand, whatever the cost may be per program.

6           When asked about statistics of employment basically just show them a  
7 vague Bureau of Labor statistics map of similar jobs in that field and they make about  
8 this -- so it implies that you are going to make that. Whether or not we are physically  
9 saying it, it is taken that way and as recruiters many of them would do more unethical  
10 things.

11           And when the ACICS came to investigate or not investigate but go  
12 through their accreditation review at the campus we knew when it was coming, certain  
13 individuals were not scheduled on that day, only individuals that could do the interviews  
14 and recruiting by the letter were working on that day.

15           As a student of Brown Mackey College I went through the recruiter I  
16 knew the questions to ask. I asked about accreditation and of course they said ACICS. I  
17 was familiar with the standards and held them to it during their interview process with me  
18 letting them know that I was fully aware of what those standards were.

19           I did ask in regards to the nursing program if they were accredited and I  
20 was told absolutely. They told me that they have many students working in the nursing  
21 field that graduated from their program. What I found out six months into my program is  
22 that we had a provision accreditation through the Board of Nursing in St. Louis and that

1 never came to a full accreditation and actually we were pressured as students to not bring  
2 up too many issues when the Board of Nursing came around as it could cause issues for  
3 us down the road. So it was put on the student not the school.

4 In addition to that I would say they promised to pay for boards they did  
5 not do so and also charged me and another student a different amount than they charged  
6 the traditional non-VA students. There was a discrepancy when we compared our  
7 tuitions after we graduated.

8 There was only 12 of us and we were very close for 2 years.

9 MS. PHILLIPS: Thank you, questions for this speaker? Anne?

10 MS. NEAL: When these things happened did you make a complaint?

11 MR. MITCHELL: At Brown Mackey are you saying?

12 MS. NEAL: At any of these?

13 MR. MITCHELL: Well I was an employee of ITT so I was trying to -- I  
14 mean I was only there 8 months trying to go with the flow until I decided to leave. If you  
15 are talking about Brown Mackey yes -- not only did I make a complaint on numerous  
16 visits to the Director's office who previously worked for ITT Tech -- I also filed a  
17 complaint through the VA for misuse of funding and Sara can probably speak more to  
18 that when she talks and then also the Department of Ed as well.

19 MS. NEAL: And do you live here in town?

20 MR. MITCHELL: I live in Baton Rouge, Louisiana at this current time  
21 and am fighting to get my nursing licensure because of the lack of accreditation.

22 MS. NEAL: And did you pay for your own way here today?

1 MR. MITCHELL: No I did not.

2 MS. NEAL: Who did?

3 MR. MITCHELL: Veteran's Education Success.

4 MS. NEAL: Thank you.

5 MS. PHILLIPS: Thank you for joining us and thank you for your service.

6 Our next speaker is Sara Nolan Collins with Walter Ochinko on deck. I'm not seeing  
7 anybody who looks like a Walter joining us right now. Following this is Nicole

8 Hosprung and Alyssa Pickard -- that's Nicole? Okay. Alright Miss Collins, welcome.

9 MS. COLLINS: Hello my name is Sara Nolan Collins and I am the Legal  
10 Services Director of Veterans Education Success. We help more than 800 military and  
11 veteran clients who were deceived by ACICS accredited schools about accreditation,  
12 cost, job prospects and more.

13 The education they received was unacceptably poor with unqualified  
14 teachers, classes that were sub-par that sometimes encouraged cheating and had regularly  
15 shoddy course and class materials. Although accreditation is intended to be an indication  
16 of quality it is clear that ACICS has failed this mission.

17 Veterans are especially at risk because the Department of Veterans Affairs  
18 relies on accreditation for GI bill approval. We urge you to clean up America's  
19 accreditation system and immediately withdraw ACICS's authorization. Please consider  
20 the impact on veteran's lives.

21 For example Janelle went to West Wood College after being hounded by  
22 recruiters who promised her loans wouldn't be high and she would make so much more

1 money when she got out that she could pay it off quickly. She asked about credits  
2 transferring and was told her credits were 100% transferrable, the classes were horrible  
3 and she was learning very little.

4 She then started noticing her loans were increasing in number even though  
5 she wasn't signing up for new loans. She finally had to quit, none of her credits had ever  
6 transferred.

7 Timothy graduated from Stanford Brown College. Recruiters promised  
8 the credits would transfer to another institution for his Bachelor's Degree. It was not  
9 true. None of his credits will transfer. Even worse Stanford Brown's sonography  
10 program is not recognized by ARDMS so he can't work as a licensed sonographer and  
11 employers tell him Stanford Brown has a bad reputation and they would prefer not to hire  
12 from there.

13 Jude attended Kaplan University. The recruiter had promised his credits  
14 would transfer to any other school. He specifically asked her, "Will the credits transfer to  
15 the University of Alabama," and she assured him they would. When he returned from  
16 Iraq and had finished his courses there he found that the credits were worthless. They  
17 wouldn't even transfer to a local community college in Birmingham.

18 Jenna graduated from Brown Mackey with an Associate's Degree as a  
19 medical assistant. Their recruiter promised her Associate's Degree would enable her to  
20 continue her education as a nurse. She graduated in 2013 and applied to nursing schools  
21 but was told she would have to start over because none of her credits would transfer.

22 She tried to get a job and found her Brown Mackey degree was worth the

1 same on the job market as no degree at all or a six month certificate.

2           And Charles graduated from ITT Tech. He later found out his credits  
3 can't transfer despite ITT's promises. ITT's job placement assistance was sub-par to say  
4 the least and the really didn't help him find any employment which they promised they  
5 would help him with. He is now stuck with a loan that he is struggling to pay.

6           I have 800 of these stories, you might not -- I told you some here. These  
7 men and women who serve our country in dangerous war zones should not return to only  
8 have their hard-earned GI Bill money stolen from them by schools that should not be  
9 accredited, thank you.

10           MS. PHILLIPS: Thank you, questions for this speaker, Federico?

11           MR. ZARAGUZO: Can you just tell us a little bit more about the  
12 organization that you represent? Are you a non-profit?

13           MS. COLLINS: We are a non-profit. We work to help insure the promise  
14 of the GI Bill. A lot of my work is taking in complaints that veterans or service members  
15 have about their schools and advocating with bringing their complaints to Attorney's  
16 General -- the VA and now the Department of Ed with their complaint system, and trying  
17 to help them find recourse.

18           MR. ZARAGOZA: So you work with various higher education  
19 institutions not just the ACICS approved?

20           MS. COLLINS: Yes.

21           MR. ZARAGOZA: How does the complaint if you were doing a  
22 proportion what percent would be part of the ACICS and what would be a non-ACICS?

1 MS. COLLINS: So I am not as well versed in who accredits everyone on  
2 my list and what I get. I would say ACICS probably contains about 40% of ours but I  
3 would have to check to get a more specific number.

4 MR. ZARAGOZA: That helps.

5 MS. PHILLIPS: Thank you, I have oh Frank, Frank over here, then  
6 Ralph.

7 MR. WOLFF: I'm not -- if you could identify first of all where is your  
8 organization located?

9 MS. COLLINS: We are located in DC.

10 MR. WOLFF: And so when you refer to these particular institutions,  
11 West Wood, ITT they are national -- are you saying this is specific campuses?

12 MS. COLLINS: So we tend to get the broader more national schools. I  
13 think it is a function of our reach, it is easier for us to talk about it in outreach and we can  
14 -- if we are hearing about a national school we can do more outreach and sort of see what  
15 the problems are and see if we can help.

16 Veterans tend to refer other veterans. So our reach tends to be national, I  
17 can't say we get a lot of just one campus schools. I think it is just a function of where we  
18 are located and how we do outreach and what sort of veterans we get and the schools  
19 veterans choose which tend to be larger national campuses for a variety of reasons.

20 MR. WOLFF: Thank you does your organization assist the veterans to  
21 file a complaint either with the institution that they are attending or with their accreditor  
22 like ACICS?

1 MS. COLLINS: We don't do accreditor complaints and most of our  
2 students if they are coming to us they feel like they have been abandoned by their  
3 institution and lied to and they don't particularly want to deal with them which is a  
4 concern I have -- which is a concern I understand. So we tend to deal with governmental  
5 agencies just because the complaint process is one that a student can get behind and  
6 understand and hopefully receive an automatic at least response to.

7 MS. PHILLIPS: Art?

8 MR. KEISER: That's interesting. I think all schools are required to have  
9 a grievance process. Why would you not try to resolve the problem at a local level which  
10 is really in the best interest of the student?

11 MS. COLLINS: Again as Matt said a student's first instinct is to do that  
12 before they contact us. So if they are contacting us and getting this whole complaint  
13 resolved either the school didn't resolve it at all or the student didn't trust the school to  
14 do it.

15 My job as an advocate is to respect those instincts and governmental  
16 agencies don't require that they go through the school first and as an advocate I want to  
17 ensure that I give the most respect to my client and help them the best I can while still  
18 respecting their wishes.

19 MR. KEISER: How are you funded? Are you funded by the veterans  
20 paying you or are you funded --

21 MS. COLLINS: No, no, no.

22 MR. KEISER: Or are you funded by donations?

1 MS. COLLINS: Donations yes.

2 MR. KEISER: Who is your primary source of revenue?

3 MS. COLLINS: I don't have that information I'm sorry. I'm the Legal  
4 Services Director I can get it for you but I don't have that.

5 MS. PHILLIPS: Thank you for joining us. I am going to assume that  
6 Walter Ochinko is not --

7 MS. COLLINS: No, he is not.

8 MS. PHILLIPS: That means our next speaker is Nicole Hosprung and I  
9 believe this is our last speaker, welcome.

10 MS. HOSPRUNG: Thank you my name is Nicole Hosprung on behalf of  
11 the 1.6 million members of the American Federation of Teachers I join others here today  
12 in applauding the staff recommendation to cease recognition of the Accrediting Council  
13 for Independent Colleges and Schools.

14 As a union of teachers and as the nation's largest union of faculty we are  
15 particularly concerned about ACICS's lack of investigation into the quality of student's  
16 educational experiences because this inquiry is the most fundamental job of an accreditor.  
17 The buck stops with accreditors there is no other entity in a position to review the  
18 academic quality of an institution with the same rigor, with the same stakes and with the  
19 same level of detail.

20 I was going to at this point describe the situation at Northwestern  
21 Polytechnic University but since it has been discussed at length I am going to jump  
22 forward a little into ACICS's response. ACICS's member directory and NPU website

1 still list Northwestern Polytechnic as an accredited institution. The fall semester  
2 application deadline should anyone here care to enroll is June 25<sup>th</sup>.

3 A whistle-blower -- when ACICS received a whistle-blower letter  
4 documenting NPU's abuses in 2014 it performed no meaningful investigation. Instead  
5 the accreditor asked the Institution for "data sheets and job descriptions for librarians and  
6 full-time faculty" which NPU of course dutifully provided. No sanctions were issued.  
7 Again the deadline for application to NPU is coming up on June 25<sup>th</sup> but I honestly doubt  
8 that any of us in this room would willingly direct a family member to Northwestern  
9 Polytechnic.

10 So it is unconscionable that we would dutifully play a role in NPU and  
11 ACICS's continuing to defraud students and taxpayers yet the Education Department's  
12 blog posts on the staff recommendations to close ACICS advises NPU students and  
13 others don't panic -- that chain of events to play out next will take at a minimum more  
14 than 18 months.

15 As I am sure you all know and all remember this is not the first time that  
16 the AFT has raised concerns in this forum about the unconscionable delay that  
17 characterizes the handling of failed accreditors. Our members, the students, the  
18 community of San Francisco and the state of California have been held hostage in the last  
19 four years by another accreditor that has sanctioned high-performing institutions while  
20 allowing others including several of the failed Corinthian colleges to maintain blemish-  
21 free accreditation until the day these closed.

22 The Chief Executive Officers of the community colleges of California

1 voted in March, 2016 to move on from ACCGE and form a new accreditation agency  
2 capping the series of events that demonstrates conclusively that the Agency lacks the  
3 wide acceptance accreditors are meant to have.

4 But the overwhelming reaction of this panel has been resignation to the  
5 idea that accreditors like the multi-national for-profit educational enterprises ACICS  
6 accredits are simply too big to fail.

7 When the stakes are this high a lack of imagination cannot be allowed to  
8 prevent progress. The too common sanction of extending to accrediting agencies an  
9 additional year to address compliance issues must stop at some point. Since I am out of  
10 time I guess I will simply say you know as Ben Miller said earlier this is not a close call.

11 MS. PHILLIPS: Thank you questions for this speaker, Art?

12 MR. KEISER: Since today was the first day I have ever heard of the NPU  
13 situation and apparently it was written up in an article by Buzz Feed, is that where you  
14 are getting for information or is it coming from direct knowledge of the circumstances, I  
15 assume --

16 MS. HOSPRUNG: My information about NP was based mostly on that  
17 Buzz Feed article and conversation with the reporter who did the investigation. I have  
18 not visited NPU, I just thought it was an interesting example of an accreditor failing to  
19 actually take that additional step and look at student work and meet with faculty and meet  
20 with you know librarians and try to assess the reality of the education that was going on  
21 there.

22 MR. KEISER: Let me ask -- no I will leave it at that.

1 MS. PHILLIPS: Other questions for the speaker? Anne?

2 MS. NEAL: You referenced the too big to fail something that we have  
3 heard often but in fact in California if WASC Jr. had been de-certified and as I think the  
4 schools themselves in California have avowed, there is really no place for them to go is  
5 there because of the regional cartels?

6 MS. HOSPRUNG: Well not to you know take us back in time but we  
7 were here with many allies kind of laying out a roadmap of what we might do in the  
8 event that ACCJC became de-listed as an accreditor I think that is you know kind of we  
9 will see when ACCJC comes back up after having their 12 months extension on  
10 compliance, you know I am certain that we will be here to address that at length but this  
11 is not the case with ACICS which is in front of us right now.

12 So I think we are kind of comparing apples to oranges there and I bring  
13 this up and I brought ACCJC up as you know -- what we have heard is that there isn't  
14 someone willing to think through what happens next after an accreditor is de-listed and if  
15 not ACICS then who?

16 If not a Potemkin College it just seems like we are driving really fast on  
17 this highway here and there is no guardrails and NACIQI is not pulling anyone over.

18 MS. PHILLIPS: Other questions for the speaker? Thank you very much  
19 for joining us.

20 MS. WOFFORD: I'm sorry so my name is Carrie Wofford and I thought  
21 that Matt was taking Walter Ochinko's spot so when you were calling for Walter I  
22 thought so anyway do you mind if I use Walter's spot because I'm Carrie. I had to run

1 and get his luggage because he has to catch a flight so I wasn't here when you called.

2 MS. WOFFORD: So I'm Carrie Wofford from Veteran's Education  
3 Success and I am happy to answer any questions about Veteran's Education Success  
4 works for me. I am the Executive Director. The one -- we had another veteran who came  
5 from North Carolina and he was here most of the day his name is Howard Toler and he is  
6 an ITT student and he had to drive back to Raleigh he just couldn't wait because he was  
7 supposed to on before noon.

8 But he left with me what he typed up and he is very articulate so I am  
9 going to read to you what he was going to say.

10 "My name is Howard Toler and I attended ITT Technical Institute for  
11 almost two years in pursuit of an Associate's Degree in computer networking systems.  
12 I chose the ITT based on their claims that they were an excellent school and had the  
13 ability to guarantee that I would be able to find employment after my degree was  
14 completed.

15 Instead I got sub-par instruction and doctored grades. Almost all of the  
16 instructors that I was assigned during my time at ITT used the same methodology in their  
17 instruction. They would display a slideshow that they would read from followed by an  
18 assignment from the book. When I would ask for assistance understanding something I  
19 was told to look it up.

20 I seldom thought I had an adequate understanding of the material but the  
21 teachers continued to give me passing grades. When I asked about this I was told that the  
22 instructors were paid bonuses based on student grades. Once I got past the initial

1 introductory courses I was completely lost and made several complaints to the school  
2 administrator about the quality of instruction I was receiving.

3           After several months and numerous attempts to rectify the situation I  
4 chose to withdraw. There was no way I could complete the degree with no understanding  
5 of the subject matter. I then attempted to attend college at a local community college. I  
6 was informed that none of the credits would transfer due to ITT's bogus accreditation. I  
7 honestly feel I have wasted a large portion of the GI bill benefit that I earned. ITT has  
8 stolen it and given me nothing but worthless credits in return.

9           I simply ask that you review this college along with many of the other  
10 schools that are using predatory and deceptive practices to take advantage of unaware  
11 veterans. It is essential that we implement better safeguards against these practices.”

12           And Howard is one of about 2800 veterans and service members who have  
13 come to us for free legal services and free assistance. You had asked Sara what percent  
14 of ACICS is accredited -- 800 of the 2800 went to schools that are accredited by ACICS  
15 so I don't know what percent that is but 800 out of 2800.

16           Howard served two tours in Iraq. Many of the veteran's reserves served in  
17 Iraq and Afghanistan the vast majority and we spend a lot of time on the phone with these  
18 guys and women -- you would be heartbroken when you hear what happens to them.  
19 They have suffered terribly for their country, they paid for that GI bill with their bodies  
20 and then they come back and the schools are lying to them. I mean they lie about -- ITT  
21 lied to a lot of our veterans about having an accredited nursing degree.

22           They graduate they can't work as a nurse because they can't get a license

1 that's just not fair and you waste their one shot at the GI Bill which is their ticket to a  
2 successful civilian career. It is what America has set up -- right? To help military move  
3 into a civilian career and then it is getting wasted at these programs.

4           They tell us that the classes are a joke. They tell us that they show up and  
5 the people who are the teachers were a student from the last semester just one semester  
6 ahead so thank you.

7           MS. PHILLIPS: Thank you, questions for this speaker? Thank you very  
8 much for joining us. With an eye to the clock I want to call a brief break I don't know if  
9 I am going to make that an aspirational ten minutes to stretch your legs, do what other  
10 things you need to do.

11           We come back and our next stage is to have the opportunity for the  
12 Agency to respond to the third party comments. And after that will be the Department  
13 response to the Agency and to the third party comments followed by our discussion as a  
14 Committee. Being mindful of the clock -- yes?

15           MR. WOLFF: Is there a mandatory end time or will we go as long as --  
16 I'm just trying to for those of us who have dinner plans to move them back or complete  
17 them or breakfast plans for tomorrow?

18           MS. PHILLIPS: I don't have a close time in mind. I would like to  
19 complete this action today. That includes many hours possible, okay with that in mind I  
20 would like to see us back in business at 5:20 if possible.

21           (Whereupon a recess was taken, to be reconvened at 5:20 p.m. this same day.)

22           MS. PHILLIPS: I want to invite the Committee to rejoin the table and I

1 would like the Agency to join us at the front table thank you. Alright if I could ask you  
2 to conclude your conversations we are inviting the Agency to respond -- thank you.

3 Welcome back to the conversation at this time we would like to give you  
4 the opportunity -- excuse me could we have quiet in the room thank you -- I would like to  
5 give you the opportunity to respond to the third party comments. You may find that the  
6 Committee may have questions of your response.

7 MR. BIEDA: Good afternoon, Tony Bieda again for ACICS and I just  
8 wanted to respond to the last group of speakers dealing with the Veterans Education  
9 Success organization and take to heart the criticism and observations they offered about  
10 students who they are advocating for that apparently attend some of our colleges and  
11 schools.

12 During the break I did reach out to the organization and I have also sent  
13 them an email. We would like to know more information, more details about the  
14 concerns of veterans that are attending ACICS institutions who are having sub-standard  
15 experiences and are raising their concerns with this particular organization. We have not  
16 dealt with the organization before but it is time for us to reach out and establish a broader  
17 list of contacts and we are going to do that.

18 Other than -- so let me stop there and see if there are any questions.

19 MS. PHILLIPS: Hank?

20 MR. BROWN: I would be interested, if you cared to share the process  
21 that you use to identify or locate misrepresentations on the part of colleges when you do  
22 your accreditation visit?

1                   MR. BIEDA: Thank you so this goes back to the -- I believe the first  
2 speaker who was offering some critique about the sufficiency of our team report review  
3 of those elements of the operation and with that I will defer to my colleague Ian  
4 Harazduk who can get into it a little bit more both in terms of the recent policy  
5 enhancement that the Council improved and how that translates into the thoroughness of  
6 our review of those factors on site, Ian?

7                   MR. HARAZDUK: So we have had some policy changes where we are  
8 requiring and this goes effective July we are requiring institutions to maintain evidence of  
9 their oversight of recruitment activities therefore when we go on site we will review these  
10 activities not only to make sure that they are appropriate but to make sure that they are  
11 maintaining documentation that they are having oversight of these recruiting personnel.

12                   I would like to say some of the initiatives we have already taken like the  
13 call for comments and the at-risk institution group has already allowed us to see this. In  
14 one case we did receive a complaint -- actually ironically or maybe not ironically from  
15 Brown Mackey College that was one of the visits that we did an unannounced visit to that  
16 where we uncovered 12 findings at that institution.

17                   I'm not sure if it was the same complaint from the veterans since hadn't  
18 worked with them or they hadn't told us but we did do a visit to that, an unannounced  
19 visit and we did have findings based on that.

20                   MR. BROWN: Do you review the records of an OMB office in the event  
21 they have one?

22                   MR. HARAZDUK: No. I mean we have grievance procedures and we do

1 review those.

2 MR. BROWN: You review those records?

3 MR. HARAZDUK: Correct.

4 MR. BROWN: I'm assuming that you have sessions on campus where  
5 students are invited to come and share their concerns as well as faculty?

6 MR. HARAZDUK: Yeah we don't only have sessions we go into  
7 classrooms without telling the institution which classes we are going particular on these  
8 unannounced visits that's the first thing we do -- we want to hear from students we want  
9 to ask direct questions about their recruitment you know their recruitment practices all  
10 our policies, but certainly recruitment and admissions is a very important part of that  
11 interview with the students.

12 MR. LEAK: I'd like to if I could on the third party comments related to  
13 the Board and the meeting practices of the Board. The Board meets more than twice a  
14 year. The Board meets three -- we have three Council meetings where we consider  
15 actions against schools, we have one Council meeting devoted to policies and policy  
16 changes that we want to implement and we also have a meeting where we have a meeting  
17 with the members of our association it is our business meeting.

18 The Board Executive Committee meets with Tony as I said earlier, we  
19 meet weekly and we also have a monthly call to handle the business of the Association  
20 and so the Board is committed to meeting more often and we are very much engaged in  
21 the policies that we have adopted to reform our practices and we know that they are in the  
22 early stages of implementation and we are going to be engaged and focused to see that

1 those activities are implemented correctly.

2 We have data to gauge their effectiveness and we are committed to  
3 making any other changes to our accreditation criteria as needed.

4 Yes one other comment about the Board is that we have three Board  
5 members that will be ending their terms at the end of this year. I said earlier we had one  
6 Board member in April whose school was put on probation, had to resign from the Board  
7 and so that makes a fourth opening that we have three in December, one right now and  
8 we want to expand the number of public members that are on our Board.

9 We currently have three we actually have four and we could go probably  
10 as high as six. That's absolutely correct, Mr. Bieda pointed out my comments earlier  
11 about our Ethics Review Board and two of the three members of that Board are going to  
12 be public as well.

13 MR. BIEDA: Independent and not former public ACICS Commissioners.  
14 So in that case when we say independent we mean folks that have had no prior affiliation  
15 with ACICS either as a public member or a member of the Council let alone with a  
16 member institution just to clarify that and get it on the record.

17 MS. PHILLIPS: Thank you questions, Frank?

18 MR. WU: So I have two questions. The first is you have described all of  
19 these changes essentially you have presented yourself as a new agency entirely unlike the  
20 agency of say a year ago. What do you member schools think of that -- that's the first  
21 question. It occurs to me that some of them one might imagine would be deeply unhappy  
22 about the sweeping set of changes both because they are changes and also because they

1 are changes that will from the school's perspective be onerous, risky, expose them to risk  
2 of sanctions to accreditation scrutiny et cetera.

3           So the first question is if you could represent to the best of your ability and  
4 neutrally what is going on with the schools you accredit when you announced this. The  
5 second is hypothetically and again this doesn't signal anything about my thinking or  
6 anyone else's thinking let's pretend -- let's suppose you got 12 months and you came  
7 back what would be different 12 months from now, I am just curious I want to look down  
8 the road.

9           So let's say that you got what would probably be the best possible  
10 outcome you could get 12 more months so we are all gathered here in 2017 it is hot out  
11 and actually probably it would be 18 months from now given the time lag so probably in  
12 December of 2017 it is cold out we are all gathered here, we all look at one another and  
13 we say what do you have to show us, could you predict what would you do with 12  
14 months that would be noteworthy?

15           MR. BIEDA: Well let me offer two things. In the first regard I have  
16 encountered directly conversations with many of our school owners and school directors  
17 in the last four to six weeks as we have put these more stringent requirements in place,  
18 we have deployed evaluation teams to apply them directly and have prepared all of the  
19 relevant parties for the discussions and decision-making that will ensue at the August  
20 Council meeting and I have been emphatic that this change means we will be tougher,  
21 more stringent on the application of these credentials going forward.

22           That if the institutions feel obliged to push back to complain or to whine in

1 any way regarding that, that it will not hurt my feelings but number three it will not  
2 change our decisions either.

3           On your second topic and by the way in every case I have had that  
4 conversation, the school owners almost unanimously have said, what have you been  
5 waiting for?

6           MR. LEAK: I just might add on the changes that we put in place all of the  
7 changes, the policy changes or changes to our accreditation standards went out for public  
8 comment and the public comment we didn't have any pushback from that regard either.

9           MR. BIEDA: So in terms of what would it be like a year from now I  
10 believe that it is important for us to thank you for giving us the opportunity to use our  
11 imagination a little bit but the imagination in terms of 12 months really goes like this.

12           What additional evidence of the application of these standards and of the  
13 changes that we have put in place and that need to continue to evolve will be in evidence  
14 at the August Council meeting so the end of the current cycle that we are currently in.

15           Because some of these changes were put in at mid-cycle it won't be a  
16 complete record but at least it will give us some indication and anybody that we would  
17 share that with I think would see some substantial changes both in terms of the quality of  
18 the decisions being made, the amount of evidence that is behind them and also the  
19 stringency the severity of the scrutiny and subsequent decisions.

20           The second cycle will be the fall cycle and between now and then we will  
21 have the ability to fully train all of the cadre of evaluators, make additional changes to  
22 our site visit protocols including enhancements to the team template, the team report

1 template as necessary and also integrate better into that integration process all of the  
2 many risk factors that my colleague Ian has talked about derived from the at-risk  
3 integration group and probably some other factors that will be derived from the  
4 preliminary recommendations of our Special Advisory Committee.

5           Then after that and with the evidence provided to the December Council  
6 meeting then we would be looking forward to what additional changes can we put in  
7 place so that by the April Council meeting so two and a half full accreditation cycles for  
8 now we can really evaluate how much of these changes have had enduring impact on the  
9 way we review schools and on the standards to which we hold them, that would be the  
10 general description of the evidence that we would like to see -- like to have the  
11 opportunity to provide in response to your question.

12           MR. HARAZDUK: If I can add to that I would also like to say you know  
13 I know this has been a long day and you know it is not unlike a site visit that I go to that  
14 we are here but we are willing and prepared to go down each of the 21 items and state  
15 what we are willing to -- will do within 12 months and we believe, other people have said  
16 a lot of third party commenters including the Department of Staff has said you know we  
17 don't have the capability to do that.

18           Well we are ready and here and willing to go down each one of the 21  
19 items that we have looked at and tell you what we are going to do for each of those and if  
20 allowed the opportunity we will take the time to go through those because I think it is  
21 important.

22           I work with standards I understand them I know you guys do as well. It is

1 important to get into the details and I understand whether schools you know it is different  
2 to go hear a media report or you know hear a Twitter feed about a school rather than  
3 actually go to a school, apply the standards and enforce them.

4           So I would like to and hope you provide the opportunity for us to go down  
5 those standards and tell you what we are going to do.

6           MR. WU: Thanks just a comment. I think it is not just the standards  
7 themselves as written but how they are actually applied.

8           MR. HARAZDUK: Well the enforcement actions we will take as well,  
9 the procedures that we have as well.

10           MR. WU: So thank you for the answer it is very useful. Here's how I see  
11 12 or 18 months from now -- it is always dangerous to try to predict but if we all return to  
12 this room there will be many, many more observers, commentators and critics. We will  
13 be several billion dollars down the road in terms of spending, there will be hundreds  
14 actually thousands of students some of whom will have great outcomes, some of whom  
15 will have less than great outcomes.

16           And there are two scenarios -- so one scenario is the one where you come  
17 back and the three of you gentlemen are heroes where you come and show us amazing  
18 results and third party commentators also come in and say, "Wow this was an amazing  
19 turnaround. These folks should be commended we have never seen anything like this,  
20 this is a model of best practices other accrediting authorities should do what they do."  
21 That's one possibility.

22           The other possibility is you come back and you are not heroes and those of

1 us on NACIQI look at best like morons and worse like we are complacent in villainy  
2 because we have allowed 12 or 18 months to pass with the billions of dollars and  
3 hundreds of thousands of students enrolled and people will say, "Well you sat here in  
4 June of 2016 and you allowed this to happen."

5           So I guess for me this is just me speaking personally and in a few minutes  
6 will turn to deliberating part of what you are asking is for me to bet and to commit my  
7 own judgment, my good name to the proposition that when the three of you come back in  
8 12 or 18 months you will be heroes and I will then bask in the glow of your heroic effort  
9 and it will just be really unhappy all around if that is not the situation, that's all.

10           MS. PHILLIPS: Ralph?

11           MR. WOLFF: Thank you. Reference was made to Northwest Polytechnic  
12 and I know you referred to it but I would like to give you the opportunity to respond more  
13 concretely. Both the Buzz Feed article and the assertion was made that you were  
14 provided information -- very damaging information by a whistle-blower and no action  
15 was taken. I think that would be a fair statement both the article and the assertions.

16           I know you indicated earlier that there currently is an investigation but  
17 apparently the whistle-blower situation was some time ago so could you at least bring the  
18 record straight in terms of was there whistle-blower information received and what action  
19 was taken.

20           MR. HARAZDUK: Sure we did receive a complaint where the institution  
21 or where a complainant who we believe to be the librarian had a concern about the  
22 institution provided that information we asked for a response. It was approximately 500

1 pages naturally we reviewed that response -- we had closed that case at that point  
2 however we had also had an extensive monitoring growth on that institution.

3           They had grown exponentially over a card period. We received a  
4 complaint as well and with our new at-risk institution group in place we conducted an  
5 unannounced visit that had 7 findings based on that institution. I know it sounds like the  
6 people in some of the audience and third party comments would like us to shut that  
7 school right down right after the visit happened however per your process and the  
8 Department policies we require the institution to provide us a response and based on the  
9 report and the response to take action which we are prepared and will do in August  
10 depending on what the response and deliberation is and the ultimate you know  
11 discussion.

12           MR. WOLFF: Thank you. Let me move on. One of the questions raised  
13 was the adequacy of your response and one of the speakers addressed the issue that even  
14 with your new on-site evaluator that you are still dealing with information on-site versus  
15 another agency that has it prepared in advance.

16           So a couple of questions that are related to that -- what about the issue that  
17 could still be a problematic response of having to deal with it currently -- are you  
18 gathering information in advance? Do you use secret shoppers on your unannounced  
19 visit but do you also -- how do you verify recruitment information -- so let me just ask  
20 how do you work with both -- the assertions that were made, that even this process is not  
21 yet adequate and how are you verifying recruitment information?

22           I know you have the survey but beyond that.

1                   MR. HARAZDUK: So it sounded like two different questions. One  
2 related to placement and one related to recruitment. For recruitment we have a policy in  
3 place whereby we will require the institution to provide its own oversight activities which  
4 we will then review. We also have the option and in certain circumstances where  
5 students state that there are issues with recruitment we can certainly have secret shoppers  
6 as a process so we can you know, there are multiple avenues that we can take to a thorny  
7 issue of recruitment and admissions.

8                   It's obviously -- sometimes a difficult issue to get out. Exactly what was  
9 told to the student and exactly the information given but we require the institution will  
10 require come July 1<sup>st</sup> the institution to have data on oversight activities which we will  
11 then review and take action if they are not doing it and also if there is any unethical  
12 behavior happening in those recruitment activities that again we have standards based on  
13 that -- good standards as I think based on that and there are other opportunities as well.

14                   I can certainly respond to the placement question as well and the  
15 information of what the verification process for that is going forward because I think  
16 there hasn't been full information provided on what our process was and what our  
17 process will be as far as placement verification.

18                   So I am willing to do that now if you would like.

19                   MR. WOLFF: If you can do it very briefly.

20                   MR. HARAZDUK: It's a complex issue as you not or as you may not  
21 know but I can say we are certainly -- we are automating the process whereby we have  
22 taken 2 years to conduct a study of placement verification which is a complicated issue.

1           We have strengthened our definition for placement which has been said  
2 here that the Department hasn't given specific definitions of placement. But what we  
3 will plan to do is have an automated process whereby we will take the monthly process  
4 that we are doing now known as the placement verification process and expand that into  
5 the yearly process where we will have timely information where we can automate  
6 responses from students and employers to verify whether those graduates were placed in  
7 that job.

8           And it will be real time and it will be you know a process where we get  
9 specific information back from the graduate and the student. We felt that was more  
10 verifiable than a third party doing it which is why we are doing an in-house process and  
11 have and will scale that up to a yearly process whereby we will be looking at all schools  
12 to verify that placement.

13           MR. WOLFF: I have one other question. I would normally do this in  
14 private but we are in a public agency -- but one of the issues is confidence in the new  
15 leadership. I'm not quite sure when the Harkin hearings were but it did raise serious  
16 questions about recruitment activities -- I believe it was 2009 maybe '10. The Corinthian  
17 action was in 2010 as I recall.

18           There were certainly a lot of information -- this has gone on for we are in  
19 2016 if I am not mistaken your position as the new head of ACICS is as recent as April.

20           MR. BIEDA: Correct.

21           MR. WOLFF: What took you so long I have made this direct to the Board  
22 -- I mean I have asked many an institution what the heck took you so long to address the

1 leadership issue to bring the kind of leadership in that was going to provide and  
2 regardless of the competence of the individual but to bring confidence that you had gotten  
3 the message and that change was needed.

4 MR. LEAK: I will say and you know working with the leadership of the  
5 past we were as a Board we were listening to him very carefully and you know we were  
6 told a certain view of how things were going with our relationship with the Department  
7 and how we were handling all the different allegations from the Attorney Generals.

8 And you know we didn't have any reason to doubt that but I will tell you  
9 for me personally that at our April meeting, April 2016 we had the opportunity to have  
10 Mr. Porcelli at our Board meeting all week. It was the first time that many of us on the  
11 Board had actually had engagement with a Department representative.

12 Mr. Porcelli made comments to us on three or more different occasions as  
13 a sitting Board. And on the last day of our meeting, our meetings start generally on a  
14 Monday we end on Friday -- on Friday I asked Mr. Porcelli to give his perspective on  
15 what he has observed all week he has been in and out of meetings and hearings and just  
16 you know observing our practices.

17 And when he gave his statement you could hear a pin drop in that room.  
18 He gave us his unvarnished assessment of what the Department thought of us and it was  
19 the first time for me as a Board member and for my Board member colleagues to hear  
20 first-hand from a senior office at the Department was they thought of us. It was sobering,  
21 it was jolting and it was not consistent with what we were thinking we were at with the  
22 Department.

1           And so it was very important for us to engage into a conversation with the  
2 current leader at the time and you know what happened is a matter of record. We met as  
3 a Board to begin the process of taking a hands-on approach with how we could resurrect  
4 our good name and our good standing in the accreditation community and we have put in  
5 policies and initiatives to begin that work.

6           And we have the full commitment of the Board to be behind us, you have  
7 my personal commitment as the Chair that we will stay on this until we earn your trust  
8 and your respect and you know I am a public member. I don't have to do this but it is my  
9 obligation as a Board member I have a duty of care and that is very important to me  
10 personally and professionally and I am really steadfast in my belief that we under the  
11 people that we have here at the table and the staff back at the office and the  
12 Commissioners who also give of their time to this Board you have our commitment that  
13 we will put the energy and the effort to earn your respect and bring the documented  
14 demonstrated results that we are hoping that our new policy initiatives and policy  
15 direction will bring us.

16           We also have our Special Advisory Group to the Board and with their  
17 recommendations as I said earlier we will make those recommendations transparent and  
18 we will act on them.

19           MR. WOLFF: Thank you for your candor.

20           MS. PHILLIPS: I have Anne, Rick --

21           MS. NEAL: I want to start with a question and then I have a matter of fact  
22 that I would like for you to help clarify and I think it is because I have been sitting with

1 Frank all day I am going to do a hypothetical question. I don't know about other people  
2 in this room but it just seems to me that the elephant in the room is Corinthian whatever  
3 that is.

4 I mean we all know that the Department took action against Corinthian,  
5 we have a sense of what they did, maybe why they did it, maybe we don't have a sense of  
6 why they did it, maybe we think it was the right thing maybe we don't know if it was the  
7 right thing but we do know that it happened and that at the very least it seems to me you  
8 are the direct damage if not the collateral damage from all of that.

9 So my hypothetical question to you is if the Department of Education  
10 weren't the prosecutor, judge and executioner would you have looked at these various  
11 issues and problems and instead of lying down and saying we will do better perhaps  
12 argued on occasion with those findings if it were not the situation you find yourselves in?

13 MR. BIEDA: From my perspective the only responsible thing to do from  
14 a leadership perspective is to regularly test the outcomes of the entire accreditation  
15 process for its rigor and for its authenticity and not to accept that in fact just because all  
16 of the normal processes are being followed the outcomes are necessarily valid or reflect a  
17 full evaluation of the strengths and weaknesses of the institution.

18 For my perspective that has to go on methodically and it needs to be  
19 driven from the leadership of the organization -- not to provoke anxiety with the  
20 accreditation staff but more importantly to have confidence at the leadership level that the  
21 results that we are delivering are fully defensible primarily in terms of preserving the  
22 interests of students. So hypothetically if Corinthian had not melted down would there

1 have been a pre-cancer an opportunity other than that to go back and say okay we had  
2 about 50 -- I believe Corinthian institutions that we had reviewed through site visits in the  
3 prior three to four years prior to the controversy emerging.

4           And of those about half of them there were zero or very few findings.  
5 Does that in fact indicate that we were performing due diligence or does that in fact  
6 indicate that there was some weaknesses in our method of review that need to be  
7 strengthened?

8           The reason I say all of that is because I believe that the primary impetus  
9 for the leadership of this organization or any organization is to look for either imposed or  
10 self-generated opportunities for reorganization and organizational effectiveness. We  
11 have the circumstance as a recognized accreditor that every five years that requirement is  
12 imposed on us any way so the right -- the correct way to look at it is an opportunity a  
13 pretense to step back from all of your normal processes and say -- okay we are a year or  
14 18 months away from preparing our petition with the Department.

15           What have we done in the last 3 ½ years that is strong, that is defensible  
16 and effective? What are the things that we are continuing to do that have marginal value  
17 and let's attack those now so that by the time we are in front of this body we have taken  
18 care of the organizational effectiveness issues that just happened to grow up organically  
19 and naturally.

20           MR. HARAZDUK: If I can speak from a process standpoint I think and  
21 being in the weeds as I am I think we you know -- certainly Corinthian I think serves as  
22 an elephant in the room. Certainly there was not confidence with their placement you

1 know verification and that is why we are not -- why one of the reasons we are enhancing  
2 the placement verification process.

3           One of the reasons why there are issues that arise we will take our own  
4 investigatory actions. I think you have heard you know the media or other oversight  
5 agencies have their own ways of determining whether a school is quality or not, we have  
6 our processes and what we plan to do and have done and as I have said throughout this  
7 meeting is that we have put these in place where we will do our own investigations and  
8 put those enforcement actions before the Board when they have the full amount of  
9 information before them.

10           MS. NEAL: We heard from Bob Shireman and Ben Miller and I wanted  
11 to read from something -- "Looking in all the wrong places" that they wrote along with  
12 Elizabeth Bayland and I will just read this and you can tell me if this is accurate:

13           In April, 2015 as Corinthian's searched for ways to sell some of the  
14 campuses it had been unable off-load the Department announced a fine of nearly 30  
15 million against the chain's Heald College campuses. After review found that many grads  
16 that the company reported as successfully placed had in fact not found meaningful  
17 employment.

18           Did I understand you to say earlier that those schools were not accredited  
19 by you?

20           MR. BIEDA: That is correct they were not accredited by ACICS.

21           MS. NEAL: Who does accredit them?

22           MR. HARAZDUK: Well they were -- they are no longer in business but

1 they were accredited by WASC I believe, Heald, WASC, Jr.

2 I also think there might have been some information given that the  
3 Department took action in June 2014 and I am not sure that that is entirely correct of  
4 what action -- I believe the action that was being spoke of was the action that you said on  
5 2015 which was around or after the institutions closed, so I just wanted that to be a point  
6 on the record.

7 MS. NEAL: Thank you.

8 MS. PHILLIPS: Rick?

9 MR. O'DONNELL: I have a question just one of the staff's comments  
10 and at one point in all the 21 recommendations I think this is number 11 regarding 602.16  
11 subsection A-1-10 where they say that they don't think you can be responsive within the  
12 time given for a compliance report particularly in view of the Agency's weak record in  
13 monitoring and failure to document enforcement and prior lack of cooperation with the  
14 Department.

15 Could you speak to a little bit about your perspective on if you have not  
16 been cooperative with the Department in the past?

17 MR. BIEDA: I think as I have mentioned in my comments earlier today  
18 to the degree that certain documents that were requested were not provided. It is my  
19 understanding that they weren't provided because they didn't exist. Either we couldn't  
20 find them or they just simply didn't exist. To the degree that that illustrates some lapse  
21 on our part of documenting -- fully documenting our review of institution we have to  
22 accept full responsibility for that.

1                   But I would argue that in no case did we knowingly withhold any  
2 information that the Department has requested. In fact over the last six months between  
3 the full application we provided in January the supplemental request for information part  
4 1 that was provided on April 1<sup>st</sup> the supplemental information request part 2 that was  
5 provided on May 16 and then the response to the analyst's draft report that was provided  
6 on June 3<sup>rd</sup> we have done every -- taken every effort possible to make sure every part of  
7 the record -- every part of our documentation has been provided in response to that.

8                   So I am at a loss to explain it beyond that.

9                   MR. HARAZDUK: I will say that since I finally have taken actions as  
10 having been said and as a matter of public record against ITT Technical Institution,  
11 Education Management Corporation, Delta Education and Zenith Education which is  
12 now the new owner over Everest we have taken a show cause action against all of those  
13 and have copied the Department on those actions so they are well aware of the actions  
14 that we have taken and even copied the letter so that they know the specific issues and  
15 findings that we have and concerns about those institutions.

16                  MS. PHILLIPS: I have Simon, Anne and Frank.

17                  MR. BOEHME: Thank you again and I appreciate your comments to the  
18 third party commenters. As it seems that there is new leadership coming in and correct  
19 me if I am wrong you kind of feel it is a restart button in some regards is that correct?

20                  MR. BIEDA: Correct.

21                  MR. BOEHME: And looking back at the past and I have obviously  
22 brought up some pretty egregious things that our Committee can kind of agree on the

1 community and from the third party commenters are not happy about -- do you wish to  
2 say sorry and to kind of set that restart button potentially that may be something you are  
3 interested in saying and if so this may be a good venue.

4           So I wanted to offer that opportunity to you or at least hear what your  
5 feelings are in terms of maybe explaining to NACIQI and the accreditation community as  
6 a whole in regards to this restart button and saying sorry if you wish.

7           MR. LEAK: Well as Chair of the Board I want to say that it is not  
8 pleasant sitting here. It is not pleasant listening to the third party commenters talking  
9 about their perceptions about this Agency. It is very, very difficult to hear, it is  
10 embarrassing and it is not the position that we want to be in.

11           To the degree that we are here, we are here to face you eye to eye and to  
12 answer any questions that you have. We are not pleased with our predicament. It is not a  
13 place that I would wish on anybody. This is my first NACIQI hearing. I hope to have  
14 many more but not like this.

15           And you have my commitment to each and every one of you that we are  
16 very serious about the changes that we are in. Mr. Boehme you were asking for us to  
17 apologize -- I apologize for being in this predicament. Yes it is not a place I want to be.

18           Having said that I accept full responsibility for sitting in this seat and  
19 that's very important for me to be here to address your questions and to lend credence to  
20 our efforts to turn this thing around promptly.

21           MR. BIEDA: I would just second the remarks of our Chair and sincerely  
22 express regret that we are in this position for a variety of reasons. But I want to be clear

1 that I am looking you in the face, eye to eye to tell you that I am committed that we will  
2 be in compliance within 12 months, that is my purpose that is my commitment that is my  
3 reason for being with the organization at this point. I am giving you that personal  
4 commitment. We will be in compliance within 12 months.

5 MS. PHILLIPS: Frank?

6 MR. WU: This is actually a good follow-up. I was actually going to  
7 thank the three of you. You have been remarkably calm, patient, reasonable I don't think  
8 it is pleasant for anyone to sit in a public setting in front of hundreds of people with the  
9 media here and listen to allegations in some instances fairly serious evidence of past  
10 transgressions which you personally may not have been responsible for.

11 So I just wanted to say thank you for being candid and answering all the  
12 questions.

13 MR. LEAK: Thank you.

14 MS. PHILLIPS: Any further questions for the Agency? Kathleen?

15 MS. ALIOTO: Dr. Leak you said that when Mr. Porcelli made the  
16 presentation to you in April that you were shocked or it wasn't the way you had been  
17 thinking at all?

18 MR. LEAK: I did say that. That was my personal perception of what  
19 happened during that entire week but more importantly what happened on the very last  
20 minutes of that Board meeting when Mr. Porcelli made his comments about his  
21 perception of the Agency it was personally for me it was the first time -- and I believe I  
22 speak on behalf of the entire Board -- the first time that we have heard -- had an

1 opportunity to meet or hear from an individual from the U.S. Department of Education.

2                   And it was not the portrayal that I was expecting to receive and so and  
3 that's just my personal perception.

4                   MS. ALIOTO: I wondered how you could have that perception after what  
5 had happened at Corinthian more than a year before.

6                   MR. LEAK: Remember Corinthian was accredited by a number of  
7 different agencies, okay and so the schools that we accredited out of that group yes it was  
8 a part of that entire organization and yes it was very, very troublesome to hear. But the  
9 overall pattern that Mr. Porcelli portrayed to us was bigger than all of that and so that's  
10 what I am referring to.

11                   MS. ALIOTO: Thank you.

12                   MS. PHILLIPS: Paul?

13                   MR. LEBLANC: We had a letter from five senators I am not sure I've  
14 made it in time to make it to the database but one of the things that they contend is that a  
15 third of Commissioners work at schools that are facing consumer protection lawsuits.  
16 Can you either confirm or refute that?

17                   MR. BIEDA: Without seeing the letter and looking at the time frame is it  
18 current Commissioners?

19                   MR. LEBLANC: Yes they are current Commissioners and the letter is a  
20 week old so I think I'd take on your current list of Commissioners.

21                   MR. BIEDA: I'm not aware of that at all for current Commissioners. I  
22 would like to see the letter that would be fair.

1                   MR. LEBLANC: Could I say that your comments about the Board and  
2 feeling sort of the full weight of this when Steve visited and did his final report strikes me  
3 as heart-felt and genuine. And on the other hand I have to say it is a little shocking  
4 because it wasn't just Corinthian right it was Curred and Kaplan and Lincoln Tech and  
5 Salta and Computer Systems Institution and 17 colleges and chains that are under  
6 investigation.

7                   And when I think about institutions that I have seen go to failure almost  
8 inevitably the Board is complicit and while we would say forgive me for the  
9 colloquialism of being asleep at the wheel but how could you not know?

10                  And I think I join some of my colleagues in how could you not know the  
11 criticism level at the Agency are not new, they have been around for a while -- if one  
12 were paying attention I would expect a real awareness of this and I have to return to my  
13 senses that there is genuine resolve to get this right but I don't know if what I have heard  
14 convinces me that this is the fresh team of people and actors who can be that much  
15 different than they have been while presiding over a fairly disastrous X number of years  
16 and failures of schools.

17                  And for me it is the bet that Frank evokes. During the day this is the sense  
18 of would I bet on this team and I'm not sure with what I have heard today makes me feel  
19 more confident that this is -- and I apologize, don't take that personally I sense your  
20 resolve, heart-felt but it is a talent and capability question and to some extent it is a  
21 culture question.

22                  That you are blowing up the culture because in some ways I think the

1 culture of this agency needs to be blown up and reinvented.

2 MR. BIEDA: Excuse me I would just reiterate that the authority of this  
3 blue ribbon panel, I don't want to harp on that too much because you probably heard  
4 enough about it and you don't want to hear it mentioned again but clearly the authority of  
5 the blue ribbon panel is to make recommendations in a timely manner to the current  
6 Board that includes the issue you just raised -- the composition and structure of the  
7 current Board of Directors which also serves as the accrediting Council.

8 The rest of the work we do. The rest of the work I do throughout the rest  
9 of the organization will be diluted if that particular element is also not addressed and that  
10 is the voluntary initiative of this Board of Directors.

11 MS. PHILLIPS: Last call for questions for the Agency. Our next  
12 opportunity is to invite the staff to return to the table for any comment or response to the  
13 third party comments or to the Agency. Welcome back we invite you to make any  
14 comments you would like to make in response to the third party comments or to the  
15 Agency's response at this time and then I am sure that there will be questions by the  
16 Committee.

17 MS. MCLARNON: Thank you. We would like to respond to one of the  
18 third party comments that this was just another effort by the Department to do harm to the  
19 for-profit sector. This is emphatically not the case for us. This is about rigorous  
20 oversight and it is about monitoring institutions via accreditors.

21 Our review of ACICS is based on our normal cycle. They were up for  
22 their five year review. We took them through the customary steps as well as considering

1 the legal issues facing their institution's involvement of various state Attorney Generals.  
2 I think it is fair to say we had unprecedented access to information and feedback on their  
3 performance.

4           And what we found gave us deep pause. We found significant areas of  
5 concern that we don't believe can be turned around in a 12 month period. We have heard  
6 before from this Agency that they would turn things around and they did not make good  
7 on their commitments. We don't have confidence at this point that they will make good  
8 on this commitment.

9           This is an agency that basically is fighting for its life. We found areas of  
10 concern in student achievement, in monitoring, in enforcement standards and I would  
11 turn to my colleagues in the accreditation group to provide the details on that but I would  
12 say that our findings were deeply concerning again and I think our analysis speaks for  
13 itself.

14           Our position continues to be that to not terminate this Agency would be  
15 sanctioning egregious behavior and it would be putting students and taxpayers in harm's  
16 way. I would ask my colleagues to add to my comments if they have anything to add,  
17 Herman, Sally or the accreditation group. But we continue to believe that what we found  
18 cannot be turned around in 12 months.

19           We don't have confidence that the Agency can accomplish what they have  
20 committed to accomplish to you and that's our position.

21           MS. PHILLIPS: Thank you other staff comments?

22           MR. PORCELLI: Just to put clarity I think on the table -- a little more.

1 As Gail has just mentioned there are several areas of non-compliance I would discourage  
2 you from getting into the counting game because some areas have a branch like for  
3 example because of the falsification of records that brought in like three or four other  
4 criteria so if you fix that it fixes three or four other criteria.

5           There are enough serious issues without making them seem larger. And  
6 then the other point just as a personal observation when probably late '80's when I first  
7 started the asset was before you being ready to be cut off and Roger Williams had taken  
8 over the head of that Agency and turned them around so I was just personally blown  
9 away by the fact that he would be directing them -- I didn't learn that until this morning  
10 directing them as how to fix things.

11           And Alise Gamland has certainly an impeccable understanding of our  
12 process so it is too bad they didn't do that sooner but then I don't know the other two  
13 people on their blue ribbon panel. I just want to point that out to you thank you.

14           MS. PHILLIPS: Thank you questions for staff, I have Rick and then  
15 Ralph?

16           MR. O'DONNELL: You know it is not a question for staff but it is a  
17 comment and I actually disagree with my colleague Anne about the elephant in the room.  
18 I don't think it is Corinthian I think the elephant in the room is the question is the  
19 Department doing this because it has something against for-profits. In the 3 or 4 years I  
20 have been on NACIQI I have never known the Under Secretary to open a meeting saying  
21 that he supports all of the staff recommendations.

22           That struck me as very odd and it strikes me as odd that someone who is

1 not on the accreditation staff is leading the rebuttal but someone from the policy staff and  
2 I am not impugning any integrity but it is very different and obviously this is an  
3 important issue and I just find it you know I think people can legitimately question  
4 including the way this process seems to have played out.

5           There are other agendas that work here than just the peer review this  
6 NACIQI body today.

7           MS. PHILLIPS: Ralph?

8           MR. WOLFF: I would like to ask a question in other cases have been  
9 asked of your staff. It seems to me that what we have heard today is a general and  
10 meaningful acceptance of the findings of the Department with respect to non-compliance  
11 in the past. I think that they have acknowledged that there has been mistakes made and  
12 lack of oversight -- these are my words but I think that part of the staff's report has not  
13 been contested let's put it that way and I would say -- arguably and I believe accepted.

14           The second part of what the staff has basically said is that based on what  
15 you knew when you wrote the staff report that you did not believe that this Agency would  
16 be able to come into compliance within 12 months. We heard a lot today, some of which  
17 at least all of which is new to me. Some of which is new to you such as the Advisory  
18 Committee so my question is and I am going to focus on what has been said today change  
19 or impact your judgment that they could not come into compliance within 12 months.

20           MR. MULA: I'll try to answer that Mr. Wolff. When reviewing the  
21 standards and looking at the documentation that they presented and the documentation  
22 that we needed you had to go back, he kept taking us back to a certain point in time then

1 the evidence disappeared. In reviewing standards and trying to make a determination on  
2 compliance especially if you are thinking about a compliance report -- you have to try to  
3 figure out if everything happened the way it should happen and everything fell into place  
4 and they had the right circumstances, the right amount of staff, the right amount of  
5 resources what amount of time would it take to demonstrate compliance in that standard  
6 and have the evidence to back it up.

7           Honestly I can't see that happening in one year. I want to say this with all  
8 my heart. I have seen the revised standards and they are good standards and I think that  
9 they will be able to apply those standards but not in a year's time.

10           MR. WOLFF: If I could press on the you as a collective you in this case  
11 all of you and on that point as I heard the staff earlier this morning and I am going to  
12 preface it with saying I am not prepared to say there is any political agenda here --  
13 whether there is or not I feel a responsibility to say we are dealing with an agency in front  
14 of us and whether it is in compliance and whether we have confidence it can come into  
15 compliance.

16           But I heard this morning that two separate things -- one is that many things  
17 were just new and we certainly heard for example that light bulbs went on quite recently  
18 and that therefore that was underpinning your belief that they could not come into  
19 compliance within a year.

20           What I heard from the Agency was there has been a pilot test of this new  
21 algorithm that there are activities that are already underway that are in place that will be  
22 part of the visits that are already occurring now, that there will be new training in the fall

1 and that there would be results so I just want to try to just oppose the findings of what  
2 this new and I recognize there is a lot new -- but it is more than just the standards.

3 And what I heard was that there are in fact some things in place that are  
4 already implemented and so it would just help your frame or it would help us understand  
5 where you see that is in terms of the 12 month timetable.

6 MR. MULA: If you look at the requirements of 602.19B which is the  
7 monitoring requirements and follow that down to the timeframe requirements that an  
8 Agency has to fulfill when they have an adverse action. If you begin with initial  
9 monitoring of that institution and you give according to your policies all the due process  
10 that that institution is allowed, including the timeframes up to 18 months or 2 years for  
11 the length of the program.

12 You don't have enough time in 12 months in the compliance report to  
13 show demonstration of that standard.

14 MR. WOLFF: I have one more question. I went back and read the 2011  
15 transcript that was provided and the materials and while it is true I think I said in the  
16 outset that I believe there were 12 sections of non-compliance that were cited. When I  
17 read the transcript a lot of it was focused around the issue of doctoral education. There  
18 was some and actually I wrote a quote if I may here -- Albert Gray said, "ACICS's  
19 student retention and placement thresholds are transparent, bright lined, institutional level  
20 standards by which we hold all of our colleges and schools accountable on an annual  
21 basis."

22 I could not get from that transcript anything close to the level of severity

1 of what we are talking about today. Now I would say in between there have been some  
2 shameful, shocking I think extremely significant intervening actions but I wasn't here in  
3 2011, the Secretary's letter or the senior Department's official letter did cite those 12 but  
4 it was a typical you know here are the areas that you are in non-compliance and I heard  
5 you saying earlier that there were commitments made by the Agency and that you see just  
6 going back one more time they won't -- so I am in a sense asking I mean I think there is  
7 public notice that they should have taken action but I am trying to go back and saying in  
8 terms of the Department's notice to the institution not having been in 2011 and maybe  
9 there were some members of the Committee.

10 But you know I couldn't get a sense how significant these issues were in  
11 terms of and the nature of the commitment made by the institution based on reading of  
12 the transcript. So I wonder if you could give a little context because one of the claims  
13 that is made is they made commitments for four and they haven't realized them in fact  
14 one might argue they have gone way backwards and can we trust them going forward.

15 So even though it is ancient history could you give a little context of what  
16 message was communicated to this Agency in 2011?

17 MR. PORCELLI: I was the analyst for that and I didn't re-read the  
18 transcript so just from memory the process at that time was business as usual. You come  
19 before the National Advisory Committee, we find what the areas are that they need to fix,  
20 they tell us how they are going to fix them, you get 12 months you come back and show  
21 it.

22 So it wasn't a dramatic -- there was no drama at that time. In 2013 when

1 they came in with the compliance report at that time they were making those  
2 improvements. I think the one area that and I mentioned this earlier that they seemed to  
3 backslide a bit on was the verification which in hindsight was there you know, it's just  
4 killing them.

5           So I wouldn't say that they backslid on a lot of the stuff it was just that  
6 one they told us they were going to do this third party verification, they tried it for a  
7 while and in the interim they found it wasn't working for them the way they wanted or  
8 maybe it was too expensive, whatever and that was the main issue.

9           So then since that was a surprise that they didn't keep that up or notify us  
10 that's what is part of the disturbance on staff's part now that you know you said you were  
11 going to do this and you altered it without letting us know.

12           MR. WOLFF: Thank you I think we are also in a very changed  
13 environment for all accrediting agencies with the pilot questions and other issues that we  
14 are raising but that this was an issue I think it is clear this was an issue particularly  
15 placement matters and the like.

16           I would just make an observation so much attention is on placement. For  
17 me much of it is on institutional integrity and whether this process is able to fair it out.  
18 The integrity of institutions is insurance of its manner of doing business in terms of  
19 student representation, recruitment -- as we heard not only in the settlements but some of  
20 the cases today and I just don't want to get focused on placement rates at least in my own  
21 thinking.

22           These are real issues, this process is it a reliable indicator of quality and

1 integrity, thank you.

2 MS. PHILLIPS: I have a speaking order of Art, Bobbie, Cam and Frank.

3 MR. KEISER: That was very interesting conversation so help me  
4 understand -- in the 2011 there were not, it was basically just a response to the concerns  
5 identified by the Committee rather than a -- the impression I got from the conversation  
6 was very strict specific promises were made in 2011. They came up with a progress  
7 report in 2013, they demonstrated an attempt or a process and a beta testing of a  
8 verification process but because they found that it didn't work and they went to a  
9 different process we can't trust them?

10 MR. PORCELLI: That was our staff report as a number of people had  
11 contributed to that so we tried to incorporate the view of all the different staff members  
12 so that is why that is in there.

13 MR. KEISER: But the line that Ralph just took us through does not seem  
14 to make the Agency unreliable when in fact they did a beta test, when in fact they  
15 continue the verification process and I'm not even aware that we require a verification  
16 process and I'm not even aware that we require placement data.

17 So we have an agency that goes beyond what most of the agencies have  
18 done by establishing a bright line placement, have invested in staff to do the verification,  
19 have come up with a new plan that will have a data person on the analysis and I don't see  
20 where we have the challenge with this institution in this area.

21 I mean it's one of many areas but this area which really is where the trust  
22 issue is and that is part of what our concern is if we were to not follow the direction of the

1 staff. Am I missing something in my analysis here?

2 Chuck I love working with you and I have worked with you closely and  
3 you said let's not count -- well I did count and there are 12 areas which will require  
4 documentation and according to the way the analysis reads and I can give you the  
5 numbers it is basically you are doing it but we don't have the analysis, we don't have the  
6 documentation.

7 So 12 of the concerns could be dealt with next week if there was a process  
8 to do that. Then there are and I have 8 that clearly would require some kind of visit or  
9 some kind of action by the Commission to take and 2 which I wasn't sure of. But when  
10 Steve said earlier he didn't know whether they had made those changes because of the  
11 requirements to go before the membership that was cleared up, the Commission has  
12 promulgated the standards.

13 The Commission has gotten approval from its membership and they have  
14 installed all of these things in here. Considering the fact that it takes the Secretary at least  
15 90 days or less to make a decision and then 12 months plus you have a couple of months  
16 -- you make your report 30 days after the 12 months and then you have probably another  
17 7 months before the meeting why is that timeline and the one that I agree with you would  
18 be the biggest issues -- let's say student achievement they are going to be able to show  
19 that because they have visits that are going on.

20 Fiscal administration -- they will be able to do that. Student complaints --  
21 they should be able to do that. On-site review -- they are going to have many of those  
22 because they have a couple they have August coming up.

1                   Monitoring is the one which would be the issue that I think where there  
2 would be some time issue but they are going to have two or three cycles to be able to  
3 demonstrate but we always have when -- if monitoring is the only one we have many  
4 institutions over the years that we have done this for and we ask them to continue the  
5 monitoring.

6                   But the vast majority of the concerns can be dealt with before they would  
7 come before us again is that -- am I missing that?

8                   MR. MULA: No, you are not missing anything. Actually what has  
9 happened is my determination was based on experience in dealing with compliance  
10 reports and monitoring and the amount of time it takes to complete that -- in the review of  
11 their standards when I was doing this evaluation when I mentioned that I came up against  
12 a wall where there was no documentation they were basically cited because we couldn't  
13 tell when they started this process. Did they start it at the time that the requirements --  
14 that the criteria require them to do so?

15                   We couldn't find that, otherwise parts of the documentation was there so  
16 my determination is made on practices of other agencies coming into compliance with  
17 time frame requirements in the criteria. If this Committee determines that there is a  
18 possibility that they can do this then that's your opinion.

19                   My job is to provide this organization with a technical expert  
20 determination based on the procedures in 602 and that's exactly what I did.

21                   MR. KEISER: Thank you.

22                   MS. PHILLIPS: I have Sally and Herman to insert into the conversation

1 and then I will get back to my speaking order.

2 MS. MORGAN: Just a quick note on the verification issue. The 2011  
3 analysis and Agency input was that they were going to begin verifying 20% during 20%  
4 of placements and that was in 2011 I believe. It's possible it was 2013 but I think it was  
5 2011 and then we have an agency document dated January 2016. We are going to start  
6 our 20% verification.

7 MS. PHILLIPS: Herman?

8 MR. BOUNDS: Yes that was one of the things I was going to bring up. I  
9 think there were some issues back in those reports regarding some licensure rates and  
10 licensure requirements that didn't have any follow through but the point I want to make is  
11 kind of what Chuck just stated.

12 So collectively as we look at this report and I just really want to talk about  
13 why we say that collectively we did not think that the Agency could demonstrate  
14 compliance within 12 months and I am not you know, the Agency says they can -- we are  
15 just saying that based on our experience from what we have seen in the past. We have  
16 had agencies with far less issues have serious trouble with meeting those standards in the  
17 12 month time.

18 So we are looking at being able to evaluate a systematic approach to fix  
19 things. We want to verify and make sure that their placement verification processes are  
20 working. We want to look at the monitoring, we want to look at you find an institution  
21 out of compliance, we want to look at those actions taken whether it be adverse or you  
22 just decide that the institution has made substantial change and you continue their

1 accreditation.

2                   So those are things in the total process that we just thought would be tough  
3 to do. I mean I don't want to say that what they say -- I don't want to call anybody -- I  
4 don't want to say that what they believe is what they believe -- I just want to reiterate  
5 how we came up with our determination -- it was based on, I mean Chuck has been here a  
6 lot longer than I have.

7                   I think he has been doing this 30 years. Steve has been doing this 30 years  
8 and we consulted with other folks on our staff so that's what we came up with then. That  
9 there is just a lot of things, a lot of items that we would have to verify to make sure this  
10 works and you know I don't know if we would have to come back and award a good  
11 cause extension to say that you hadn't fixed anything, I just don't know.

12                   So our determination we just didn't think -- we thought it would take  
13 longer than a year to get those things fixed and corrected and that's how we came up with  
14 that with our recommendation.

15                   MS. PHILLIPS: Thank you I have got Bobbie, Cam, Frank, Simon and  
16 Jill not Jill right now.

17                   MS. DERBY: I just want to ask are we still in the place where we are  
18 asking our staff questions not the agency?

19                   MS. PHILLIPS: That's correct this is still questions of the staff. We will  
20 move to our own internal discussion after we have concluded this portion if your question  
21 isn't of the staff --

22                   MS. DERLIN: And so I want to just go past me because I want to answer

1 the question about confidence of accomplishing things in a year not ask the staff  
2 questions about it.

3 MS. PHILLIPS: Okay Cam?

4 MR. STAPLES: Thank you. I don't think it's just a 12 month issue  
5 though for us. I think as we have discussed -- I mean that is one big issue but I think the  
6 second question is on what basis would we have confidence that the Agency will change  
7 its practices.

8 And I think we have had a number of people from the Agency who I think  
9 are sincere but when you see a three year history of a failure to monitor and enforce and  
10 then you see a several month period immediately preceding a hearing on your recognition  
11 when everything becomes stirred up and all the commitments are made. To me it is not --  
12 there's a genuine question about whether we should -- based on that history of inaction be  
13 confident that anything substantive would happen in 12 months in the areas that matter  
14 most. And I think that's I don't think we can lose track of that. We have to base our  
15 assessment on evidence not just based on words.

16 I mean there's not an agency that we recognize that wouldn't come before  
17 us on the day of their recognition hearing and profess to correct every deficiency  
18 identified but where is the evidence that it was even on their radar screen until Steve met  
19 with them two months ago and they seemed to wake up to the reality that they were at  
20 risk and I think that's to me that has to be part of our calculus.

21 I think what Paul said a few minutes ago I find it hard to understand with  
22 the history that played out that it really took the Department to focus them on the fact that

1 they weren't doing their job correctly.

2                   So I guess I want to pose the question is that still part of your analysis?

3 The question as to whether you can confidently suggest -- I mean I think Herman's point  
4 is a very good one that many of these things would take longer to play out than 12  
5 months almost regardless of how quickly they did them.

6                   But do you have a confidence to say to us that you think we could rely on  
7 a complete change of heart with the Agency regardless of the statements of the people  
8 before us?

9                   MR. PORCELLI: The only thing I would point out is it is very difficult to  
10 get through to an agency if the head holds the reins so tight and the information so tight  
11 and that was the only -- I thought too was this a false conversion you know how could  
12 you all be that naïve that you are in this much trouble and from speaking to many of the  
13 Commissioners because you don't often get to speak directly to them, we go through the  
14 Agency staff and it wasn't getting through and I think you saw Chairman Leaks heartfelt  
15 that he really and he wasn't putting that on he has too much integrity to do that.

16                   There was a block of information and should they have known? I think  
17 they should have. I mean I think it's like I don't know how you could be that naïve but  
18 anyhow that's -- once you get rid of the captain it is a lot easier to get through to the  
19 people actually running this ship you know, anyhow.

20                   MR. MULA: I would like to make a comment and talk about the dragon  
21 in the basement. It is your job to make determinations and it is our job to make  
22 determinations. Our job is based on a very strict structured process. So when we do this

1 correctly we are not allowed to think about confidence in the leadership, we are not  
2 allowed to think about the makeup of the Commission the Advisory Board of anything  
3 else.

4           The only thing that we are allowed to do is determine if they are out of  
5 compliance with a technical issue. The rest of it is well above my pay grade and I'm glad  
6 that you can make that decision because I don't have to.

7           MR. PORCELLI: And also we only have the 12 month rule in the regs  
8 that's what we follow -- the regs. Whether you want to grant an extension for good cause  
9 after 12 months if you are thrilled to death with what's happened we can't gamble on that  
10 we can't assume on that -- we just work with the 12 months and in 12 months it would be  
11 very difficult to fix all of these problems that was what our analysis was based on.

12           MS. PHILLIPS: Thank you I have Frank and Simon and a reminder that  
13 this is an opportunity to ask a question of the staff and after that we will then move to the  
14 Committee discussion and statements so Frank.

15           MR. WU: This is a question that I have asked before but it feels more  
16 urgent in this case so it is a question of all staff including of the lawyers. I can identify  
17 three options here and I am just trying to lay out the options and my question is going to  
18 be is this it or is there a 4<sup>th</sup> or 5<sup>th</sup> or 6<sup>th</sup> option that I am not thinking of that is permissible  
19 under the statute and the regs?

20           MS. PHILLIPS: So I think that's a Sally question and it would be during  
21 our discussion.

22           MR. WU: Well I'm happy to hold on to it because it is sort of a framing

1 question.

2 MS. PHILLIPS: Yes, Simon?

3 MR. BUEHME: I'll pass.

4 MS. PHILLIPS: Okay any other questions for the staff before us?

5 Thank you very much. We now move to the opportunity for the Committee to having  
6 been engaged in their own discussion. We may also want to query the Department  
7 Council issues at hand.

8 I would say in going into this period of time that it has been a long day  
9 and that it's been important that it be a long day. It's been a very rich opportunity to  
10 learn about the perspectives of the Agency, the Department, the third parties and our own  
11 conversations. I hope that that has been truly an opportunity for the Committee members  
12 to now move into their own deliberative process and we will move towards concluding  
13 this this evening.

14 After we do conclude this assuming we do conclude this I have just a  
15 couple of housekeeping announcements and requests so I just want to make sure that that  
16 is on your radar as we go forward.

17 Okay so we are now in the stage of Committee discussion and potentially  
18 a motion and vote. I would open the floor to Frank who is going to pose the set of  
19 parameters to start us off as a Primary Reader.

20 MR. WU: So this is actually a question. Is there something that I am not  
21 listing here? There are at least three options that are conventional that we have gone over  
22 and we as a body have lamented I think that there isn't some other option. But I am

1 wondering is there something permissible under the law, under the statute that governs us  
2 and that gives us authority under the Department regs.

3           So the three options I can think of are yes we recommend re-approval; no  
4 we don't recommend that this Agency be re-authorized or what we often do come back in  
5 12 months. Yes, no, come back those are the three options so my question is is there a  
6 4<sup>th</sup>, a 5<sup>th</sup>, a 6<sup>th</sup> is there some way to tinker with this so that it's and it is not just this  
7 Agency just in general it is sort of frustrating when it is yes, no, come back you know.

8           Life is complicated and having only those three options as a decision-  
9 making body I think has caused us to express frustration in the past. This might be a  
10 good opportunity and I believe when I was not in the room there was discussion of  
11 possibilities. Is there some other thing that can be done? That's it just a question.

12           MS. MORGAN: You can do various reporting requirements. You could  
13 do some coupled with a limitation -- you could do a severe limitation if you wanted.

14           MR. WU: So let me follow-up on that. That's a variation of come back,  
15 so it is come back and then with some constraints, limitations of various sorts, report on  
16 this, address that, you can't do these things which is accredit new institutions -- could you  
17 offer just a few examples of the range from light to heavy of constraints, restrictions,  
18 reporting that you have seen since you have been the lawyer for some time.

19           What's the range?

20           MS. MORGAN: As far as what I have seen?

21           MR. WU: Or what you could imagine is permissible so I am not talking  
22 about things that would be inappropriate but in the permissible range that you could as a

1 lawyer say we could go from here to here, what might that look like?

2 MS. MORGAN: We considered various alternatives before coming up  
3 with this particular deny. The one that we considered most strongly would have involved  
4 severe reporting requirements and severe limitation. We would have limited recognition  
5 for a maximum of three years not to be renewed absent a demonstration by the Agency of  
6 complete compliance with an effective application of all criteria, limit the scope so that  
7 they couldn't accredit any new institutions, delivery modes, programs or campuses,  
8 substantive changes, directives that the Agency require written notice of the limitation to  
9 each of its institutions.

10 Require each of its institutions to provide us with a teach-out plan, limit  
11 the scope so that in the first -- from the get go 33% of their institutions would be outside  
12 the scope of recognition and then further down the road another 33% and so at the end of  
13 the time they weren't compliant that would be at zero.

14 The reporting requirements included things such as the operations and  
15 decisions of their new Ethics Committee, information received from the Agency of any  
16 investigation by a state or federal authority they would have to report that to us or any  
17 lawsuit alleging systemic misconduct with respect to students by a school and a  
18 description of the actions taken by the Agency in response.

19 A description of their reasons for imposing or lifting any deferral warning,  
20 ammunition, show cause, probation, adverse action, any sort of action that ordinarily  
21 wouldn't be public, documentation of a complete review and decision-making cycle with  
22 respect to any institution that we ask them about those are the kinds of things we

1 considered.

2 MR. WU: That was the best answer you have ever given, thank you. That  
3 was great, what a list thank you.

4 MS. PHILLIPS: Jill?

5 MS. DERBY: Yes I wanted to bring up a couple of things that I don't  
6 think have been considered but I would like to invite my colleagues to consider. I am one  
7 of the Primary Readers for the next agency to come up which won't come up this  
8 evening, ACCSC quite comparable to the one that we are discussing now in terms of the  
9 kind of accreditation they do, mostly career and vocational schools.

10 Many and most of those may be for-profit but that is the sector that we are  
11 talking about. And the contrast couldn't be more stark in that this Agency which is in  
12 many ways comparable and I am sure there are some differences as well -- we will  
13 probably be able to discuss in about five or ten minutes because it is very squeaky clean  
14 when it comes to its compliance. I think there is one very narrow definition that has to  
15 come into compliance.

16 And as we have been talking about this Agency it struck me that were we  
17 to out of the testimony we have heard today and the sincere expressions that we have  
18 heard from the Agency go with the choice of come back in 12 months it would seem to  
19 me that there's an irony here and almost a travesty in terms of culpability of how we  
20 respond to agencies.

21 In other words what the staff is recommending for this other one is the 12  
22 month come into compliance because of one rather small issue. And then there are many

1 very serious and egregious failures of compliance that we are dealing with at Agency. So  
2 I just wanted to bring out what seemed to me a very uneven way of treating one agency in  
3 terms of how we treat others and I think it's important that we think of the larger context  
4 about what our standards are and applying the same sort of general standard to our  
5 response and our decision-making around agencies.

6           So that's one of the things I wanted to point out.

7           Another one is that there is almost the way that the day has gone has been  
8 that more of the time has been spent listening to the defense of the Agency and those that  
9 have come to testify accordingly. And what we had and read in advance or could read  
10 was of course the report of the staff but I checked with Chuck about how much time was  
11 put into this by the staff and it was really amazing to me that at least four people worked  
12 pretty full-time for three or four weeks and probably put hundreds and hundreds of hours  
13 in.

14           And I think in fairness to our staff whose professional judgment I really  
15 respect it is important I think to hold that in consideration so it isn't mostly what we  
16 heard today although we did hear from our staff at the very beginning, their reasons for  
17 making the recommendation that they are making.

18           And they also made clear and I'm sure we all realize that they recognize  
19 that the recommendation they are making was one that is unusual for this Department to  
20 make and very bold and almost extreme in terms of our record of the kind of  
21 recommendations we make in terms of agencies.

22           I'm sure they had that in mind so I think what I am coming to is they had a

1 very good justification for making the recommendation they did mindful of how it might  
2 be received and of course the kinds of pushback there would be to that and fair enough  
3 we have listened to that today and I think we have listened to it very objectively.

4           But I think it is important to keep in mind the hours that our staff has put  
5 in and the professional judgment they bring out of that extended time period. But you  
6 probably haven't heard as much of today as we have -- the side of the defense so I just  
7 wanted to make that point in terms of our process today and how that plays out.

8           And finally I come back to a point that I made earlier so I will make it  
9 quickly and that is looking back at what has gone on before, listening to the promises that  
10 were made today I find myself more persuaded by track record than I do by promise.

11           MS. PHILLIPS: Thank you Jill. It occurs to me that it might be helpful  
12 for the Committee to have a brief briefing quickly on what happens with the staff  
13 recommendation. It does go forward to the senior Department official separately.

14           That recommendation does go forward separately from ours, ours and  
15 their go forward together. The staff is actually not a NACIQI staff it is Department staff.  
16 We actually have as NACIQI two staff and they are of course put in an enormous amount  
17 of effort and bring to it considerable expertise but it would be probably not accurate to  
18 consider it our staff.

19           I have Anne, Ralph and Bobbie and Art.

20           MS. DERBY: Just a further question of Sally in thinking about various  
21 options since as I look at this I certainly am in favor of some serious sanction. Whether  
22 or not I am in favor of the nuclear option I am not at all sure. In looking at various

1 options deferral is that something that is possible and if so what is it?

2                   And if you would also explain again for us when a new Petition is  
3 requested what is the thinking behind that option.

4                   MS. MORGAN: A new Petition would involve I mean you could add that  
5 -- in other words if you granted a certain -- if you found the Agency compliance but  
6 wanted to give them a short period of recognition because you weren't that certain of  
7 them you could do that.

8                   You could also require them to file a new Petition for example in the  
9 recommendation I gave you presumably the Agency would have had to file a new  
10 Petition in three years but it could be shorter than that.

11                   Deferral is not really an option. We used to have something called  
12 deferral but that is really the same as a progress report. The Agency is either compliant  
13 or it is not. We can't say we are going to decide that later.

14                   MS. PHILLIPS: I have next Ralph?

15                   MR. WOLFF: I would like to make a statement and then a Motion. At  
16 least get something on the floor so that we can work with it. I feel a bit like the Talmudic  
17 issue of somebody comes in and says you're right and then the other person comes in and  
18 says you're right and they say well you said they are both right and you say you're right.

19                   There are no easy answers here. I have really tried to focus to stick my  
20 head down and focus on what is the evidence and then what is the right thing and you  
21 won't often hear me quote Paul Ryan but I think everyone has to vote their conscience  
22 here.

1           I will say that there is no question in my mind that the issues which the  
2 Agency was charged to have failed to address are really serious and substantive. They  
3 are about corruption, systemic corruption on the part of a number of institutions, not all,  
4 by any means but on a number of institutions which affected many students.

5           And misrepresentation things like claims that are made about placement  
6 are things that students rely on, salaries are things that people rely on to take out loans.  
7 And so I cannot ignore that this is -- there was a period of at least several years in which  
8 the Agency failed to pay attention to, to address, to sanction to deeply dive into systemic  
9 problems at a number of institutions and my concern is that one could look with hindsight  
10 about Corinthian and say how did we get to where it got to.

11           I want to look beyond or outside of Corinthian because the circumstances  
12 for that really didn't come out of the financial withdrawal that dropped their house of  
13 cards down. But there are a series of other findings from the state Attorney General's  
14 from the court cases that reflect settlements, decisions that needed to have been  
15 investigated because of the findings that they represented and they were not addressed.

16           So as I have said before I think this is much deeper and more significant  
17 than just the metrics of placement. It is really about the quality and the reliability of the  
18 Agency. So for me I can find validation in the serious finding that the Agency has been  
19 in non-compliance with 602.16 - 17 - 18 - 19 and 20 and in particularly those that are  
20 organized around the application of its standards, the monitoring and the enforcement of  
21 its standards.

22           I would also say that I was quite impressed by the candor and the

1 commitment of the leadership and I will say I was stunned that the Board was to use  
2 Paul's words "asleep" or "unaware" until just recently which would suggest that whether  
3 the Agency was aware of the situation it was in the students who were being affected, the  
4 institutions that were acting improperly -- whether there was certain staff who might have  
5 known that it is certainly clear that the Board was operating under a very different set of  
6 assumptions and as a consequence decisions were being made or not made that were  
7 problematic.

8           As much as I would like to put my faith in the leadership and I think there  
9 would be reason to do that I would like to cite an example of a single institution that  
10 came before my Commission which misrepresented admissions criteria and  
11 misrepresented whether or not their medical degree would be accepted in the U.S.  
12 Students spent years only to come to the U.S. and find that that degree was not accepted  
13 and the Commission was debating and the question was what would it take to terminate  
14 accreditation of an institution if it wasn't fraud to students?

15           And my question is, what would it take to revoke the recognition of an  
16 accrediting agency if it were not multiple instances of misrepresentation and fraud that  
17 affect thousands of students? Not all by any means -- the 800,000.

18           So it is not just I that would say that I am torn and like to give hope I will  
19 move for the revocation of recognition on the basis that this Agency failed to act in an  
20 appropriate and timely manner and that the leadership as committed as it may be has only  
21 recently been installed with the directives only in the last couple of months when this  
22 situation has certainly been in the public arena for much longer than the Agency took

1 awareness of.

2 I can go back to the 2011 -- I don't feel that the Agency was put on notice.  
3 I will say of the seriousness that we now have before us in 2011 I can't speak there was  
4 no record other than a letter from 2013 so I can't say that it didn't -- from the  
5 Department's standpoint that the notice came from the 2011 action but I would say that  
6 one could not ignore multiple findings from courts, from Attorney Generals, from public  
7 media, from statements of students, from complaints and the variety of data flow that  
8 came from multiple sources to this Commission that were not acted upon.

9 So it is with a very serious heart that I at least put this motion on the floor  
10 so that we can discuss it and to determine whether as a group we determine that is the  
11 appropriate action to take, thank you.

12 MS. PHILLIPS: Okay the Motion has been made and seconded.  
13 Opportunity for discussion I'm going to pick up my speaking order which is Bobbie if  
14 you would like to speak now and then Frank.

15 MS. DERLIN: I was just going to ask if we were going to get a Motion on  
16 the floor and we have.

17 MS. PHILLIPS: Okay thank you, Frank?

18 MR. WU: I have two questions probably mainly for Sally but also for  
19 other staff. The first question is if we assume this Motion passes and the reason I am  
20 assuming that is I think it will help people understand if they understand the  
21 consequences. Could you just explain what happens next both in terms of what happens  
22 with this decision within the Department and what would happen with the institutions and

1 with the students, just describe what does the world look like for the next year if we vote  
2 in favor of this, that's the first.

3 And the second is could this Agency come back in a year -- so let's say  
4 they have ample reserves, let's say that the Department sustains the staff  
5 recommendation, to seek the recommendation, the recommendation is withdrawn and  
6 let's say the Agency decided we are going to use the millions of dollars we have to  
7 reform ourselves and present ourselves as brand new.

8 Could they come back? I'm just wondering. So if you could just describe  
9 what does the world look like for the next year and might it involve resurrection or is this  
10 it?

11 MS. MORGAN: As most of you know well first of all there would be a  
12 decision by the senior Department official within 90 days. Then if the Agency appeals  
13 there's no particular limit on the time when the Secretary would decide that -- the appeal.  
14 If the final decision of the Department either at the SDO level if there was no appeal or at  
15 the level of the Secretary if there was, if the final decision of the Department was to  
16 withdraw recognition -- from that date institutions would have 18 months to find another  
17 recognized accreditor.

18 They would be put on provisional certification with the Department.  
19 Complicating it a little bit is that some states I believe have required -- premise state  
20 authorization on being accredited by an institution recognized by the Secretary of that  
21 agency.

22 So in those states the loss of participation would be much quicker. It

1 would not -- it would be immediate unless the state -- immediate upon the final decision  
2 of the Department unless the state changed those laws. So that's that part.

3 As far as -- I'm going to let Herman talk about scheduling and such but as  
4 far -- there would be no bar against the Agency coming back and reapplying and there's  
5 just a timing issue of how fast they could put together a Petition and when it could be  
6 scheduled so I will turn it over to you.

7 MR. WU: Before that just one follow-up. In cases like this I assume the  
8 Agency after exhausting the remedies within the Department could file suit in federal  
9 court?

10 MS. MORGAN: They certainly could and if the court were to enter a  
11 preliminary injunction for example recognition would stay in place unless the judge was  
12 to lift it.

13 MR. BOUNDS: I was just going to add Sally is right the Agency could  
14 come back in two years and apply for recognition at that time, they would be considered  
15 a new Agency you know, brand new and we would look at their 2 years of accrediting  
16 experience just like they had if they had not been here before.

17 MR. WU: And just to clarify something that I think was already said. In  
18 no way would this decision even if it became final drive this entity into bankruptcy.  
19 They could do all sorts of other things, they could actually continue to do what they do  
20 just not as a Title 4 federally authorized gate-keeper.

21 MS. MORGAN: It wouldn't necessarily do so it depends on how many of  
22 their institutions rely on them solely for Title 4 access to Title 4 that could put them in a

1 bad financial situation.

2 MR. WU: Right but they were performing a valuable peer review service  
3 it is conceivable or overseas there are people who pay for this even if it is not a Title 4  
4 gate-keeper?

5 MS. MORGAN: Absolutely.

6 MS. PHILLIPS: Continuing discussion on the Motion at hand, yes?

7 MR. WOLFF: Sally just to also add could you go through the appeal  
8 process is there one level, two levels or appeal just go through that before. What does it  
9 take for a decision to become final?

10 MS. MORGAN: There's one step I forgot to mention it is within 10 days  
11 of NACIQI's decision the Agency could file comments with the senior Department  
12 official, written comments commenting on your recommendation. Within 90 days of the  
13 meeting the senior Department official or it could be sooner but not later, the senior  
14 Department official makes the decision and that decision is final unless within 10 days of  
15 that particular decision the Agency files a Notice of Appeal.

16 And then if they do file the Notice of Appeal within 30 days of the Notice  
17 of the SDO's decision the Agency would file a brief and supporting exhibits which are  
18 limited to the administrative record. And then the Department would have well the lower  
19 parts of the Department the office of Post-Secondary Education would file a brief in  
20 response so it is a 60 day briefing process.

21 And then it would be submitted to the Secretary and as I said there is no  
22 particular deadline on the Secretary making a decision.

1                   MR. WU: One last procedural question -- and it's just a question it  
2 doesn't imply anything whatsoever about my view of partisan politics. What if for some  
3 reason there were a change of administration that occurred?

4                   MS. MORGAN: If the matter had been decided before there was a change  
5 of administration you know the matter is decided. If the matter hadn't been decided the  
6 new Secretary would have to decide it.

7                   MS. PHILLIPS: Other procedural questions for Sally?

8                   MR. STAPLES: Just one question I can't recall what the instance was  
9 around the decision that took 2 years but was that 90 day decision that took 2 years? Oh  
10 it was not, so what happens if there is no decision in 90 days?

11                  MS. MORGAN: Nothing in particular but I believe that our senior  
12 Department officials and keep in mind the 90 day requirement has only been in place  
13 since about I guess 2010, 2010 is when -- but the 2 year period probably was an appeal to  
14 the Secretary so the 90 days was met but then the Secretary let it sit.

15                  MR. STAPLES: Okay thank you.

16                  MS. PHILLIPS: Continuing discussion on the Motion that is on the floor  
17 Art?

18                  MR. KEISER: Madame Chair I would like to speak against the Motion.  
19 It's a very severe Motion and a very severe action and Frank this is not about  
20 unfortunately the Agency this is about 250 schools and again the numbers of students  
21 have been varied from 250,000 students to 800,000 students but I don't know which one  
22 it is but this is what we are talking about it has nothing to do really. The Agency is the

1 Agency and whether it continues or not is not of concern to me.

2           It is the issue of the havoc this will place in the higher education  
3 community. The regional accreditors will be not playing in this train-out. I have been  
4 involved in a lot of train-outs and train-outs are very difficult and you could easily  
5 identify 50 to 60% of the schools and not be able to get a new accreditation in the 18  
6 months.

7           That would mean that each one of those schools would close or most  
8 probably close which would cost the taxpayers billions and billions of dollars as the  
9 students have a right to challenge you know, go to the Department and say I want my  
10 money back because it is a closed school situation.

11           The other agencies will be hard pressed to take any of the schools because  
12 it will be in a rush environment and it will be a very difficult process to bring schools into  
13 a different culture, different accrediting rules where they have been in some cases for 50,  
14 60 years.

15           So it is a serious decision that we make that will have dramatic impact.  
16 There are a couple of things that really stand out to me, one when the staff talks about the  
17 people they say they are good people, they are educated people, they are qualified people  
18 and they could probably do a lot of good work.

19           When they talk about the standards of the Agency they are good standards,  
20 the standards meet the requirements and they have you know especially the new  
21 initiatives they have demonstrated a commitment to meet the requirement. In the areas of  
22 trust the big question that came out in trust was the issue of whether the Agency had

1 made promises that were not kept and frankly the last conversation I did not hear that that  
2 was an issue anymore as the fact that the promises were not made but from what I could  
3 tell what representations were made were kept, whether it be through a third party  
4 validation or internal validation.

5           We do not have a standard that speaks on the verification process or for  
6 that matter even placement. The institutions are the ones that have the problems not the  
7 accrediting agencies. The institutions are the ones that had the allegations and I am going  
8 to consistency defend the fact that we do not hold people accountable for allegations, we  
9 inspect, we discuss but most of these things have been based on allegations. The only  
10 Attorney General decision that I am aware of is in California where the Attorney General  
11 went to court and Corinthian was not there because they went bankrupt and they had no  
12 representation and there was no defense and the judge issued a summary judgment.

13           So it's very frustrating to hear that because of institutions like Corinthian  
14 which the Department allowed to be broken up and sold this Agency is going to take it on  
15 the chin. I don't believe that is correct. The impact is too much, the number of the  
16 ability to come into compliance is I think doable and since it is going to take because it  
17 will be in the courts for years it certainly makes a whole lot of understanding to help this  
18 institution bring it into compliance rather than to affect so many students like the young  
19 lady yesterday with Pacifica College who felt her whole world has crashed because the  
20 institution lost its accreditations.

21           This is very serious business to very serious and important kids like some  
22 of the students that we saw today from ITT.

1 MS. PHILLIPS: Thank you I have Cam?

2 MR. STAPLES: Thank you Susan. I agree with Art. It is about the  
3 students and I think that is our responsibility it doesn't really matter in the larger scheme  
4 of things, obviously to the individuals of the agency it matters but the real issue for us is  
5 not the Agency I don't think it is the institutions and it's the students.

6 And we are in an unfortunate circumstance where either action that we  
7 take puts students in jeopardy. If we withdraw their recognition a lot of students who are  
8 getting a good education have to find other locations. But if we do nothing in the face of  
9 an agency that I think has a fairly clear track record of not pursuing -- not just Corinthian  
10 but several circumstances of significant concerns, allegations and they are allegations but  
11 there was no effort in any substantial way by the Agency to investigate whether those  
12 allegations related to their standards and violated their standards.

13 And if it one thing for the Attorney General's Office to negotiate a  
14 settlement where they can't prove wrongdoing but it is another circumstance for the  
15 Agency not to look at that record and say wrongdoing aside is there a quality education  
16 that is occurring here, are there violations of our standards?

17 To cite the gentlemen from the Maryland Attorney's General Office you  
18 don't pay 100 million dollars if you have done everything exactly right. That's a fair  
19 statement and I think the lack of diligence on the part of this Agency, consistently, not  
20 just in one instance but in several instances substantially jeopardized the rights of the  
21 students at the institutions effected.

22 So the choice for us is do we take an action because there are a lot of

1 students that are at great risk of an agency that is not diligent in pursuing whether there is  
2 fraud occurring or do we take an action that will have an awful lot of other students have  
3 to find an alternative educational experience and I think it is a tough choice but I am on  
4 the side of the Motion I speak in favor of it.

5 I think we really have no choice based on the history and the evidence  
6 before us.

7 MS. PHILLIPS: Other discussion of the Motion at hand, Hank?

8 MR. BROWN: I'm one as I look at this find that the accreditor has fallen  
9 short of what we had hoped for and in some areas very seriously short. The Department  
10 has some outstanding attorneys, we have been blessed with fine legal advice here and I  
11 know the Department itself has some outstanding attorneys to I won't presume to be their  
12 equal in terms of legal advice on how you handle this.

13 But I have had a little experience in a variety of areas. To me the  
14 underlying problem is that we have adopted the fox guarding the chicken house structure  
15 for accreditation. We shouldn't be surprised that accreditors have difficulty disciplining  
16 their own people.

17 And any of you who are surprised at that I think you have some interesting  
18 years ahead of you. My own sense is that while this accreditor has fallen seriously short  
19 in a number of areas that those problems exist throughout accreditation under most of the  
20 people that we approve and if you look at the standards that are in place our staff tells us  
21 that those are good.

22 If you look at the benchmarks that we look at I think you will find that

1 many accrediting agencies don't do as well with the people they accredit in terms of the  
2 benchmarks as the case that is before us. My guess is when this is litigated and I suspect  
3 it would be that the Agency could very well point out that they have a better record in  
4 many respects than other people who have been approved by us, some of whom who  
5 have been given a time to remedy their problems.

6 My impression of what the courts will do under those circumstances is ask  
7 the question is have they been treated as other people have been treated or if they have  
8 been singled out for special treatment that others who had serious problems were not  
9 treated that way.

10 So at least in terms of our responsibility to advise the Department my  
11 advice to the Department would be to take strong action but to build a record in a case  
12 that is defensible in court. Having a practice of giving people a time to remedy their  
13 short-comings I'm not sure is the best practice -- I don't think it is the best practice but it  
14 is what we have done and my sense is that by taking the precipitous action you have left  
15 yourself a record that can be overturned and my sense about it is that you need to follow  
16 the precedents you have set with others as you go through this.

17 MS. PHILLIPS: Thank you I have Federico?

18 MR. ZARAGOZA: I want to commend staff for their report, for their  
19 competence and for their courage in terms of all of these issues that have evolved. They  
20 have been very respectful but at the end of the day they made a very difficult  
21 recommendation and I could sense that. But I think the evidence was there. I also want  
22 to recall kind of the testimony we heard from the 800 veterans who were caught up in this

1 and that and their situation.

2           So there are a lot of students that are being hurt now. It was clear at least  
3 from my perspective that there was a lot of sincerity and really I too was impressed with  
4 the corrective action and the plans and progress that's been made. But I was very  
5 uncomfortable not having had verification that they were not going to be downsized, they  
6 have already spoken about a 1 million dollar induction to capacity to me was an issue.

7           So even when they were talking about all of these new advisory  
8 committees and sustaining the work that they were already doing the evidence just wasn't  
9 there. So again from my perspective I don't think I've got much of a choice to make, I  
10 think that the staff has made the recommendation, I think the evidence is before us and I  
11 think we need to go on with the Motion.

12           MS. PHILLIPS: I have Kathleen and Anne.

13           MS. ALIOTO: I sympathize with Hank's statement and understand how  
14 tricky accreditation is and how difficult it is to do a good job and to help institutions  
15 improve and meet the standards. I do not think that ACICS has done that. I think that  
16 they as a gate-keeper of 4.76 billion dollars that they have not taken their responsibilities  
17 seriously and the fact that they were startled by Mr. Porcelli's analysis in April of this  
18 year and not before that to me is an appalling indication of a lack of commitment to the  
19 800,000 students that they are supposed to be serving.

20           So I with pain because I know that this is going to disrupt human lives but  
21 I think hopefully in the long run that this vote of this Committee will send out a signal to  
22 accreditors to take seriously the fact that they are there to help institutions. They are

1 there to help institutions to meet these standards, the standards are very difficult and  
2 when you have students who are poor and impoverished, there are huge challenges there  
3 in helping those people succeed.

4 But we have you Hank and we have Paul and we have Dr. Keiser  
5 managing to do that with students and it can be done and I would hope that other  
6 accreditation agencies will continue to do that and will improve on what they are already  
7 doing.

8 MS. PHILLIPS: Thank you Anne.

9 MS. NEAL: Paul and I have been agreeing here over here the last few  
10 days but no matter what we will leave this room angry and unhappy. And I must say it is  
11 an excruciating decision to be made and I have for many years been asked to determine  
12 whether or not an accreditor is a reliable grantor of educational quality and I will say that  
13 generally I do not give accreditors any benefit of the doubt.

14 I think that this accrediting body deserves a serious sanction and the  
15 strongest message we can but I must confess I am not prepared to vote for the denial  
16 because of serious questions about the integrity of the process, unsupported allegations of  
17 guilt and a lack of confidence that this is a consistent application of standards which I  
18 think we have to do as a body if we want to rightfully engender the public confidence.

19 I think shutting down this accreditor would in many respects satisfy our  
20 desire to see action taken and to see improvement in an area that we know desperately  
21 needs improvement but I think in doing so we would really wrongly suggest that this is  
22 the way to make a difference, this is the way to improve accreditation when in fact I think

1 the problems are not just of an individual accreditor.

2           They are structural problems they are problems that insist on quality  
3 improvement as well as enforcement. Those two things do not go together. It's a system  
4 that has a different standard for profits than it does for regionals and I think I am faced  
5 with a decision that any way you look at it as unsatisfying but in this case I would err on  
6 the side of giving the benefit of the doubt to the accreditors because of the various  
7 problems that I see.

8           MS. PHILLIPS: Further discussion on the motion, Simon?

9           MR. BOEHME: Thank you Madame Chair the question that my  
10 colleague Art brings up claims is certainly something that when you read through the  
11 articles in the media, the materials that we have been provided it and I know it is on all of  
12 your minds as well as what happens to these thousands of students and it is scary.

13           And we are entering into a great unknown but something that I have  
14 firmly believed since I joined this Committee and I also try to be very consistent and I  
15 appreciate all of your patience and all of you teaching me but you know I firmly believe  
16 that students have gotten the short stick in our current climate.

17           And I think Hank brings up an excellent point, Cam and Ralph and Art  
18 that ACICS is not the only organization that does it. I think of UNC one of the public  
19 universities and for as well as its 16 years they ran a program within one of their  
20 departments handing out -- cheating was rampant and you know there are so many issues.

21           But ultimately for me Ralph's comment when fraud is involved where is  
22 the line drawn in the sand? And you know I don't want to support this motion because I

1 worry very much about students and I feel as the student member I have an obligation  
2 almost to even though I think ACICS is not so great and from my line of questioning I  
3 respect them and I appreciate what they are doing. I think they are heading in the right  
4 direction but it is too late.

5           And I have always been a big proponent and pushing this Committee to  
6 take a bold step and to send a message to the accreditation community that enough is  
7 enough and so I hope that Anne is wrong that this process was you know filled with  
8 integrity and the Department head and senior official will you know, as Madame Chair  
9 pointed out, they will look through all of these materials and I bet you they will because  
10 this is a huge decision but ultimately I do have to -- I will support the Motion and I think  
11 it is time as a Committee we take these steps necessary to start putting accreditation to  
12 make it more responsive for students and consumers.

13           MS. PHILLIPS: If there are no further points of discussion for this I will  
14 call a question. We will do this by a raise of hands those in favor of the Motion -- the  
15 Motion was to deny not necessarily to keep the staff report but to deny the  
16 recommendation. Those in favor of the Motion on the screen --10 those opposed --3 the  
17 motion carries. **“NACIQI RECOMMENDATION.”** That concludes our business for  
18 the agency review today. Thank you all for your indulgence in a very fulsome discussion  
19 a very difficult discussion.

20           Basically this has taken a bit of a different path in our schedule than we  
21 had imagined and so I want to give you a bit of information about what is going to  
22 happen tomorrow. If members have no objection then we will take up tomorrow the

1 health group ABHES, the veterinary group AVA, the theological group, HES. We may --  
2 will certainly do those.

3 We do have some issues I expect to run into some issues of losing the  
4 quorum. If we don't we will continue with North West and TEAC. The remaining  
5 agencies we will need to take at a later time via a telephonic meeting which we will  
6 announce via the Federal Register and the NACIQI website. Federico?

7 MR. ZARAGOZA: Madame Chair is there any procedural way that we  
8 could accelerate some of those that have no issues and that otherwise have got a consent  
9 agenda?

10 MS. PHILLIPS: I have been exploring that for the last let's see 12 hours  
11 and the answer unfortunately at this point is no. So otherwise if you have no objections  
12 we will proceed on that route tomorrow get as far as we can and do the remainder on a  
13 telephonic call. With that I want to conclude our conversation today, see you tomorrow  
14 morning at 8:30 and wish you a good evening and thank you for your indulgence and  
15 hard work today.

16 (Whereupon the meeting was adjourned at 7:36 p.m. to reconvene at 8:30 a.m., June 24,  
17 2016)